



FORM 10-K

FEDERAL SIGNAL CORP /DE/ - fss

Filed: February 27, 2009 (period: December 31, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

Commission File Number 1-6003

FEDERAL SIGNAL CORPORATION

(Exact name of the Company as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*
1415 West 22nd Street,
Oak Brook, Illinois
(Address of principal executive offices)

36-1063330
*(I.R.S. Employer
Identification No.)*
60523
(Zip Code)

The Company's telephone number, including area code
(630) 954-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$1.00 per share, with preferred share purchase rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark if the registrant is a shell company, in Rule 12b-2 of the Exchange Act. Yes No

State the aggregate market value of voting stock held by nonaffiliates of the Company as of June 30, 2008: Common stock, \$1.00 par value — \$554,199,456

Indicate the number of shares outstanding of each of the Company's classes of common stock, as of January 31, 2009: Common stock, \$1.00 par value — 47,371,122 shares

Documents Incorporated By Reference

Portions of the definitive proxy statement for the 2009 Annual Meeting of Shareholders are incorporated by reference in Part III.

FEDERAL SIGNAL CORPORATION
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This Form 10-K and other reports filed by Federal Signal Corporation and subsidiaries (“the Company”) with the Securities and Exchange Commission and comments made by management may contain the words such as “may,” “will,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “project,” “estimate” and “objective” or the negative thereof or similar terminology concerning the Company’s future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning the Company’s possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different.

These risks and uncertainties, some of which are beyond the Company’s control, include the cyclical nature of the Company’s industrial, municipal, government and commercial markets, availability of credit and third-party financing for customers, volatility in securities trading markets, economic downturns, risks associated with suppliers, dealer and other partner alliances, changes in cost competitiveness including those resulting from foreign currency movements, technological advances by competitors, increased warranty and product liability expenses, compliance with environmental and safety regulations, restrictive debt covenants, disruptions in the supply of parts or components from sole source suppliers and subcontractors, retention of key employees and general changes in the competitive environment. These risks and uncertainties include, but are not limited to, the risk factors described under Item 1A, “Risk Factors,” in this Form 10-K. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Company operates in a continually changing business environment and new factors emerge from time to time. The Company cannot predict such factors nor can it assess the impact, if any, of such factors on its financial position or results of operations. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results. The Company disclaims any responsibility to update any forward-looking statement provided in this Form 10-K.

PART I

Item 1. Business.

Federal Signal Corporation, founded in 1901, was reincorporated as a Delaware Corporation in 1969. The Company designs and manufactures a suite of products and integrated solutions for municipal, governmental, industrial and commercial customers. Federal Signal's portfolio of products includes safety and security systems, vacuum loader vehicles, street sweepers, truck mounted aerial platforms and waterblasters. Federal Signal Corporation and its subsidiaries (referred to collectively as "the Company" or "Company" herein, unless context otherwise indicates) operates manufacturing facilities in 21 plants in 9 countries around the world serving customers in approximately 100 countries in all regions of the world.

Narrative Description of Business

Products manufactured and services rendered by the Company are divided into three major operating segments: Safety and Security Systems, Fire Rescue and Environmental Solutions. The individual operating companies are organized as such because they share certain characteristics, including technology, marketing, distribution and product application, which create long-term synergies.

Financial information (net sales, operating income, depreciation and amortization, capital expenditures and identifiable assets) concerning the Company's three operating segments as of, and for each of the three years in the period ended, December 31, 2008 are included in Note 15 to the Consolidated Financial Statements included under Item 8 of Part II of this Form 10-K, incorporated herein by reference. Information regarding the Company's discontinued operations is included in Note 12 to the Consolidated Financial Statements included under item 8 of Part II of this Form 10-K, incorporated herein by reference.

Safety and Security Systems Group

Federal Signal Corporation's Safety and Security Systems Group designs, manufactures and deploys comprehensive safety and security systems and products that help law enforcement, fire/rescue and EMS, emergency operations and industrial plant/facility first responders protect people, property and the environment.

Offerings include systems for automated license plate recognition, campus and community alerting, emergency vehicles, first responder interoperable communications, industrial communications and command, municipal networked security and parking revenue and access control for municipal, governmental and industrial applications. Specific products include access control devices, lightbars and sirens, public warning sirens, public safety software and automated license plate recognition cameras.

Products are sold under the Federal Signal, Federal Signal VAMA, Federal APD, Pauluhn, PIPS, Target Tech and Victor brand names. The group operates manufacturing facilities in North America, Europe and South Africa. Many of the group's products are designed in accordance with various regulatory codes and standards and meet agency approvals such as Underwriters Laboratory (UL), International Electrotechnical Commission (IEC) and American Bureau of Shipping (ABS).

Fire Rescue Group

The Fire Rescue Group is the world leader in designing and manufacturing sophisticated, vehicle-mounted, aerial platforms for fire fighting, rescue, electric utility and industrial uses. End customers include fire departments, industrial fire services, electric utilities, maintenance rental companies for applications such as fire fighting and rescue, transmission line maintenance, and installation and maintenance of wind turbines. The group's telescopic/articulated aerial platforms are designed in accordance with various regulatory codes and standards, such as European Norms (EN), National Fire Protection Association (NFPA) and American National Standards Institute (ANSI). In addition to equipment sales, the group sells parts, service and training as part of a complete offering to its customer base. The group manufactures in Finland and sells globally under the Bronto Skylift brand name.

Segment results have been restated for all periods presented to exclude the operations of the group's E-ONE business which were reclassified as discontinued operations and sold in 2008.

Environmental Solutions Group

The Environmental Solutions Group manufactures and markets worldwide a full range of street cleaning and vacuum loader vehicles and high-performance water blasting equipment. Products are also manufactured for the newer markets of hydro-excavation, glycol recovery and surface cleaning. Products are sold under the Elgin, RAVO, Vactor, Guzzler and Jetstream brand names. The group manufactures its vehicles and equipment in the United States and Europe.

Under the Elgin brand name, the Company sells the leading U.S. brand of street sweepers primarily designed for large-scale cleaning of curbed streets, parking lots and other paved surfaces utilizing mechanical sweeping, vacuum and recirculating air technology for cleaning. RAVO is a market leader in Europe for high-quality, compact and self-propelled sweepers that utilize vacuum technology for pick-up.

Vactor is a leading manufacturer of municipal combination catch basin/sewer cleaning vacuum trucks. Guzzler is a leader in industrial vacuum loaders that clean up industrial waste or recover and recycle valuable raw materials. Jetstream manufactures high pressure water blast equipment and accessories for commercial and industrial cleaning and maintenance operations. In addition to equipment sales, the group is increasingly engaged in the sale of parts and tooling, service and repair, equipment rentals and training as part of a complete offering to its customer base.

Tool Group

In 2008, the Company sold the remaining businesses within the Tool Group, referred to collectively as “Die and Mold Operations”. The results of the Die and Mold Operations are reported within discontinued operations for all periods presented.

Financial Services

The Company ceased entering into new financial services activities in 2008 and sold 92% of its municipal lease portfolio. The operations and gain upon sale are reported within discontinued operations. At December 31, 2008, the remaining leases and floor plan receivable balances, net of reserves, of \$5.6 million were included on the balance sheet as Assets of Discontinued Operations.

Marketing and Distribution

The Safety and Security Systems Group companies sell to industrial customers through approximately 2,000 wholesalers/distributors who are supported by Company sales personnel and/or independent manufacturers’ representatives. Products are also sold to municipal and governmental customers through more than 900 active independent distributors as well as through original equipment manufacturers and direct sales. International sales are made through the group’s independent foreign distributors or on a direct basis. The Company also sells comprehensive integrated warning, interoperable communications and parking systems through a combination of a direct sales force and distributors.

Fire Rescue and Environmental Solutions use dealer networks and direct sales to service customers generally depending on the type and location of the customer. The Environmental Solutions direct sales channel concentrates on the industrial, utility and construction market segments while the dealer networks focus primarily on the municipal markets. The Company believes its national and global dealer networks for vehicles distinguishes it from its competitors. Dealer representatives demonstrate the vehicles’ functionality and capability to customers and service the vehicles on a timely basis.

Customers and Backlog

Approximately 29%, 25% and 46% of the Company’s total 2008 orders were to U.S. municipal and government customers, U.S. commercial and industrial customers, and non-U.S. customers, respectively. No single customer accounted for 10% or more of the Company’s business.

The Company’s U.S. municipal and government customers depend on tax revenues to support spending. A sluggish industrial economy, therefore, will eventually impact a municipality’s revenue base as tax receipts decline

due to higher levels of unemployment and declining profits. Additionally, a decline in housing prices may yield lower property tax receipts. During 2008, the Company's U.S. municipal and government orders declined 12% from 2007, compared to a 5% increase in these orders in 2007 compared to 2006.

Orders to the U.S. commercial and industrial segment relate to the energy industries, principally oil and gas production and coal mining, to industrial contractors and rental companies and to parking operators.

Roughly 70% of orders to non-U.S. customers flow to municipalities and governments while 30% flow to industrial and commercial customers. The municipal and government segment is essentially similar to the U.S. in that it is largely dependent on tax revenues to support spending. Of the non-U.S. orders, the Company typically sells approximately 50% of its products into Europe, 15% into the Middle East and Africa, and less than 10% in any other particular region.

The Company's backlog totaled \$301 million at December 31, 2008, which averages to nearly four months of shipments overall. Backlogs vary by group due to the nature of the Company's products and buying patterns of its customers. Safety and Security Systems typically maintains an average backlog of two months of shipments, Environmental Solutions three to four months of shipments and Fire Rescue normally six months of shipments.

Suppliers

The Company purchases a wide variety of raw materials from around the world for use in the manufacture of its products, although the majority of current purchases are from North American sources. To minimize availability, price and quality risk, the Company is party to numerous strategic supplier arrangements. Although certain materials are obtained from either a single-source supplier or a limited number of suppliers, the Company has identified alternative sources to minimize the interruption to its business in the event of supply problems.

Components critical to the production of the Company's vehicles, such as engines and hydraulic systems, are purchased from a select number of suppliers. The Company also purchases raw and fabricated steel as well as commercial chassis with certain specifications from a few sources.

The Company believes it has adequate supplies or sources of availability of the raw materials and components necessary to meet its needs. However, there are risks and uncertainties with respect to the supply of certain of these raw materials that could impact their price, quality and availability in sufficient quantities.

Competition

Within specific product categories and domestic markets, the Safety and Security Systems Group companies are among the leaders with three to four strong competitors and several additional ancillary market participants. The group's international market position varies from leader to ancillary participant depending on the geographic region and product line. Generally, competition is intense with all of the group's products, and purchase decisions are made based on competitive bidding, price, reputation, performance and servicing.

Within the Fire Rescue Group, Bronto Skylift is established as the global leader for aerial platforms used in fire fighting, rescue and industrial markets. Competitor offerings can include trailer mounted articulated aerials and traditional fire trucks with ladders. Bronto competes on product performance where it holds technological advantages in its designs, materials and production processes.

Within the Environmental Solutions Group, Elgin is recognized as the market leader among several domestic sweeper competitors and differentiates itself primarily on product performance. RAVO, the Company's Dutch compact sweeper manufacturer, also competes on product performance through its vacuum technology and successfully leads in market share for mid-sized sweepers among several regional European manufacturers. Vactor and Guzzler both maintain the leading domestic position in their respective marketplaces by enhancing product performance with leading technology and application flexibility. Jetstream is a market leader in the in-plant cleaning segment of the U.S. waterblast industry competing on product performance and rapid delivery.

Research and Development

The information concerning the Company's research and development activities included in Note 15 of the Consolidated Financial Statements included under Item 8 of Part II of this Form 10-K is incorporated herein by reference.

Patents and Trademarks

The Company owns a number of patents and possesses rights under others to which it attaches importance, but does not believe that its business as a whole is materially dependent upon any such patents or rights. The Company also owns a number of trademarks that it believes are important in connection with the identification of its products and associated goodwill with customers, but no material part of the Company's business is dependent on such trademarks.

Employees

The Company employed over 3,300 people in ongoing businesses at the close of 2008. Approximately 32% of the Company's domestic hourly workers were unionized at December 31, 2008. The Company believes relations with its employees continue to be good.

Governmental Regulation of the Environment

The Company believes it substantially complies with federal, state and local provisions that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment. Capital expenditures in 2008 attributable to compliance with such laws were not material. The Company believes that the overall impact of compliance with environmental regulations will not have a material effect on its future operations.

Seasonality

Certain of the Company's businesses are susceptible to the influences of seasonal buying or delivery patterns. The Company's businesses which tend to have lower sales in the first calendar quarter compared to other quarters as a result of these influences are street sweeping, fire rescue products, outdoor warning, emergency signaling products and parking systems.

Additional Information

The Company makes its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, other reports and information filed with the SEC and amendments to those reports available, free of charge, through its Internet website (<http://www.federalsignal.com>) as soon as reasonably practical after it electronically files or furnishes such materials to the SEC. Additionally, the Company makes its proxy statement and its Annual Report to stockholders available at the same internet website (<http://www.federalsignal.com>), free of charge, when sent to stockholders prior to the meeting date. All of the Company's filings may be read or copied at the SEC's Public Reference Room at 100 F. Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Item 1A. Risk Factors.

We may occasionally make forward-looking statements and estimates such as forecasts and projections of our future performance or statements of our plans and objectives. These forward-looking statements may be contained in, among other things, filings with the Securities and Exchange Commission, including this Annual Report on Form 10-K, press releases made by us and in oral statements made by our officers. Actual results could differ materially from those contained in such forward-looking statements. Important factors that could cause our actual

results to differ from those contained in such forward-looking statements include, among other things, the risks described below.

The execution of our growth strategy is dependent upon the continued availability of credit and third-party financing arrangements for our customers.

The recent economic downturn has resulted in tighter credit markets, which could adversely affect our customers' ability to secure the financing necessary to proceed or continue with purchases of our products and services. Our customers' or potential customers' inability to secure financing for projects could result in the delay, cancellation or down-sizing of new purchases or the suspension of purchases already under contract, which could cause a decline in the demand for our products and services and negatively impact our revenues and earnings.

We rely on access to financial markets to finance a portion of our working capital requirements and support our liquidity needs. Access to these markets may be adversely affected by factors beyond our control, including turmoil in the financial services industry, volatility in securities trading markets and general economic downturns.

We draw upon our revolving credit facility and our operating cash flow to fund working capital needs, capital expenditures, strategic acquisitions, pension contributions, debt repayments, share repurchases and dividends. Market disruptions such as those currently being experienced in the U.S. and abroad have materially impacted liquidity in the credit and debt markets, making financing terms for borrowers less attractive and in certain cases have resulted in the unavailability of certain types of financing. Continued uncertainty in the financial markets may negatively impact our ability to access additional financing or to refinance our existing credit facility or existing debt arrangements on favorable terms or at all, which could negatively affect our ability to fund current and future operations as well as future acquisitions and development. These disruptions may include turmoil in the financial services industry, unprecedented volatility in the markets where our outstanding securities trade, and general economic downturns in the areas where we do business. If we are unable to access monies at competitive rates, or if our short-term or long-term borrowings costs dramatically increase, our ability to finance our operations, meet our short-term obligations and implement our operating strategy could be adversely affected.

Our financial results are subject to considerable cyclicality.

Our ability to be profitable depends heavily on varying conditions in the United States government and municipal markets and the overall United States economy. The industrial markets in which we compete are subject to considerable cyclicality, and move in response to cycles in the overall business environment. Many of our customers are municipal governmental agencies, and as such, we are dependent on municipal government spending. Spending by our municipal customers can be affected by local political circumstances, budgetary constraints, and other factors. The United States government and municipalities depend heavily on tax revenues as a source of their spending and, accordingly, there is a historical correlation, of a one or two year lag between the overall strength of the United States economy and our sales to the United States government and municipalities. Therefore, downturns in the United States economy are likely to result in decreases in demand for our products. During previous economic downturns, we experienced decreases in sales and profitability, and we expect our business to remain subject to similar economic fluctuations in the future.

The inability to obtain raw materials, component parts, and/or finished goods in a timely and cost-effective manner from suppliers would adversely affect our ability to manufacture and market our products.

We purchase raw materials and component parts from suppliers to be used in the manufacturing of our products. In addition, we purchase certain finished goods from suppliers. Changes in our relationships with suppliers or increases in the costs of purchased raw materials, component parts or finished goods could result in manufacturing interruptions, delays, inefficiencies or our inability to market products. In addition, our profit margins would decrease if prices of purchased raw materials, component parts or finished goods increase and we are unable to pass on those increases to our customers.

We operate in highly competitive markets.

The markets in which we operate are highly competitive. The intensity of this competition, which is expected to continue, can result in price discounting and margin pressures throughout the industry and adversely affects our ability to increase or maintain prices for our products. In addition, certain of our competitors may have lower overall labor or material costs.

We have international operations that are subject to foreign economic and political uncertainties.

Our business is subject to fluctuations in demand and changing international economic and political conditions which are beyond our control. During 2008, approximately 43% of our sales were to customers outside the United States; with approximately 32% of sales being supplied from our overseas operations. We expect a significant and increasing portion of our revenues and profits to come from international sales for the foreseeable future. Operating in the international marketplace exposes us to a number of risks, including abrupt changes in foreign government policies and regulations and, in some cases, international hostilities. To the extent that our international operations are affected by unexpected and adverse foreign economic and political conditions, we may experience project disruptions and losses which could significantly reduce our revenues and profits.

Some of our contracts are denominated in foreign currencies, which result in additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Although currency exposure is hedged in the short term, over the longer term changes in the value of foreign currencies could increase our U.S. dollar costs for, or reduce our U.S. dollar revenues from, our foreign operations. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect our profits.

Failure to keep pace with technological developments may adversely affect our operations.

We are engaged in an industry which will be affected by future technological developments. The introduction of products or processes utilizing new technologies could render our existing products or processes obsolete or unmarketable. Our success will depend upon our ability to develop and introduce on a timely and cost-effective basis new products, processes and applications that keep pace with technological developments and address increasingly sophisticated customer requirements. We may not be successful in identifying, developing and marketing new products, applications and processes and product or process enhancements. We may experience difficulties that could delay or prevent the successful development, introduction and marketing of product or process enhancements or new products, applications or processes. Our products, applications or processes may not adequately meet the requirements of the marketplace and achieve market acceptance. Our business, operating results and financial condition could be materially and adversely affected if we were to incur delays in developing new products, applications or processes or product or process enhancements or if our products do not gain market acceptance.

Our ability to operate effectively could be impaired if we fail to attract and retain key personnel.

Our ability to operate our businesses and implement our strategies depends, in part, on the efforts of our executive officers and other key employees. In addition, our future success will depend on, among other factors, our ability to attract and retain qualified personnel, including finance personnel, research professionals, technical sales professionals and engineers. The loss of the services of any key employee or the failure to attract or retain other qualified personnel could have a material adverse effect on our business or business prospects.

We may incur material losses and costs as a result of product liability, warranty, recall claims or other lawsuits or claims that may be brought against us.

We are exposed to product liability and warranty claims in the normal course of business in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/or property damage. Accordingly, we could experience material warranty or product liability costs in the future and incur significant costs to defend against these claims. We carry insurance and maintain reserves for product liability claims. However, we cannot be assured that our insurance coverage will be adequate if such claims do arise, and any liability not covered by insurance could have a material adverse impact on our results

of operations and financial position. A future claim could involve the imposition of punitive damages, the award of which, pursuant to state laws, may not be covered by insurance. In addition, warranty or other claims are not typically covered by insurance coverage. Any product liability or warranty issues may adversely impact our reputation as a manufacturer of high quality, safe products and may have a material adverse effect on our business.

The costs associated with complying with environmental and safety regulations could lower our margins.

We, like other manufacturers, continue to face heavy governmental regulation of our products, especially in the areas of the environment and employee health and safety. Complying with environmental and safety requirements has added and will continue to add to the cost of our products, and could increase the capital required. While we believe that we are in compliance in all material respects with these laws and regulations, we may be adversely impacted by costs, liabilities or claims with respect to our operations under existing laws or those that may be adopted. These requirements are complex, change frequently and have tended to become more stringent over time. Therefore, we could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions as a result of violations, or liabilities under, environmental laws and safety regulations.

We are subject to a number of restrictive debt covenants.

Our credit facility and other debt instruments contain certain restrictive debt covenants and other customary events of default that may hinder our ability to continue operating or to take advantage of attractive business opportunities. These restrictive covenants include, among other things, an interest coverage ratio of 3.00:1 in all quarters effective with the first quarter of 2009 and a minimum net worth of \$275.0 million at all times. Our ability to comply with these restrictive covenants may be affected by the other factors described in this "Risk Factors" section and other factors outside our control. Failure to comply with one or more of these restrictive covenants may result in an event of default. Upon an event of default, if not waived by our lenders, our lenders may declare all amounts outstanding as due and payable. If we are unable to comply with the restrictive covenants in the future, we would be required to obtain further modifications from our lenders or secure another source of financing. If our current lenders accelerate the maturity of our indebtedness, we may not have sufficient capital available at that time to pay the amounts due to our lenders on a timely basis. In addition, these restrictive covenants may prevent us from engaging in transactions that benefit us, including responding to changing business and economic conditions and taking advantage of attractive business opportunities.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2008, the Company utilized 10 principal manufacturing plants located throughout North America, as well as 9 in Europe, 1 in South Africa and 1 in the Far East.

In total, the Company devoted approximately 1.1 million square feet to manufacturing and 0.8 million square feet to service, warehousing and office space as of December 31, 2008. Of the total square footage, approximately 47% is devoted to the Safety and Security Systems Group, 8% to the Fire Rescue Group and 45% to the Environmental Solutions Group. Approximately 22% of the total square footage is owned by the Company with the remaining 78% being leased.

All of the Company's properties, as well as the related machinery and equipment, are considered to be well-maintained, suitable and adequate for their intended purposes. In the aggregate, these facilities are of sufficient capacity for the Company's current business needs.

Item 3. Legal Proceedings.

The information concerning the Company's legal proceedings included in Note 14 of the financial statements contained under Item 8 of Part II of this Form 10-K is incorporated herein by reference.

Item 4. *Submission of Matters to a Vote of Security Holders.*

No matters were submitted to a vote of security holders through the solicitation of proxies or otherwise during the three months ended December 31, 2008.

Item 4A. *Executive Officers.*

The following is a list of the Company's executive officers, their ages, business experience and positions and offices as of February 1, 2009:

William G. Barker, III, age 50, was appointed Senior Vice President and Chief Financial Officer in December 2008. Mr. Barker was Senior Vice President and Chief Financial Officer of Sun-Times Media Group from 2007 to 2008. He was Vice President, Finance and Strategy, Gatorade of PepsiCo, Inc. from 2001 to 2007.

David E. Janek, age 45, was appointed Vice President and Controller in August 2008. Mr. Janek was Vice President and Treasurer from 2006 to 2008 and was Vice President Finance, Safety and Security Systems Group from 2002 to 2006.

Fred H. Lietz, age 54, was appointed Vice President and Chief Procurement Officer in May 2007. Mr. Lietz was Vice President of Global Procurement and Logistics at Andrew Corporation from 2001 to 2006.

David R. McConnaughey, age 52, was appointed President of Federal Signal's Safety and Security Systems Group in March 2006. Previously, Mr. McConnaughey was President Maytag All Brand Service from 2005 to March 2006 and Vice President Maytag All Brand Service from 2004 to 2005. Previously, Mr. McConnaughey held several roles with Maytag Corporation including Vice President and G.M. Amana Brand 2003 to 2004 and Vice President Supply Chain 2002 to 2003.

William H. Osborne, age 48, was appointed Chief Executive Officer and President in September 2008. Mr. Osborne was President and Chief Executive Officer of Ford of Australia in 2008. From 2005 to 2008 Mr. Osborne was the President and Chief Executive Officer of Ford of Canada and from 2003 to 2005 he was the Executive Director, Pickup Truck and Commercial Vehicles, North American Truck Business of Ford Motor Company.

Esa Peltola, age 57, was appointed President of Bronto Skylift Oy Ab in July 2007. Mr. Peltola was Managing Director of Bronto Skylift from 1998 to 2007.

Jennifer L. Sherman, age 44, was appointed Senior Vice President, Human Resources, General Counsel and Secretary in April 2008. Ms. Sherman was Vice President, General Counsel and Secretary from 2004 to 2007 and was Deputy General Counsel and Assistant Secretary from 1998 to 2004.

Mark D. Weber, age 51, was appointed President of the Environmental Solutions Group in April 2003. Mr. Weber was Vice President Sweeper Products for the Environmental Solutions Group from 2002 to 2003 and General Manager of Elgin Sweeper Company from 2001 to 2002.

These officers hold office until the next annual meeting of the Board of Directors following their election and until their successors have been elected and qualified.

There are no family relationships among any of the foregoing executive officers.

PART II

Item 5. *Market for Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

(a) Market Information

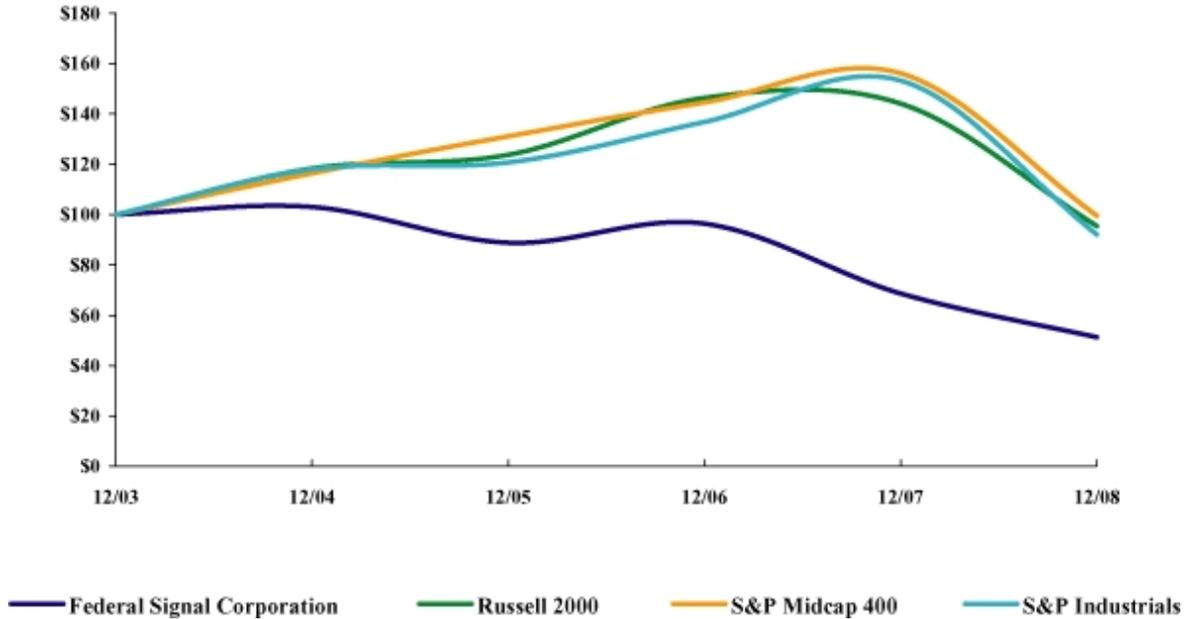
The Company's common stock is listed and traded on the New York Stock Exchange ("NYSE") under the symbol FSS. At December 31, 2008, there were no material restrictions on the Company's ability to pay dividends. The information concerning the Company's market price range data included in Note 18 of the Consolidated Financial Statements contained under Item 8 of Part II of this Form 10-K is incorporated herein by reference.

As of January 31, 2009, there were 2,711 holders of record of the Company's common stock.

The following graph compares the cumulative 5-year total return provided to shareholders on the Company's common stock relative to the cumulative total returns of the Russell 2000 index, the S&P Industrials index, and the S&P Midcap 400 index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on December 31, 2003 and its relative performance is tracked through December 31, 2008.

Comparison of 5 Year Cumulative Total Return*

Federal Signal Corporation



*\$100 invested on 12/31/03 in stock & index-including reinvestment of dividends. Fiscal year ending December 31.

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	12/03	12/04	12/05	12/06	12/07	12/08
Federal Signal Corporation	100.00	103.05	88.90	96.44	68.63	51.29
Russell 2000	100.00	118.33	123.72	146.44	144.15	95.44
S&P Midcap 400	100.00	116.48	131.11	144.64	156.18	99.59
S&P Industrials	100.00	118.03	120.78	136.83	153.29	92.09

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

The information concerning the Company's quarterly dividend per share data included in Note 18 of the Consolidated Financial Statements contained under Item 8 of Part II of this Form 10-K is incorporated herein by reference. The payment of future dividends is at the discretion of the Company's Board of Directors and will depend, among other things, upon future earnings and cash flows, capital requirements, the Company's general financial condition, general business conditions and other factors. Accordingly, the Company's Board of Directors may at any time reduce or eliminate the Company's quarterly dividend based on these factors.

Item 6. Selected Financial Data.

The following table presents the selected financial information of the Company as of, and for each of the five years in the period ended December 31, 2008:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Results (dollars in millions):					
Net sales(a)	\$ 958.8	\$ 934.3	\$ 792.7	\$ 697.0	\$ 610.0
Income before income taxes(a)	26.3	53.6	40.0	38.2	23.9
Income from continuing operations(a)	31.3	39.7	31.2	39.7	19.3
Operating margin(a)	5.8%	8.0%	7.5%	7.6%	6.1%
Return on average common shareholders' equity	(26.2)%	13.2%	6.0%	(1.2)%	(0.6)%
Common Stock Data (per share):					
Income from continuing operations — diluted	\$ 0.66	\$ 0.83	\$ 0.65	\$ 0.82	\$ 0.40
Cash dividends per share	0.24	0.24	0.24	0.24	0.40
Market price range:					
High	\$ 17.50	\$ 17.00	\$ 19.75	\$ 17.95	\$ 20.56
Low	5.10	10.82	12.69	13.80	15.75
Average common shares outstanding (in millions)	47.7	47.9	48.0	48.2	48.1
Financial Position at Year-End (dollars in millions):					
Working capital(a)(b)	\$ 158.9	\$ 95.4	\$ 51.0	\$ 61.4	\$ 48.4
Current ratio(a)(b)	1.9	1.4	1.2	1.3	1.3
Total assets	834.0	1,169.6	1,050.9	1,119.5	1,132.4
Long-term debt, net of current portion	241.2	240.7	160.3	203.7	215.7
Shareholders' equity	284.5	445.3	386.4	376.3	412.7
Debt-to-capitalization ratio(c)	49.5%	39.3%	36.8%	42.0%	36.2%
Net debt-to-capitalization ratio(d)	46.3%	38.3%	35.1%	32.9%	34.7%
Other (dollars in millions):					
Orders(a)	\$ 940.4	\$ 998.2	\$ 855.9	\$ 694.6	\$ 685.6
Backlog(a)	301.1	331.7	249.4	178.2	192.4
Net cash provided by operating activities	123.7	65.4	29.7	70.6	52.5
Net cash provided by (used for) investing activities	54.6	(106.6)	(19.3)	(0.7)	34.1
Net cash (used for) provided by financing activities	(166.7)	36.8	(83.0)	7.1	(81.7)
Capital expenditures(a)	28.5	20.1	12.2	8.1	9.5
Depreciation and amortization(a)	15.5	14.1	9.5	9.6	7.8
Employees(a)	3,317	3,495	3,192	3,002	2,819

- (a) continuing operations only, prior year amounts have been reclassified for discontinued operations as discussed in Note 12 to the financial statements
- (b) working capital: current assets less current liabilities; current ratio: current assets divided by current liabilities
- (c) total debt divided by the sum of total debt plus equity
- (d) net debt to capitalization ratio: debt less cash and cash equivalents and short-term investments divided by equity plus debt less cash and cash equivalents and short-term investments

The 2008 and 2004 income before income taxes includes restructuring costs of \$2.7 million and \$0.4 million, respectively. The 2008 income before income taxes was impacted by a \$6.9 million loss incurred to settle a dispute and write off assets associated with a large parking systems contract and a \$13.0 million loss associated with ongoing operations as well as the Company's decision to terminate funding of a joint venture in China ("China Joint Venture"). The 2005 loss before income taxes was impacted by a \$6.7 million gain on the sale of two industrial lighting product lines.

The selected financial data set forth above should be read in conjunction with the Company's consolidated financial statements, including the notes thereto, and Item 7 of this Form 10-K.

The information concerning the Company's selected quarterly data included in Note 18 of the financial statements contained under Item 8 of this Form 10-K is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company designs and manufactures a suite of products and integrated solutions for municipal, governmental, industrial and commercial customers. Federal Signal's products include safety and security systems, vacuum loader vehicles, street sweepers, truck mounted aerial platforms and waterblasters. Due to technology, marketing, distribution and product application synergies, the Company's business units are organized and managed in three operating segments: Safety and Security Systems, Fire Rescue and Environmental Solutions. The information concerning the Company's manufacturing businesses included in Item 1 of this Form 10-K and Note 15 of the financial statements contained under Item 8 of this Form 10-K are incorporated herein by reference.

Results of Operations

Operating results have been restated to exclude the following operations discontinued during 2008: all businesses of the former Tool Group, all E-ONE businesses, and all Financial Services activities and businesses. Information relating to each of these discontinued operations is presented in Note 12 of the financial statements contained under Item 8 of this Form 10-K.

Orders and backlog

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Analysis of orders:			
Total orders (\$ in millions):	\$ 940.4	\$ 998.2	\$ 855.9
Change in orders year over year	(5.8)%	16.6%	
Change in U.S. municipal and government orders year over year	(12.2)%	5.4%	
Change in U.S. industrial and commercial orders year over year	(8.2)%	13.5%	
Change in non-U.S. orders year over year	0.3%	28.6%	

U.S. municipal and government orders decreased 12% in 2008 primarily as a result of decreased orders of sweepers of \$22.3 million, sewer cleaners of \$13.1 million and a \$12.3 million decline in police products offset by an increase in automated license plate recognition ("ALPR") cameras of approximately \$6.1 million. U.S. industrial and commercial orders decreased 8% driven by lower orders for sweepers and vacuum trucks of \$21.2 million and a reduction in parking system orders of \$6.1 million, offset by an increase in Bronto articulated aerial devices of approximately \$4.7 million. Non-U.S. orders remained relatively flat as compared to prior year with increases in ALPR cameras of \$15.1 million and European sweeper orders and water blasters of \$4.7 million, offset by a decrease in Bronto articulated aerial devices of approximately \$16.6 million.

U.S. municipal and government orders increased 5% in 2007 primarily due to strength in police products, sweepers and the addition of ALPR cameras. U.S. industrial and commercial orders increased 14% on continued high demand for industrial vacuum trucks and an increase in orders for hazardous area lighting and industrial signal and communications equipment. Non-U.S. orders increased 29%, and included a 35% increase in sales of products manufactured outside of the U.S. and increases in U.S. exports in Safety and Security Systems and Environmental Solutions. Favorable currency movements estimated at \$33 million also improved 2007 compared to 2006.

Consolidated results of operations

The following table summarizes the Company's results of operations and selected operating metrics for each of the three years in the period ended December 31, 2008 (\$ in millions, except per share amounts):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net sales	\$ 958.8	\$ 934.3	\$ 792.7
Cost of sales	<u>(706.9)</u>	<u>(685.9)</u>	<u>(576.5)</u>
Gross profit	251.9	248.4	216.2
Operating expenses	(193.7)	(173.2)	(157.1)
Restructuring charges	<u>(2.7)</u>	<u>—</u>	<u>—</u>
Operating income	55.5	75.2	59.1
Interest expense	(15.3)	(18.5)	(17.0)
Loss on investment in joint venture	(13.0)	(3.3)	(1.9)
Other (expense) income	(0.9)	0.2	(0.2)
Income tax benefit (expense)	<u>5.0</u>	<u>(13.9)</u>	<u>(8.8)</u>
Income from continuing operations	31.3	39.7	31.2
(Loss) gain from discontinued operations and disposal, net of tax	<u>(126.9)</u>	<u>15.2</u>	<u>(8.5)</u>
Net (loss) income	<u>\$ (95.6)</u>	<u>\$ 54.9</u>	<u>\$ 22.7</u>
Other data:			
Operating margin	5.8%	8.0%	7.5%
Earnings per share — continuing operations	\$ 0.66	\$ 0.83	\$ 0.65

Year Ended December 31, 2008 vs. December 31, 2007

Net sales increased 3% over 2007 or 1% after removing the favorable effects of currency translation from a weaker U.S. dollar. Sales volume increases at Fire Rescue were largely offset by reductions at Environmental Solutions; while Safety and Security Systems were relatively flat (see segment discussions below). Gross profit margins fell slightly in 2008 to 26.3% from 26.6% due largely to the absence of a favorable \$1.8 million excise tax settlement which occurred in 2007. Operating income decreased by 26% in 2008 as the gross profit increase of \$3.5 million was more than offset by an increase of \$20.5 million of operating expenses due to \$9.9 million of higher legal costs associated with the Company's ongoing firefighter hearing loss litigation, \$6.2 million of increased charges to settle a dispute and write off assets associated with a contract to install revenue control equipment at the Dallas Fort Worth (DFW) airport, and \$2.7 million of restructuring costs largely due to severance associated with streamlining the management structure.

Interest expense decreased 17% from 2007, primarily due to lower average borrowings in 2008 from a reduction in net debt of \$30.7 million. The Company paid down debt using net proceeds of \$3.4 million from the working capital reductions and sale of E-ONE, \$59.9 million from the sale of its Tool Group businesses, and \$35.8 million from the sale-leaseback of its Elgin and University Park, Illinois plants. For further discussion of the discontinued operations, see Note 12 of the financial statements contained under Item 8 of this Form 10-K.

Losses on the Company's investment in a joint venture in China totaled \$13.0 million in 2008. The Company's share of operating losses was \$2.6 million in 2008 versus \$3.3 million in 2007. A charge of \$10.4 million was taken in 2008 to reflect the Company's contingent obligations to guaranty the debt of the joint venture and to guaranty the investment of one of its joint venture partners. A review of the market and forecasts of the joint venture's cash flows indicated its bank debt was unlikely to be repaid and it was unlikely to provide a return to the joint venture partners. In February 2009, the Company decided to terminate funding to this venture. Significant uncertainties exist, however, including a requirement to obtain unanimous partner approval as well as Chinese government approval to liquidate the entity. The Company anticipates closure costs in 2009 in the range of \$1.0 to \$2.0 million.

Other expenses of \$0.9 million include realized losses from foreign currency transactions and on derivatives contracts.

The 2008 effective tax rate on income from continuing operations decreased to (19.0)% from 25.9% in the prior year. The 2008 rate benefited from a capital loss utilization tax strategy on a sale/leaseback of real estate properties, the China Joint Venture shutdown tax benefits, and a higher mix of profits in lower taxed countries.

Income from continuing operations decreased 21% from 2007 primarily as a result of the aforementioned charges in operating expenses, loss on joint venture and offsetting tax benefits.

Net loss was \$95.6 million in 2008 versus net income of \$54.9 million in 2007. Losses from discontinued operations totaled \$126.9 million in 2008 relating primarily to the impairment of assets and sale of the Company's Die and Mold Operations and E-ONE. The Company also discontinued its financial services activities during 2008 which generated income of \$0.3 million. A net gain of \$15.2 million on discontinued operations in 2007 resulted primarily from the sale of the Cutting Tool Operations in that year. For further discussion of the discontinued operations, see Note 12 of the Consolidated Financial Statements contained under Item 8 of Part II of this Form 10-K.

Year Ended December 31, 2007 vs. December 31, 2006

Net sales increased 18% over 2006 or 15% without the favorable effects of currency translation from a weaker U.S. dollar. All groups experienced sizable sales volume increases, where Safety and Security Systems was up \$62.7 million, Environmental Solutions was up \$51.7 million and Fire Rescue was up \$27.2 million. Gross profit margins fell to 26.6% in 2007 from 27.2% in 2006 due to costs associated with the launch and production of the new Elgin Pelican sweeper in the U.S. offset in part by a favorable \$1.8 million excise tax settlement received in 2007.

Operating income rose 27% over 2006 primarily as a result of the leverage from higher sales volumes and a relative reduction in operating expenses, which as a percent of sales were 18.5% in 2007 down from 19.8% in 2006. Selling expenses were relatively lower and product development costs were relatively higher at Safety and Security Systems and at Environmental Solutions due largely to the mix of product shipments and a focus on new products.

Interest expense increased 9%, or \$1.5 million from 2006, primarily due to an increase in borrowings to fund the PIPS Technologies acquisition in August 2007.

Loss on investment in joint venture rose 74% to \$3.3 million in 2007 as additional costs were incurred to build the infrastructure of the operating entity.

The 2007 effective tax rate on income from continuing operations increased to 25.9% from 22.1% in the prior year. The 2007 rate benefited from the Company's foreign tax planning strategies including dividend repatriation, foreign entity financing and a legal entity restructuring in Canada. The 2006 rate benefited from tax reserve reductions and a higher mix of profits in lower taxed foreign jurisdictions.

Income from continuing operations increased 27% in 2007 primarily as a result of the higher sales volumes and lower relative operating expenses offset by the higher effective tax rate.

Net income more than doubled to \$54.9 million for the year ended December 31, 2007 versus \$22.7 million in 2006. For 2007, after completion of the sale of the Cutting Tool Operations in the first quarter, substantial completion of the wind-down of the Refuse business, and the restated operating results for the operations discontinued in 2008, the Company realized a net after-tax gain on the sale of previously discontinued operations of \$15.2 million, compared to a loss of \$8.5 million in the prior year. For further discussion of the discontinued operations, see Note 12 of the financial statements contained under Item 8 of this Form 10-K.

Safety and Security Systems Operations

The following table presents the Safety and Security Systems Group's results of operations for each of the three years in the period ended December 31, 2008 (\$ in millions):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total orders	\$ 367.1	\$ 367.5	\$ 305.5
U.S. orders	202.5	216.3	184.9
Non-U.S. orders	164.6	151.2	120.6
Net sales	371.8	367.2	304.5
Operating income	40.3	49.6	41.2
Operating margin	10.8%	13.5%	13.5%

Orders remained relatively flat in 2008 as compared to 2007. U.S. orders decreased 6% due to weak municipal spending and a relative softening in the industrial economy compared to 2007. For 2008, orders in the U.S. fell \$12.3 million for police products, \$6.1 million for parking systems, and \$2.8 million for hazardous area lighting products. Partly offsetting these declines were an increase in orders of \$2.1 million for outdoor warnings systems and \$6.1 million for automated license plate recognition ("ALPR") cameras made by PIPS Technologies, which was acquired in the third quarter of 2007. Non-U.S. orders in 2008 increased 9% over the prior year or 6% when excluding the favorable effects of currency translation due to strength in outdoor warning systems and the addition of PIPS Technologies acquired in 2007.

Net sales increased 1% in 2008. An increase in shipments of ALPR cameras during 2008 of \$19.2 million and industrial communications systems of \$2.4 million was offset by a \$17.7 million decrease in global vehicular lighting and siren sales. Operating income in 2008 declined 19% and operating margins fell, primarily due to \$6.2 million of increased charges to settle a dispute and write off assets associated with the DFW parking system contract, and \$1.8 million of employee severance costs associated with restructuring initiatives, and \$0.8 million associated with other cost reduction initiatives.

Orders improved 20% in 2007 over 2006 with strength across all market segments, except for outdoor warning systems which declined by \$1.0 million. U.S. orders rose 17% due primarily to an increase of \$9.1 million for police products, \$6.3 million for hazardous area lighting products and \$5.7 million of parking systems. Non-U.S. orders increased 25% in 2007 or 19% without the favorable effects of currency translation. The acquisition of PIPS Technologies in the third quarter of 2007 contributed \$6.4 million. During 2007, the Company introduced a next generation and more reliable LED light bar technology which drove a \$30.7 million increase in global orders for vehicular warning systems.

Net sales increased 21% and improved across most market segments with a \$34.9 million increase in global vehicular warning systems and a \$19.2 million increase in industrial communication and hazardous area products. The PIPS Technologies acquisition contributed \$9.6 million for 2007. Operating income increased 20% in 2007 over 2006 and the operating margin remained at 13.5%. The leverage of higher sales volume was offset partly by increased costs associated with expanding the product portfolio and market reach.

Fire Rescue Operations

The following table presents the Fire Rescue Group's results of operations for each of the three years in the period ended December 31, 2008 (\$ in millions):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total orders	\$ 162.3	\$ 174.1	\$ 115.0
U.S. orders	6.5	1.7	2.7
Non-U.S. orders	155.8	172.4	112.3
Net sales	145.5	117.9	90.7
Operating income	10.4	7.9	5.6
Operating margin	7.1%	6.7%	6.2%

Orders in 2008 decreased 7% from the prior year or 15% when excluding the favorable effects of currency translation. Bronto's entire order decline existed within its industrial markets, primarily with weakness in Europe. Orders from the group's former E-ONE business drove the increase in U.S. orders. Bronto's fire rescue markets were flat overall during the year.

Net sales in 2008 increased 23% from the prior year or 19% when excluding the favorable effects of currency translation. Bronto's unusually large backlog, which exceeded 12 months of shipments at the end of 2007, allowed for strong shipments in 2008 despite a reduction in orders during the year. Bronto completed a plant expansion in 2008, and with a backlog that remains at 12 months, the Company expects Bronto's shipments will be strong next year despite a weak global economy.

Operating income rose 32% in 2008 and operating margins improved as a result of the increased sales volumes. Higher product costs for steel and other components and inefficiencies caused by the plant expansion offset some of the sales volume impact.

Orders in 2007 improved 51% over 2006 or 38% when excluding the favorable effects of currency translation. Bronto's demand was strong across both of its primary market segments (industrial and fire rescue) and particularly in Europe and Asia. Net sales rose 30% in 2007 or 21% when excluding the favorable effects of currency translation. Shipments were higher due to the strong order intake, limited only by the company's production capacity. Operating income rose 41% in 2007 and operating margins improved as a result of the leverage from higher sales volumes.

Environmental Solutions Operations

The following table presents the Environmental Solutions Group's results of operations for each of the three years in the period ended December 31, 2008 (\$ in millions):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total orders	\$ 411.0	\$ 456.6	\$ 435.4
U.S. orders	297.8	347.6	331.8
Non-U.S. orders	113.2	109.0	103.6
Net sales	441.5	449.2	397.5
Operating income	35.5	38.8	35.3
Operating margin	8.0%	8.6%	8.9%

Orders of \$411.0 million in 2008 were 10% below the prior year. U.S. orders decreased 14% in 2008 from the prior year as weak municipal and industrial markets drove a \$28.9 million reduction in sweepers and a \$28.1 million reduction in sewer cleaning and industrial vacuum trucks offset by an increase of \$5.8 million in waterblasters. Non-U.S. orders increased 4% entirely by favorable foreign currency translation from a weaker U.S. dollar. Net sales in 2008 compared to 2007 decreased 2% as a decline in U.S. sweeper shipments of \$23.6 million more than offset a \$13.6 million increase in global shipments of sewer cleaning and industrial vacuum trucks.

Operating income decreased 9% in 2008 due to lower sales volumes and the absence of a favorable \$1.8 million excise tax settlement which occurred in 2007.

In 2007, orders increased 5% over the 2006 year. U.S. orders increased 5% due to solid demand for industrial vacuum trucks and the impact of higher priced chassis associated with new 2007 EPA standards. Non-U.S. orders increased 5% driven by stronger U.S. exports of sewer cleaners and industrial vacuum trucks primarily to the Middle East. Net sales compared to 2006 grew 13% on higher unit volumes of primarily vacuum trucks and overall higher pricing due in part to higher priced chassis.

Operating income in 2007 rose 10% over 2006, however, the operating margin in 2007 declined as the favorable benefits of higher pricing and sales volume were more than offset by increased chassis costs, temporarily high material costs, new product development, ERP implementation, product launches and initiatives to increase manufacturing efficiency.

Corporate Expense

Corporate expenses totaled \$30.7 million in 2008, \$21.1 million in 2007 and \$23.0 million in 2006. The 45% increase in 2008 expense is primarily due to \$9.9 million of higher legal costs associated with the Company's ongoing firefighter hearing loss litigation and \$1.5 million of costs associated with the hiring of a new chief executive officer and chief financial officer, reduced by lower bonus and stock-based compensation costs of \$1.8 million.

The 8% reduction in 2007 expense was benefited by the receipt of \$3.7 million in reimbursements from one of the Company's insurers for certain out of pocket expenses related to the Company's ongoing firefighter hearing loss litigation. The reimbursement essentially offset the legal expenses in 2007 associated with this litigation.

The hearing loss litigation has historically been managed by the Company's legal staff resident at the corporate office and not by management at any reporting segment. In accordance with SFAS 131 which provides that segment reporting should follow the management of the item and that some expenses can be corporate expenses, these legal expenses (which are extremely unusual and not part of the normal operating activities of any of our operating segments), are reported and managed as corporate expenses. Only the Company, and no current or divested subsidiaries is a named party to these lawsuits.

Legal Matters

The Company has been sued by over 2,500 firefighters in numerous separate cases alleging that exposure to the Company's sirens impaired their hearing. The Company contests the allegations. Over 100 cases have been dismissed in Cook County including 27 by way of verdict. The Company continues to aggressively defend the matter. For further details regarding this and other legal matters, refer to Note 14 in the financial statements included in Item 8 of this Form 10-K.

Financial Condition, Liquidity and Capital Resources

During each of the three years in the period ended December 31, 2008, the Company used its cash flows from operations to pay cash dividends to shareholders, to fund growth, and to make capital investments that both sustain and reduce the cost of its operations. Beyond these uses, remaining cash was used to fund acquisitions, pay down debt, to repurchase shares of common stock and make voluntary pension contributions.

The Company's cash and cash equivalents totaled \$23.4 million, \$12.5 million and \$15.8 million as of December 31, 2008, 2007 and 2006, respectively. The following table summarizes the Company's cash flows for each of the three years in the period ended December 31, 2008 (\$ in millions):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating cash flow	\$ 123.7	\$ 65.4	\$ 29.7
Proceeds from sale of properties, plant and equipment	38.0	0.6	0.2
Capital expenditures	(28.5)	(20.1)	(12.2)
Payments for acquisitions, net of cash acquired	—	(147.5)	—
Gross proceeds from sale of discontinued businesses	65.9	65.4	—
Borrowing activity, net	(20.1)	59.6	(50.7)
Dividends	(11.5)	(11.5)	(11.5)
Purchases of treasury stock	(6.0)	—	(12.1)
Payments for discontinued financing activities	(129.3)	(11.7)	(9.8)
All other, net	(21.3)	(3.5)	(4.0)
Increase (decrease) in cash	<u>\$ 10.9</u>	<u>\$ (3.3)</u>	<u>\$ (70.4)</u>

Operating cash flow rose by \$58.3 million in 2008 compared to 2007. The increase in 2008 was driven by a \$103.1 million increase in cash from discontinued operating activities offset by a reduction of \$44.8 million in cash provided by continuing operating activities. In 2008, the Company discontinued its Die and Mold Operations, E-ONE business and Financial Services activities which generated cash of \$126.2 million during the year. During

the year, the Company entered into a program agreement with Banc of America Public Capital Corp. to sell certain of its municipal leases by December 31, 2008. Approximately 92% of the Company's municipal leases were sold under the program for net cash proceeds of approximately \$94.0 million. The reduction in cash provided by continuing operations of \$44.8 million was caused primarily by an increase in accounts receivable from the timing of shipments in 2008, a decrease in accounts payable and higher pension contributions in 2008.

Proceeds from the sale of properties, plant and equipment in 2008 are primarily the result of net cash proceeds of \$35.8 million received from a sale-leaseback of the Company's Elgin and University Park, Illinois plants.

Capital expenditures rose \$8.4 million in 2008 from 2007 due primarily to the expansion of the Company's plants in Pori, Finland and in Streator, Illinois. Capital expenditures increased in 2007 compared to 2006 as the Company's ERP system design and implementation gained momentum during the year.

In 2007, the Company acquired three businesses, Codespear LLC in January for \$17.4 million in cash, Riverchase Technologies in July for \$6.7 million in cash, and PIPS Technologies in August for \$126.3 million in cash. See Note 10 of the notes to the consolidated financial statements for additional information on these acquisitions. The Company funded the acquisitions through cash provided by operations, additional bank borrowings, and from proceeds received from the sale of the Cutting Tool Operations, included in discontinued operations in 2006, and sold in January, 2007 for \$65.4 million in cash. See Note 12 of the notes to the consolidated financial statements for additional information on the sale of the Cutting Tool Operations.

In 2008, the Company divested its Die and Mold Operations and E-ONE business for net cash proceeds of \$59.9 million and a payment of \$0.6 million, respectively. Gross proceeds from the sale of E-ONE were \$3.4 million, of which \$0.5 million had been received at December 31, 2008.

The Company paid down a total of \$151.7 million of debt during 2008, largely upon receipt of cash from the aforementioned sale of its municipal leasing portfolio which was included in discontinued operations and the aforementioned sale leaseback transactions. In 2007, the Company had an increase in net borrowings of \$59.6 million due to the acquisition of PIPS Technologies in the second half of the year. In 2006, net borrowings were reduced by \$50.7 million mainly as a result of excess cash that was used to pay down debt.

Payments for discontinued financing activities of \$129.3 million in 2008 reflect the repayment of financial service borrowings as a result of the Company's decision to exit the municipal lease financing business. Other year over year activity reflects the change in borrowings associated with the divested Die and Mold Tooling and E-ONE businesses.

In April, 2007, the Company amended its Revolving Credit Agreement. This Second Amended and Restated Credit Agreement ("Credit Agreement") provides for borrowings of \$250.0 million and matures April, 2012. It also allows the Company to borrow up to \$35 million in an alternative currency under the swing line provision. As of December 31, 2007 €22.5 million, or \$32.6 million, was drawn as alternative currency and \$66.0 million was drawn on the Credit Agreement for a total of \$98.6 million drawn under the Credit Agreement. The Company was in compliance with all debt covenants throughout 2007.

In December, 2007, the Company amended the Loan Agreement between E-ONE and Banc of America Leasing & Capital, LLC to allow borrowings against the leases of E-One Inc., E-One New York, Inc., Elgin Sweeper Company and Vactor Manufacturing, Inc. The outstanding balance on this agreement was \$96.6 million as of December 31, 2007 and was paid off completely by August 2008.

In March 2008, the Company requested and was granted an amendment (the "Second Credit Amendment") to the Credit Agreement. Affected items in the Second Credit Amendment included the definitions of Consolidated Net Worth and EBIT, reducing the Total Indebtedness to Capital ratio maximum to .50, reducing the minimum Interest Coverage Ratio requirement from 2:1 to 2.75:1 for the four quarters ending in 2008, and reducing the required minimum percentage of consolidated assets directly owned by the Credit Agreement's borrower and guarantors to 50%. The amendment also allowed for the unencumbered sale of the E-ONE business. At December 31, 2008, a total of \$97.0 million was drawn against the Credit Agreement. The Company was in compliance with all debt covenants throughout 2008.

At December 31, 2006, \$21.8 million was drawn against the Company's \$125 million Amended Credit Agreement revolving credit line. This Amended Credit Agreement was increased from \$75 million to \$125 million during 2006. The Company borrowed \$23.6 million in September, 2006 through the Banc of America Loan Agreement, the balance on this facility as of December 31, 2006 was \$90.7 million. Also in 2006, a \$65 million private placement note matured and was repaid using a combination of cash flow from operations and borrowings under the Amended Credit Agreement revolving credit line.

Cash dividends paid to shareholders in 2008, 2007 and 2006 were \$11.5 million. The Company declared dividends of \$0.24 per share in 2008, 2007 and 2006.

During 2006 and 2008, the Company completed repurchases totaling \$12.1 million and \$6.0 million, respectively, of stock under share repurchase programs approved by the Board of Directors. Treasury stock purchases reflect the Company's policy to purchase shares to offset the dilutive effects of stock-based compensation.

Total debt net of cash and short-term investments included in continuing operations was \$245.5 million representing 46% of total capitalization at December 31, 2008 versus \$276.2 million or 38% of total capitalization at December 31, 2007. The increase in the percentage of debt to total capitalization in 2008, despite the reduction in debt, was due to a reduction in equity of \$160.8 million caused primarily by an increase in the net after tax losses associated with the divestitures of the Die and Mold Operations and E-ONE. In 2008, the Company's aggregate borrowing capacity was maintained.

The Company anticipates that capital expenditures for 2009 will approximate \$20 million and that its financial resources and major sources of liquidity, including cash flow from operations and borrowing capacity, will be adequate to meet its operating and capital needs in addition to its financial commitments.

Contractual Obligations and Commercial Commitments

The following table presents a summary of the Company's contractual obligations and payments due by period as of December 31, 2008 (\$ in millions):

	Payments Due by Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Short-term obligations	\$ 12.6	\$ 12.6	\$ —	\$ —	\$ —
Long-term debt*	270.4	25.1	70.3	175.0	—
Operating lease obligations	74.9	9.9	14.0	10.2	40.8
Fair value of interest rate swaps	2.1	0.4	1.7	—	—
Interest payments on long term debt	24.0	8.5	11.5	4.0	—
Total contractual obligations	<u>\$ 384.0</u>	<u>\$ 56.5</u>	<u>\$ 97.5</u>	<u>\$ 189.2</u>	<u>\$ 40.8</u>

* Long term debt includes financial service borrowings which is reported in discontinued operations.

The Company is party to various interest rate swap agreements in conjunction with the management of borrowing costs. As of December 31, 2008, the fair value of the Company's net position would result in cash payments of \$0.9 million. Future changes in the U.S. interest rate environment would correspondingly affect the fair value and ultimate settlement of the contracts.

The Company also enters into foreign currency forward contracts to protect against the variability in exchange rates on cash flows and intercompany transactions with its foreign subsidiaries. As of December 31, 2008, there is \$0.7 million unrealized losses on the Company's foreign exchange contracts. Volatility in the future exchange rates between the U.S. dollar and Euro and Canadian dollar will impact the final settlement of any of these contracts.

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The following table presents a summary of the Company's commercial commitments and the notional amount by expiration period (\$ in millions):

	Notional Amount by Expiration Period			
	Total	Less than 1 Year	2-3 Years	4-5 Years
Financial standby letters of credit	\$ 31.6	\$ 31.4	\$ —	\$ 0.2
Performance standby letters of credit	2.4	2.4	—	—
Purchase obligations	2.8	2.8	—	—
Guaranteed residual value obligations	1.6	1.6	—	—
Total commercial commitments	\$ 38.4	\$ 38.2	\$ —	\$ 0.2

Financial standby letters of credit largely relate to casualty insurance policies for the Company's workers' compensation, automobile, general liability and product liability policies. Performance standby letters of credit represent guarantees of performance by foreign subsidiaries that engage in cross-border transactions with foreign customers.

Purchase obligations relate to commercial chassis.

In limited circumstances, the Company guarantees the residual value on vehicles in order to facilitate a sale. The Company believes its risk of loss is low; no losses have been incurred to date. The inability of the Company to enter into these types of arrangements in the future due to unforeseen circumstances is not expected to have a material impact on its financial position, results of operations or cash flows.

As of December 31, 2008, the Company has a liability of approximately \$5.9 million for unrecognized tax benefits (refer to Note 5). Due to the uncertainties related these tax matters, the Company cannot make a reasonably reliable estimate of the period of cash settlement for this liability.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of the Company's consolidated financial statements and the uncertainties that could impact the Company's financial condition, results of operations and cash flows.

Allowances for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers. The Company's policy is to establish, on a quarterly basis, allowances for doubtful accounts based on factors such as historical loss trends, credit quality of the present portfolio, collateral value and general economic conditions. If the historical loss trend increased or decreased 10% in 2008, the Company's operating income would have decreased or increased by \$0.1 million, respectively. Though management considers the valuation of the allowances proper and adequate, changes in the economy and/or deterioration of the financial condition of the Company's customers could affect the reserve balances required.

Inventory Reserve

The Company performs ongoing evaluations to ensure that reserves for excess and obsolete inventory are properly identified and recorded. The reserve balance includes both specific and general reserves. Specific reserves at 100% are established based on the identification of separately identifiable obsolete products and materials. General reserves for materials are established based upon formulas which are established by reference to, among other things, the level of current inventory relative to recent usage, estimated scrap value and the level of estimated future usage. Historically, this reserve policy has given a close approximation of the Company's experience with

excess and obsolete inventory. The Company does not foresee a need to revise its reserve policy in the future. However, from time to time unusual buying patterns or shifts in demand may cause large movements in the reserve balance.

Warranty Reserve

The Company's products generally carry express warranties that provide repairs at no cost to the customer. The length of the warranty term depends on the product sold, but generally extends from six months to five years based on the terms that are generally accepted in the Company's marketplaces. Certain components necessary to manufacture the Company's vehicles (including chassis, engines and transmissions) are covered under an original manufacturers' warranty. Such manufacturers' warranties are extended directly to end customers.

The Company accrues its estimated exposure to warranty claims at the time of sale based upon historical warranty claim costs as a percentage of sales. Management reviews these estimates on a quarterly basis and adjusts the warranty provisions as actual experience differs from historical estimates. Infrequently, a material warranty issue can arise which is outside the norm of the Company's historical experience; costs related to such issues, if any, are provided for when they become probable and estimable.

The Company's warranty costs as a percentage of net sales totaled 1.0% in 2008, 0.9% in 2007 and 0.8% in 2006. The increase in the rate in 2008 is primarily due to increased costs in the Fire Rescue Group. Management believes the reserve recorded at December 31, 2008 is appropriate. A 10% increase or decrease in the estimated warranty costs in 2008 would have decreased or increased operating income by \$0.9 million, respectively.

Workers' Compensation and Product Liability Reserves

Due to the nature of the products manufactured, the Company is subject to product liability claims in the ordinary course of business. The Company is partially self-funded for workers' compensation and product liability claims with various retention and excess coverage thresholds. After the claim is filed, an initial liability is estimated, if any is expected, to resolve the claim. This liability is periodically updated as more claim facts become known. The establishment and update of liabilities for unpaid claims, including claims incurred but not reported, is based on the assessment by the Company's claim administrator of each claim, an independent actuarial valuation of the nature and severity of total claims and management's estimate. The Company utilizes a third-party claims administrator to pay claims, track and evaluate actual claims experience and ensure consistency in the data used in the actuarial valuation. Management believes that the reserve established at December 31, 2008 appropriately reflects the Company's risk exposure. The Company has not established a reserve for potential losses resulting from hearing loss litigation (see Note 14 to the Company's Consolidated Financial Statements included in Item 8 of this Form 10-K); if the Company is not successful in its defense after exhausting all appellate options, it will record a charge for such claims, to the extent they exceed insurance recoveries, at the appropriate time.

Goodwill Impairment

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," the Company ceased amortization of goodwill and indefinite-lived intangible assets effective January 1, 2002. SFAS No. 142 also requires the Company to test these assets annually for impairment; the Company performs this test in the fourth quarter unless impairment indicators arise earlier. The Company continues to amortize definite-lived intangible assets over their useful life.

A review for impairment requires judgment in estimated cash flows based upon estimates of future sales, operating income, working capital improvements and capital expenditures. Management utilizes a discounted cash flow approach to determine the fair value of the Company's reporting units. If the sum of the expected discounted cash flows of the reporting unit is less than its carrying value, an impairment loss is required against the unit's goodwill.

The annual testing conducted in 2008, 2007 and 2006 did not result in impairment.

Although management believes that the assumptions and estimates used were reasonable, a sensitivity analysis for each reporting unit is performed along with the impairment test. The analysis indicated that a 10% reduction to earnings before interest and taxes to all future years would not have resulted in a goodwill impairment in any group.

Postretirement Benefits

The Company sponsors domestic and foreign defined benefit pension and other postretirement plans. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets and rate of increase in employee compensation levels. A change in any of these assumptions would have an effect on net periodic pension and postretirement benefit costs.

The following table summarizes the impact that a change in these assumptions would have on the Company's operating income:

	Assumption Change:	
	25 Basis Point Increase	25 Basis Point Decrease
Discount rate	0.5	(0.5)
Return on assets	0.3	(0.3)
Employee compensation levels	(0.1)	0.1

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to published high-quality bond indices. However, these indices give only an indication of the appropriate discount rate because the cash flows of the bonds comprising the indices do not match the projected benefit payment stream of the plan precisely. For this reason, we also consider the individual characteristics of the plan, such as projected cash flow patterns and payment durations, when setting the discount rate. The weighted-average discount rate used to measure U.S. pension liabilities increased from 6.0% in 2007 to 6.8% in 2008. See Note 6 to the Consolidated Financial Statements for further discussion.

Stock-Based Compensation Expense

The Company accounts for stock-based compensation in accordance with SFAS No. 123(R). SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options and restricted stock, to be recognized in the financial statements based on their respective grant date fair values. We use the Black-Scholes option pricing model to estimate the fair value of the stock option awards. The Black-Scholes model requires the use of highly subjective and complex assumptions, including the Company's stock price, expected volatility, expected term, risk-free interest rate and expected dividend yield. For expected volatility, we base the assumption on the historical volatility of the Company's common stock. The expected term of the awards is based on historical data regarding employees' option exercise behaviors. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of the awards. The dividend yield assumption is based on the Company's history and expectation of dividend payouts. In addition to the requirement for fair value estimates, SFAS No. 123(R) also requires the recording of expense that is net of an anticipated forfeiture rate. Therefore, only expenses associated with awards that are ultimately expected to vest are included in our financial statements. Our forfeiture rate is determined based on our historical option cancellation experience.

We evaluate the Black-Scholes assumptions that we use to value our awards on a quarterly basis. With respect to the forfeiture rate, we revise the rate if actual forfeitures differ from our estimates. If factors change and we employ different assumptions, stock-based compensation expense related to future stock-based payments may differ significantly from estimates recorded in prior periods.

Financial Market Risk Management

The Company is subject to market risk associated with changes in interest rates and foreign exchange rates. To mitigate this risk, the Company utilizes interest rate swaps and foreign currency options and forward contracts. The Company does not hold or issue derivative financial instruments for trading or speculative purposes and is not party to leveraged derivatives contracts.

Interest Rate Risk

The Company manages its exposure to interest rate movements by targeting a proportionate relationship between fixed-rate debt to total debt generally within established percentages of between 40% and 60%. The Company uses funded fixed-rate borrowings as well as interest rate swap agreements to balance its overall fixed/floating interest rate mix.

The following table presents the principal cash flows and weighted average interest rates by year of maturity for the Company's total debt obligations held at December 31, 2008 (\$ in millions):

	Expected Maturity Date					Total	Fair Value
	2009	2010	2011	2012	Thereafter		
Fixed rate	\$ 25.1	\$ 25.1	\$ 25.2	\$ 68.0	\$ —	\$ 143.4	\$ 146.7
Average interest rate	5.7%	5.6%	5.5%	5.2%	—	5.5%	—
Variable rate	\$ —	\$ 20.0	\$ —	\$ 97.0	\$ 10.0	\$ 127.0	\$ 127.0
Average interest rate	—	4.2%	—	4.0%	4.9%	4.1%	—

The following table presents notional amounts and weighted average interest rates by expected (contractual) maturity date for the Company's interest rate swap contracts held at December 31, 2008 (\$ in millions). Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date.

	Expected Maturity Date					Total	Fair Value
	2009	2010	2011	2012	Thereafter		
Pay fixed, receive variable	\$ 15.0	\$ 35.0	\$ 10.0	\$ —	\$ —	\$ 60.0	\$ (2.7)
Average pay rate	6.8%	5.8%	8.3%	—	—	—	—
Average receive rate	1.5%	1.6%	1.6%	—	—	—	—
Receive fixed, pay variable	\$ 10.0	\$ 10.0	\$ 10.0	\$ 20.0	\$ —	\$ 50.0	\$ 1.7
Average pay rate	5.3%	5.4%	5.4%	3.3%	—	—	—
Average receive rate	6.8%	6.8%	6.8%	5.2%	—	—	—

See Note 7 to the consolidated financial statements in this Form 10-K for a description of these agreements. A 100 basis point increase or decrease in variable interest rates in 2008 would have increased or decreased interest expense by \$1.3 million, respectively.

Foreign Exchange Rate Risk

Although the majority of our sales, expenses and cash flows are transaction in U.S. dollars, we have exposure to changes in foreign currency exchange rates, primarily the Euro and British Pound. If average annual foreign exchange rates collectively weakened against the U.S. dollar by 10%, our pre-tax earnings in 2008 would have decreased by \$3.0 million from foreign currency translation.

The Company has foreign currency exposures related to buying and selling in currencies other than the local currency in which it operates. The Company utilizes foreign currency options and forward contracts to manage these risks.

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The following table summarizes the Company's foreign currency derivative instruments as of December 31, 2008. All are expected to settle in 2009 (\$ in millions):

	Expected Settlement Date 2009		
	Notional Amount	Average Contract Rate	Fair Value
Forward contracts:			
Buy Euros, sell U.S. dollars	\$ 11.6	1.5	\$ (0.5)
Buy U.S. dollars, sell Euros	19.7		1.7
Buy Euros, sell CAD	11.9		(1.5)
Other currencies	<u>5.4</u>		<u>(1.0)</u>
Total forward contracts	48.6		(1.3)
Options:			
Buy U.S. dollars, sell Euros	<u>10.6</u>	1.5	<u>1.6</u>
Total foreign currency derivatives	<u>\$ 59.2</u>		<u>\$ 0.3</u>

See Note 7 to the Consolidated Financial Statements in this Form 10-K for a description of these agreements.

Forward exchange contracts are recorded as a natural hedge when the hedged item is a recorded asset or liability that is revalued each accounting period, in accordance with SFAS No. 52, "Foreign Currency Translation". For derivatives designated as natural hedges, changes in fair values are reported in the "Other income (expense)" line of the Consolidated Statements of Operations.

Other Matters

The Company has a business conduct policy applicable to all employees and regularly monitors compliance with that policy. The Company has determined that it had no significant related party transactions in each of the three years in the period ended December 31, 2008.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

The information contained under the caption Financial Market Risk Management included in Item 7 of this Form 10-K is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data.*

FEDERAL SIGNAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
of Federal Signal Corporation

We have audited the accompanying consolidated balance sheets of Federal Signal Corporation as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal Signal Corporation at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in accordance with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 5 to the consolidated financial statements, on January 1, 2007, Federal Signal Corporation changed its method of accounting for uncertain tax positions to conform with Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." Additionally, as discussed in Note 1 to the consolidated financial statements, on December 31, 2006, Federal Signal Corporation changed its method of accounting for defined benefit pension and other postretirement benefit plans to conform with SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R)."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Federal Signal Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2009, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, IL
February 27, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of Federal Signal Corporation

We have audited Federal Signal Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Federal Signal Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Federal Signal Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Federal Signal Corporation as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Federal Signal Corporation and our report dated February 27, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, IL
February 27, 2009

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2008	2007
	(\$ in millions)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 23.4	\$ 12.5
Short-term investments	10.0	—
Accounts receivable, net of allowances for doubtful accounts of \$2.0 million and \$3.8 million, respectively	153.2	147.8
Inventories — Note 2	137.1	121.8
Other current assets	21.6	28.6
Total current assets	345.3	310.7
Properties and equipment — Note 3	65.4	59.5
Other assets		
Goodwill — Note 11	328.1	344.7
Intangible assets, net — Note 11	47.8	65.2
Deferred tax assets — Note 5	30.3	1.8
Deferred charges and other assets	4.4	5.4
Total assets of continuing operations	821.3	787.3
Assets of discontinued operations, net — Note 12	12.7	382.3
Total assets	\$ 834.0	\$ 1,169.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings — Note 4	\$ 12.6	\$ 2.6
Current portion of long-term borrowings — Note 4	25.1	45.4
Accounts payable	56.4	66.2
Accrued liabilities		
Compensation and withholding taxes	25.1	26.8
Customer deposits	17.4	17.7
Other	49.8	56.6
Total current liabilities	186.4	215.3
Long-term borrowings — Note 4	241.2	240.7
Long-term pension liabilities	58.0	12.6
Deferred gain — Note 3	26.2	—
Other long-term liabilities	13.3	19.7
Deferred income taxes — Note 5	—	25.2
Total liabilities of continuing operations	525.1	513.5
Liabilities of discontinued operations — Note 12	24.4	210.8
Total liabilities	549.5	724.3
Shareholders' equity — Notes 8 and 9		
Common stock, \$1 par value per share, 90.0 million shares authorized, 49.3 million and 49.4 million shares issued, respectively	49.3	49.4
Capital in excess of par value	106.4	103.2
Retained earnings	226.4	333.8
Treasury stock, 1.9 million and 1.5 million shares, respectively, at cost	(36.1)	(30.1)
Accumulated other comprehensive (loss) income		
Foreign currency translation, net	(4.1)	15.9
Net derivative loss, cash flow hedges, net	(0.9)	(2.0)
Unrecognized pension and postretirement losses, net	(56.5)	(24.9)
Total	(61.5)	(11.0)
Total shareholders' equity	284.5	445.3
Total liabilities and shareholders' equity	\$ 834.0	\$ 1,169.6

See notes to consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>For the Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(\$ in millions, except per share data)		
Net sales	\$ 958.8	\$ 934.3	\$ 792.7
Costs and expenses			
Cost of sales	706.9	685.9	576.5
Selling, engineering, general and administrative	193.7	173.2	157.1
Restructuring charges — Note 13	<u>2.7</u>	<u>—</u>	<u>—</u>
Operating income	55.5	75.2	59.1
Interest expense	15.3	18.5	17.0
Loss on investment in joint venture	13.0	3.3	1.9
Other expense (income)	<u>0.9</u>	<u>(0.2)</u>	<u>0.2</u>
Income before income taxes	26.3	53.6	40.0
Income tax benefit (provision) — Note 5	<u>5.0</u>	<u>(13.9)</u>	<u>(8.8)</u>
Income from continuing operations	31.3	39.7	31.2
Discontinued operations — Note 12:			
(Loss) gain from discontinued operations and disposal, net of tax benefit of \$18.0 million, \$4.0 million and \$2.5 million, respectively	<u>(126.9)</u>	<u>15.2</u>	<u>(8.5)</u>
Net (loss) income	<u>\$ (95.6)</u>	<u>\$ 54.9</u>	<u>\$ 22.7</u>
Basic and diluted earnings (loss) per share Earnings from continuing operations	\$ 0.66	\$ 0.83	\$ 0.65
(Loss) gain from discontinued operations and disposal, net of taxes	<u>(2.67)</u>	<u>0.32</u>	<u>(0.18)</u>
Net (loss) earnings per share	<u>\$ (2.01)</u>	<u>\$ 1.15</u>	<u>\$ 0.47</u>

See notes to consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	<u>Common Stock Par Value</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Treasury Stock (\$ in millions)</u>	<u>Deferred Stock Awards</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance at December 31, 2005	48.8	98.2	278.9	(18.1)	(4.8)	(26.7)	376.3
Comprehensive income:							
Net income			22.7				22.7
Foreign currency translation						10.0	10.0
Unrealized losses on derivatives, net of \$1.3 million tax benefit						(2.2)	(2.2)
Minimum pension liability, net of \$2.3 million tax expense						4.0	4.0
Comprehensive income							34.5
Adjustments to adopt SFAS 158, net of \$4.8 million tax benefit						(8.2)	(8.2)
Cash dividends declared			(11.5)				(11.5)
Reclassification of deferred stock awards		(4.8)			4.8		—
Share based payments:							
Exercise of stock options		0.5					0.5
Excess tax benefits on share based payments		0.3					0.3
Awards and options	0.3	5.5					5.8
Treasury stock purchases				(12.1)			(12.1)
Other		0.1	0.6	0.1			0.8
Balance at December 31, 2006	\$ 49.1	\$ 99.8	\$ 290.7	\$ (30.1)	\$ —	\$ (23.1)	\$ 386.4
Comprehensive income:							
Net income			54.9				54.9
Foreign currency translation						11.7	11.7
Unrealized losses on derivatives, net of \$1.2 million tax benefit						(2.0)	(2.0)
Amortization of pension and postretirement losses, net of \$1.8 million tax expense						1.9	1.9
Comprehensive income							66.5
Adjustments to adopt FIN 48			(0.7)				(0.7)
Adjustments to adopt SFAS 158, net of \$0.0 million tax expense			0.4			0.5	0.9
Cash dividends declared			(11.5)				(11.5)
Share based payments:							
Stock awards and options	0.3	3.2					3.5
Excess tax benefits on share based payments		0.2					0.2
Balance at December 31, 2007	\$ 49.4	\$ 103.2	\$ 333.8	\$ (30.1)	\$ —	\$ (11.0)	\$ 445.3
Comprehensive loss:							
Net loss			(95.6)				(95.6)
Foreign currency translation						(20.0)	(20.0)
Unrealized gains on derivatives, net of \$0.7 million tax expense						1.1	1.1
Change in unrecognized losses related to pension benefit plans, net of \$16.3 million tax benefit						(31.6)	(31.6)
Comprehensive loss							(146.1)
Adjustment to adopt EITF 06 — 04			(0.3)				(0.3)
Cash dividends declared			(11.5)				(11.5)
Share based payments:							
Non-vested stock and options		2.9					2.9
Stock awards		0.6					0.6
Common stock cancelled	(0.1)	(0.3)					(0.4)
Treasury stock purchases				(6.0)			(6.0)
Balance at December 31, 2008	\$ 49.3	\$ 106.4	\$ 226.4	\$ (36.1)	\$ —	\$ (61.5)	\$ 284.5

See notes to consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	December 31,		
	2008	2007	2006
	(\$ in millions)		
Operating activities			
Net (loss) income	\$ (95.6)	\$ 54.9	\$ 22.7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss (gain) on discontinued operations and disposal	126.9	(15.2)	8.5
Loss on joint venture	13.0	3.3	1.9
Depreciation and amortization	15.5	14.1	9.5
Stock option and award compensation expense	2.9	3.5	5.8
Provision for doubtful accounts	7.2	0.7	0.8
Deferred income taxes	(14.6)	5.4	(2.0)
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions of companies			
Accounts receivable	(16.2)	3.5	(29.9)
Inventories	(17.6)	(18.5)	(20.6)
Other current assets	1.8	(0.6)	(1.6)
Accounts payable	(8.1)	(2.5)	12.2
Customer deposits	—	3.6	1.7
Accrued liabilities	(2.7)	0.4	1.4
Income taxes	(8.0)	(2.6)	(1.3)
Pension contributions	(11.5)	(6.7)	(11.3)
Other	4.5	(1.0)	(0.4)
Net cash (used for) provided by continuing operating activities	(2.5)	42.3	(2.6)
Net cash provided by discontinued operating activities	126.2	23.1	32.3
Net cash provided by operating activities	123.7	65.4	29.7
Investing activities			
Purchases of properties and equipment	(28.5)	(20.1)	(12.2)
Proceeds from sales of properties and equipment	38.0	0.6	0.2
Investment in joint venture	—	—	(1.9)
Payments for acquisitions, net of cash acquired	—	(147.5)	—
Other, net	(10.1)	(1.7)	—
Net cash used for continuing investing activities	(0.6)	(168.7)	(13.9)
Net cash provided by (used for) discontinued investing activities	55.2	62.1	(5.4)
Net cash provided by (used for) investing activities	54.6	(106.6)	(19.3)
Financing activities			
Increase (reduction) in short-term borrowings, net	0.6	(28.3)	23.7
Proceeds from issuance of long-term borrowings	148.8	230.1	23.6
Repayment of long-term borrowings	(169.5)	(142.2)	(98.0)
Purchases of treasury stock	(6.0)	—	(12.1)
Cash dividends paid to shareholders	(11.5)	(11.5)	(11.5)
Other, net	0.2	0.4	1.1
Net cash (used for) provided by continuing financing activities	(37.4)	48.5	(73.2)
Net cash used for discontinued financing activities	(129.3)	(11.7)	(9.8)
Net cash (used for) provided by financing activities	(166.7)	36.8	(83.0)
Effects of foreign exchange rate changes on cash	(0.7)	1.1	2.2
Increase (decrease) in cash and cash equivalents	10.9	(3.3)	(70.4)
Cash and cash equivalents at beginning of year	12.5	15.8	86.2
Cash and cash equivalents at end of year	\$ 23.4	\$ 12.5	\$ 15.8

See notes to consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(\$ in millions, except per share data)

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation: The accompanying consolidated financial statements include the accounts of Federal Signal Corporation and all of its significant subsidiaries (the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany balances and transactions have been eliminated in consolidation. These consolidated financial statements include estimates and assumptions by management that effect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. The operating results of businesses divested during 2008, 2007 and 2006 have been excluded since the date of sale, and have been reported prior to sale as discontinued operations (See Note 12). Certain prior year amounts have been reclassified to conform to the current presentation.

Foreign Operations: Assets and liabilities of foreign subsidiaries, other than those whose functional currency is the U.S. dollar, are translated at current exchange rates with the related translation adjustments reported in stockholders’ equity as a component of accumulated other comprehensive income (loss). Income statement accounts are translated at the average exchange rate during the period. Where the U.S. dollar is considered the functional currency, monetary assets and liabilities are translated at current exchange rates with the related adjustment included in net income. Non-monetary assets and liabilities are translated at historical exchange rates. The Company incurs foreign currency transaction gains/losses relating to assets and liabilities that are denominated in a currency other than the functional currency. For 2008, 2007 and 2006, the Company incurred foreign currency transaction losses, included in other expenses in the Statement of Operations, of \$0.5 million, \$0.4 million and \$0.6 million, respectively.

Cash equivalents: The Company considers all highly liquid investments with a maturity of three-months or less, when purchased, to be cash equivalents.

Short-term investments: Short term investments are stated at cost since they represent highly liquid certificates of deposit that mature June 11, 2009.

Accounts receivable, lease financing and other receivables and allowances for doubtful accounts: A receivable is considered past due if payments have not been received within agreed upon invoice terms. The Company’s policy is generally to not charge interest on trade receivables after the invoice becomes past due, but to charge interest on lease receivables. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments on the outstanding accounts receivable and outstanding lease financing and other receivables. The allowances are each maintained at a level considered appropriate based on historical and other factors that affect collectibility. These factors include historical trends of write-offs, recoveries and credit losses; portfolio credit quality; and current and projected economic and market conditions. If the financial condition of the Company’s customers were to deteriorate, resulting in a reduced ability to make payments, additional allowances may be required.

Inventories: The Company’s inventories are stated at the lower of cost or market. At December 31, 2008 and 2007, approximately 78% of the Company’s inventories were costed using the FIFO method. The remaining portion of the Company’s inventories is costed using the LIFO (last-in, first-out) method. Included in the cost of inventories are raw materials, direct wages and associated production costs.

Properties and depreciation: Properties and equipment are stated at cost. Depreciation, for financial reporting purposes, is computed principally on the straight-line method over the estimated useful lives of the assets. Depreciation ranges from 8 to 40 years for buildings and 3 to 15 years for machinery and equipment. Leasehold improvements are depreciated over the shorter of the remaining life of the lease or the useful life of the improvement. Property, plant and equipment and other long-term assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

recognized for the difference between the fair value and carrying value of the asset or group of assets. Such analyses necessarily involve significant judgment.

Intangible assets: Intangible assets principally consist of costs in excess of fair values of net assets acquired in purchase transactions. These assets are assessed yearly for impairment in the fourth quarter and also between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Definite lived intangible assets are amortized using the straight-line method.

Stock-based compensation plans: The Company has various stock-based compensation plans, described more fully in Note 8.

The Company accounts for stock-based compensation in accordance with the provisions of SFAS 123(R). The fair value stock options are determined using a Black-Scholes option pricing model.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Warranty: Sales of many of the Company's products carry express warranties based on the terms that are generally accepted in the Company's marketplaces. The Company records provisions for estimated warranty at the time of sale based on historical experience and periodically adjusts these provisions to reflect actual experience. Infrequently, a material warranty issue can arise which is beyond the scope of the Company's historical experience. The Company provides for these issues as they become probable and estimable.

Product liability and workers' compensation liability: Due to the nature of the Company's products, the Company is subject to claims for product liability and workers' compensation in the normal course of business. The Company is self-funded for a portion of these claims. The Company establishes a reserve using a third-party actuary for any known outstanding matters, including a reserve for claims incurred but not yet reported.

Financial instruments: The Company enters into agreements (derivative financial instruments) to manage the risks associated with interest rates and foreign exchange rates. The Company does not actively trade such instruments nor enter into such agreements for speculative purposes. The Company principally utilizes two types of derivative financial instruments: 1) interest rate swaps to manage its interest rate risk, and 2) foreign currency forward exchange and option contracts to manage risks associated with sales and expenses (forecast or committed) denominated in foreign currencies.

On the date a derivative contract is entered into, the Company designates the derivative as one of the following types of hedging instruments and accounts for the derivative as follows:

Fair value hedge: A hedge of a recognized asset or liability or an unrecognized firm commitment is declared as a fair value hedge. For fair value hedges, both the effective and ineffective portions of the changes in the fair value of the derivative, along with the gain or loss on the hedged item that is attributable to the hedged risk, are recorded in earnings and reported in the consolidated statements of operations on the same line as the hedged item.

Cash flow hedge: A hedge of a forecast transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is declared as a cash flow hedge. The effective portion of the change in the fair value of a derivative that is declared as a cash flow hedge is recorded in accumulated other comprehensive income. When the hedged item impacts the statement of operations, the gain or loss previously included in accumulated other comprehensive income is reported on the same line in the consolidated statements of operations as the hedged item. In addition, both the fair value of changes excluded from the Company's effectiveness

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

assessments and the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are reported in selling, general and administrative expenses in the consolidated statements of operations.

The Company formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded in the consolidated balance sheets at fair value in other deferred charges and assets and other accrued liabilities. This process includes linking derivatives that are designated as hedges of specific forecast transactions. The Company also formally assesses, both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer likely to occur, the Company discontinues hedge accounting, and any deferred gains or losses are recorded in selling, general and administrative expenses. Amounts related to terminated interest rate swaps are deferred and amortized as an adjustment to interest expense over the original period of interest exposure, provided the designated liability continues to exist or is probable of occurring.

Fair value of financial instruments: In September 2006, the Financial Accounting Standards Board (FASB) issued FAS 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP") and expands disclosure about fair value measurements. In February 2008, the FASB issued FASB Staff Position No. 157-b, "Effective Date of FASB Statement No. 157" ("FSP 157-b"), which provides a one year deferral of the effective date of FAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, the Company has only adopted the provisions of FAS 157 with respect to its financial assets and liabilities that are measured at fair value within the financial statements as of January 1, 2008. The adoption of FAS 157 did not have a material impact on the Company's fair value measurements. The provisions of FAS 157 have not been applied to non-financial assets and non-financial liabilities.

In February 2007, the FASB issued FAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment to FASB Statement No. 115," which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company adopted this statement as of January 1, 2008 and has elected not to apply the fair value option to any of its financial instruments at this time.

Split-dollar life insurance arrangements: In September 2006, the EITF issued EITF 06-04, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Split-Dollar Life Insurance Arrangements". EITF 06-04 concludes that an employer should recognize a liability for post-employment benefits promised to an employee. This guidance is effective for fiscal years beginning after December 15, 2007. The Company has one arrangement that meets these criteria and has recorded a liability of approximately \$0.3 million in 2008.

Earnings (loss) per share: Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average common shares outstanding, which totaled 47.7 million, 47.9 million and 48.0 million for 2008, 2007 and 2006, respectively. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average common shares outstanding plus additional common shares that would have been outstanding assuming the exercise of stock options that are dilutive. The Company uses the treasury stock method to calculate dilutive shares. The weighted average number of shares outstanding for diluted earnings (loss) per share were 47.7 million, 47.9 million and 48.0 million for 2008, 2007 and 2006, respectively. In 2008, 2007 and 2006, options to purchase 2.5 million, 2.4 million and 2.6 million shares of common stock, respectively, were excluded from the calculation of the number of shares outstanding as their effects were anti-dilutive. For the year ended December 31, 2008, 28,503 performance share units were also excluded from the calculation of the number of shares outstanding for diluted earnings per share because their effects were anti-dilutive.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

Revenue recognition: The Company recognizes revenue when all of the following are satisfied: persuasive evidence of an arrangement exists, the price is fixed or determinable, collectibility is reasonably assured and title has passed or services have been rendered. Typically, title passes at time of shipment, however occasionally title passes later or earlier than shipment due to customer contracts or letter of credit terms. Infrequently, a sales contract qualifies for percentage of completion or for multiple-element accounting. For percentage of completion revenues, the Company utilizes the cost-to-cost method and the contract payments are received as progress payments as costs are incurred or based on installation and performance milestones. At the inception of a sales-type lease, the Company records the product sales price and related costs and expenses of the sale. Financing revenues are included in income over the life of the lease. Management believes that all relevant criteria and conditions are considered when recognizing revenues.

Net sales: Net sales are net of returns and allowances. Returns and allowances are calculated and recorded as a percentage of revenue based upon historical returns. Gross sales includes sale of products and billed freight related to product sales. Freight has not historically comprised a material component of gross sales.

Product shipping costs: Product shipping costs are expensed as incurred and are included in cost of sales.

Postretirement benefits: In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132R ("SFAS 158"). Under SFAS 158, the funded status of each pension and other postretirement benefit plan at the year-end measurement date is required to be reported as an asset (for overfunded plans) or a liability (for underfunded plans), replacing the accrued or prepaid asset currently recorded and reversing any amounts previously recorded with respect to any additional minimum liability.

The Company adopted the recognition provisions of SFAS 158 effective December 31, 2006. As a result of adopting the recognition provisions, the Company recognized an increase in accumulated other comprehensive loss of \$8.2 million, net of a \$4.8 million tax benefit.

The Company also adopted the measurement date provisions of SFAS 158 as of December 31, 2007. Previously, the Company's non-US defined benefit plan had a September 30 measurement date. The effect of this adoption increased pension assets and retained earnings by \$0.4 million.

Investments: In 2005, the Company entered into an agreement with the Shanghai Environmental Sanitary Vehicle and Equipment Factory (SHW) and United Motor Works (UMW) to form a joint venture ("China Joint Venture") to manufacture specialty vehicles in the Peoples Republic of China. The investment in the joint venture is accounted for under the equity method in accordance with APB No. 18. The Company's 50% interest in the venture does not represent a controlling interest. In February 2009, the Company decided to terminate funding to this venture as a review of the market and forecasts of the joint venture's cash flows indicated its bank debt was unlikely to be repaid and that its assets were impaired. A charge of \$10.4 million was taken in 2008 and reported in the Statements of Operations as loss on investment in joint venture to write-down completely the Company's investment and to reflect the Company's \$9.4 million obligation to guaranty the debt of the joint venture and \$1.0 million obligation to guaranty the investment of UMW. The debt guaranty is included in Short-term Borrowings and the investment guaranty is included in Accrued liabilities — Other in the Consolidated Balance Sheet at December 31, 2008. The Company's share of operating losses was \$2.6 million, \$3.3 million and \$1.9 million in each of the three years ended December 31, 2008, 2007, and 2006, respectively.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

NOTE 2 — INVENTORIES

Inventories at December 31 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Raw materials	\$ 67.0	\$ 62.3
Work in process	34.1	26.4
Finished goods	<u>36.0</u>	<u>33.1</u>
Total inventories	<u>\$ 137.1</u>	<u>\$ 121.8</u>

If the Company had used the first-in, first-out cost method exclusively, which approximates replacement cost, inventories would have aggregated \$141.5 million and \$125.2 million at December 31, 2008 and 2007, respectively.

NOTE 3 — PROPERTIES AND EQUIPMENT

Properties and equipment at December 31 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 1.4	\$ 3.6
Buildings and improvements	20.7	31.9
Machinery and equipment	141.3	126.4
Accumulated depreciation	<u>(98.0)</u>	<u>(102.4)</u>
Total properties and equipment	<u>\$ 65.4</u>	<u>\$ 59.5</u>

In July 2008, the Company entered into sale-leaseback transactions for its Elgin and University Park, Illinois plant locations. Net proceeds received were \$35.8 million resulting in a deferred gain of \$29.0 million. The deferred gain will be amortized over the 15-year life of the respective leases.

The Company leases certain facilities and equipment under operating leases, some of which contain options to renew. Total rental expense on all operating leases was \$9.5 million in 2008, \$8.0 million in 2007 and \$6.1 million in 2006. Sublease income and contingent rentals relating to operating leases were insignificant. At December 31, 2008, minimum future rental commitments under operating leases having noncancelable lease terms in excess of one year aggregated \$74.9 million payable as follows: \$9.9 million in 2009, \$7.5 million in 2010, \$6.5 million in 2011, \$5.6 million in 2012, \$4.6 million in 2013 and \$40.8 million thereafter.

NOTE 4 — DEBT

Short-term borrowings at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Capital lease obligations	\$ —	\$ 1.8
China Joint Venture debt guarantee	9.4	—
Other foreign lines of credit	<u>3.2</u>	<u>0.8</u>
Total short-term borrowings	<u>\$ 12.6</u>	<u>\$ 2.6</u>

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

Long-Term Borrowings at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
6.79% Unsecured Private Placement note with annual installments of \$10.0 million due 2008-2011	\$ 30.0	\$ 40.0
6.37% Unsecured Private Placement note with annual installments of \$10.0 million due 2005-2008	—	10.0
6.60% Unsecured Private Placement note with annual installments of \$7.1 million due 2008-2011	21.4	28.6
4.93% Unsecured Private Placement note with annual installments of \$8.0 million due 2008-2012	32.0	40.0
5.24% Unsecured Private Placement note due 2012	60.0	60.0
Unsecured Private Placement note, floating rate (4.83% and 5.87% at December 31, 2008 and 2007, respectively) due 2010-2013	30.0	50.0
Amended Loan Agreement (described below)	—	96.6
Alternative Currency Facility (within Revolving Credit Facility)	10.1	32.6
Revolving Credit Facility	<u>86.9</u>	<u>66.0</u>
	270.4	423.8
Fair value of interest rate swaps	1.1	(1.0)
Unamortized balance of terminated fair value interest rate swaps	<u>0.6</u>	<u>0.7</u>
	272.1	423.5
Less current maturities, excluding financial services activities	(25.1)	(45.4)
Less financial services activities — borrowings (included in discontinued operations)	<u>(5.8)</u>	<u>(137.4)</u>
Total long-term borrowings, net	<u>\$ 241.2</u>	<u>\$ 240.7</u>

The Company has a \$250.0 million line that expires April 25, 2012 under its Revolving Credit Facility. Borrowings under the facility bear interest, at the Company's option, at the Base Rate or LIBOR, plus an applicable margin. The applicable margin ranges from 0.00% to 0.75% for Base Rate borrowings and 1.00% to 2.00% for LIBOR borrowings depending on the Company's total indebtedness to capital ratio. At December 31, 2008, the Company's applicable margin over LIBOR and Base Rate borrowings was 1.50% and 0.25%, respectively.

On September 6, 2007 Federal Signal of Europe B.V. y CIA , SC, a restricted subsidiary of the Company, entered into a Supplemental Agreement to the Company's Second Amended and Restated Credit Agreement ("Alternative Currency Facility") whereby Federal Signal of Europe B.V. y CIA , SC, became a Designated Alternative Currency Borrower for the purpose of making swing loans denominated in Euros.

In March 2008, the Company requested and was granted an amendment (the "Second Credit Amendment") to the Revolving Credit Facility. Affected items in the Second Credit Amendment included the definitions of Consolidated Net Worth and EBIT, reducing the Total Indebtedness to Capital ratio maximum to .50, reducing the minimum Interest Coverage Ratio requirement which ranged from 2:1 to 2.75:1 for the four quarters ending in 2008, reducing the required minimum percentage of consolidated assets directly owned by the Credit Agreement's borrower and guarantors to 50%. The amendment allowed for the unencumbered sale of the E-One business.

As of December 31, 2008, €7.2 million (or \$10.1 million), was drawn on the Alternative Currency Facility and \$86.9 million was drawn on the Second Amended Credit Agreement for a total of \$97.0 million drawn under the Second Amended Credit Agreement leaving available borrowings of \$153.0 million.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

Weighted average interest rates on short-term borrowings were 5.94% and 6.95% at December 31, 2008 and 2007, respectively.

On March 24, 2005, E-ONE, Inc. (“E-ONE”), formerly a wholly-owned subsidiary of the Company, entered into a loan agreement with Banc of America Leasing & Capital, LLC (the “Loan Agreement”) under a nonrecourse loan facility. E-One’s indebtedness and other obligations under the Loan Agreement were payable out of certain customer leases of emergency equipment and other collateral as described in the Loan Agreement. In December 2007, the Loan Agreement was amended to include customer leases of E-One Inc., E-One New York, Inc., Elgin Sweeper Company and Vactor Manufacturing, Inc. (“Amended Loan Agreement”). In August 2008, the outstanding debt of the Amended Loan Agreement was paid in full, prior to the sale of E-ONE.

Aggregate maturities of total borrowings amount to approximately \$37.7 million in 2009, \$45.2 million in 2010, \$25.1 million in 2011, \$165.0 million in 2012 and \$10.0 million in 2013. The fair values of these borrowings aggregated \$286.3 million and \$430.1 million at December 31, 2008 and 2007, respectively. Included in 2009 maturities of \$37.7 million are \$9.4 million associated with the Company’s guaranty of the China Joint Venture debt, \$3.2 million on other foreign lines of credit and \$25.1 million private placement debt amortization.

For each of the above Private Placement notes, covenants include a maximum debt-to-capitalization ratio of 60% and minimum net worth of \$275.0 million. At December 31, 2008, all of the Company’s retained earnings were free of any restrictions and the Company was in compliance with the financial covenants and agreements.

At December 31, 2008 and 2007, deferred financing fees, which are amortized over the remaining life of the debt, totaled \$1.3 million and \$1.5 million, respectively, and are included in other deferred charges and assets on the balance sheet.

The Company paid interest of \$21.4 million in 2008, \$26.2 million in 2007 and \$24.4 million in 2006. See Note 7 regarding the Company’s utilization of derivative financial instruments relating to outstanding debt.

NOTE 5 — INCOME TAXES

The provision/(benefit) for income taxes for each of the three years in the period ended December 31, 2008 consisted of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current:			
Federal	\$ 3.3	\$ 2.6	\$ 6.1
Foreign	5.8	6.0	4.6
State and local	<u>0.5</u>	<u>(0.1)</u>	<u>0.1</u>
	9.6	8.5	10.8
Deferred:			
Federal	(14.9)	4.9	(2.8)
Foreign	0.4	(0.1)	0.2
State and local	<u>(0.1)</u>	<u>0.6</u>	<u>0.6</u>
	<u>(14.6)</u>	<u>5.4</u>	<u>(2.0)</u>
Total income tax (benefit) provision	<u>\$ (5.0)</u>	<u>\$ 13.9</u>	<u>\$ 8.8</u>

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Differences between the statutory federal income tax rate and the effective income tax rate for each of the three years in the period ended December 31, 2008 are summarized below:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	2.1	2.5	1.5
Losses on China Joint Venture and legal entity restructuring	(12.2)	—	—
Dividend repatriation	—	(2.8)	—
Capital loss utilization via sale/leaseback	(31.5)	—	—
Exports benefit	—	—	(2.6)
Tax reserves	0.4	1.5	(4.4)
R&D tax credits	(2.2)	(1.0)	(1.1)
Foreign tax rate effects	(9.8)	(4.3)	(3.9)
Foreign financing strategies	—	(1.2)	(0.9)
Capital loss — Canadian legal entity restructuring	—	(2.7)	—
Other, net	(0.8)	(1.1)	(1.5)
Effective income tax rate	<u>(19.0)%</u>	<u>25.9%</u>	<u>22.1%</u>

The Company's 2008 effective tax rate of (19.0)% reflects a benefit of \$8.2 million for the utilization of capital loss carryforwards resulting from the sale-leaseback transaction for two U.S. based manufacturing facilities and a benefit of \$3.1 million for losses in the China Joint Venture previously not recognized.

Deferred income tax assets and liabilities at December 31 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Accrued expenses	\$ 19.5	\$ 12.8
Net operating loss, capital loss, alternative minimum tax, research and development, and foreign tax credit carryforwards	61.8	40.8
Tax effect of items in other comprehensive income	31.2	6.4
Other	3.0	0.1
Gross deferred tax assets	115.5	60.1
Valuation allowance	(33.9)	(15.9)
Total deferred tax assets	81.6	44.2
Deferred tax liabilities:		
Depreciation and amortization	(38.0)	(51.8)
Revenue recognition	(0.6)	(0.8)
Pension liabilities	(9.9)	(6.4)
Undistributed earnings of non-U.S. subsidiary	(1.0)	(0.7)
Gross deferred tax liabilities	(49.5)	(59.7)
Net deferred tax asset (liability)	<u>\$ 32.1</u>	<u>\$ (15.5)</u>

Federal and state income taxes have not been provided on accumulated undistributed earnings of certain foreign subsidiaries aggregating approximately \$79.6 million at December 31, 2008, as such earnings have been

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reinvested in the business. The determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings is not practicable.

The deferred tax asset for tax loss carryforwards includes Federal net operating loss carryforwards of \$4.8 million, which begin to expire in 2029, state net operating loss carryforwards of \$1.5 million, which will begin to expire in 2019; foreign net operating loss carryforwards of \$2.7 million of which \$1.4 million has an indefinite life; \$29.8 million for capital loss carryforwards that will expire in 2012 and 2013. The deferred tax asset for tax credit carryforwards includes U.S. research tax credit carryforwards of \$5.0 million, which will begin to expire in 2022, U.S. foreign tax credits of \$14.2 million, which will begin to expire in 2015 and U.S. alternative minimum tax credit carryforwards of \$3.8 million with no expiration.

Valuation allowances totaling \$33.9 million have been established and include \$1.4 million related to state net operating loss carryforwards and \$2.7 million related to the foreign net operating loss carryforwards and \$29.8 million related to capital loss carryforwards.

The net deferred tax asset at December 31 is classified in the balance sheet as follows:

	<u>2008</u>	<u>2007</u>
Current net deferred tax assets (included in Other current assets in the Consolidated Balance Sheets)	\$ 1.8	\$ 9.8
Long-term net deferred tax asset (liability)	<u>30.3</u>	<u>(25.3)</u>
	<u>\$ 32.1</u>	<u>\$ (15.5)</u>

As of December 31, 2008, the Company is in a net U.S. deferred tax asset position of \$42.3 million. Additionally, the Company has incurred cumulative domestic losses for the last three years. Under the provisions of FAS 109, the Company may be required to establish a valuation allowance for its U.S. deferred tax assets. However, FAS 109 provides that a valuation allowance may not be needed if the Company can demonstrate a strong earnings history exclusive of the losses that created the deferred tax assets coupled with evidence indicating that loss is due to an unusual, infrequent, or extraordinary item and not a continuing condition. The Company considers that the cumulative three year domestic loss was primarily due to losses recorded on discontinued operations and disposal during the three year period and accordingly, no valuation allowance has been established for the net U.S. deferred tax asset position as of December 31, 2008.

The Company paid income taxes of \$6.1 million in 2008, \$7.0 million in 2007 and \$6.9 million in 2006.

Income from continuing operations before taxes for each of the three years in the period ended December 31, 2008 consisted of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
United States	\$ 1.4	\$ 31.4	\$ 23.0
Non-U.S	<u>24.9</u>	<u>22.2</u>	<u>17.1</u>
	<u>\$ 26.3</u>	<u>\$ 53.6</u>	<u>\$ 40.1</u>

On January 1, 2007, the Company adopted the provisions of FIN 48. As a result, an increase of \$0.7 million in the liability for unrecognized tax benefits and a \$0.7 million reduction in retained earnings were recorded in 2007.

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The following table summarizes the activity related to the Company's unrecognized tax benefits:

Balance at January 1, 2007	\$ 6.2
Increases related to current year tax positions	1.8
Increases from prior period positions	0.6
Decreases due to lapse of statute of limitations	(0.2)
Decreases from prior periods	<u>(0.1)</u>
Balance at December 31, 2007	\$ 8.3
Increases related to current year tax positions	0.8
Decreases due to settlements with tax authorities	(0.9)
Decreases due to lapse of statute of limitations	(0.7)
Decreases from prior periods	<u>(2.5)</u>
Balance at December 31, 2008	<u>\$ 5.0</u>

Included in the unrecognized tax benefits of \$5.0 million at December 31, 2008 was \$4.4 million of tax benefits that if recognized, would impact our annual effective tax rate. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. Interest and penalties amounting to \$0.8 million and \$0.1 million, respectively, are included in the consolidated balance sheet but are not included in the table above. We expect our unrecognized tax benefits to decrease by \$0.4 million over the next 12 months.

We file U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2005 through 2008 tax years generally remain subject to examination by federal and most state tax authorities. In significant foreign jurisdictions, the 2003 through 2008 tax years generally remain subject to examination by their respective tax authorities.

NOTE 6 — POSTRETIREMENT BENEFITS

The Company and its subsidiaries sponsor a number of defined benefit retirement plans covering certain of its salaried and hourly employees. Benefits under these plans are primarily based on final average compensation and years of service as defined within the provisions of the individual plans. The Company also participates in a retirement plan that provides defined benefits to employees under certain collective bargaining agreements.

The Company uses a December 31 measurement date for its U.S. and non-U.S. benefit plans in accordance with SFAS 158.

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The components of net periodic pension expense for each of the three years in the period ended December 31, 2008 are summarized as follows:

	U.S. Benefit Plans			Non-U.S. Benefit Plan		
	2008	2007	2006	2008	2007	2006
Company-sponsored plans						
Service cost	\$ 0.9	\$ 1.8	\$ 4.3	\$ 0.2	\$ 0.2	\$ 0.2
Interest cost	8.7	8.8	8.6	3.3	3.1	2.7
Expected return on plan assets	(10.8)	(10.9)	(9.9)	(4.0)	(4.2)	(3.8)
Amortization of actuarial loss	0.6	1.6	1.4	0.5	0.6	0.6
Amortization of prior service cost	—	—	0.1	—	—	—
Curtailment charge	0.4	—	1.3	—	—	—
Settlement charge	5.9	—	—	—	—	—
	5.7	1.3	5.8	—	(0.3)	(0.3)
Multiemployer plans	0.2	0.2	0.3	—	—	—
Net periodic pension expense (income)	\$ 5.9	\$ 1.5	\$ 6.1	\$ —	\$ (0.3)	\$ (0.3)

On April 21, 2008, the Company sold its Die and Mold Operations. The operations were included in discontinued operations for all periods presented through the sale date. As a result of an amendment related to this sale, the Company was required to recognize a curtailment adjustment of \$0.4 million and subsequently, a settlement charge of \$5.9 million under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits". Pension expense relating to the Tool segment employees, excluding the previously mentioned charges, was \$0.3 million, \$1.3 million and \$1.9 million for each of the three years ended December 31, 2008, 2007 and 2006, respectively.

The remeasurement of these defined benefit plans as a result of the sale of the Die and Mold Operations also included a change in the weighted average discount rate to determine pension costs from 6.45% used at January 1, 2008 to 6.6% at the May 1, 2008 remeasurement date, and to 6.8% at the July 1, 2008 remeasurement date.

On April 28, 2008, an amendment to the Company's U.S. defined benefit plans for University Park, Illinois IBEW employees within the Safety and Security Systems Group was approved. The amendment froze service accruals for these employees as of December 31, 2008. On July 17, 2006, a similar amendment to the Company's defined benefit plans for all U.S. employees, except for Tool segment employees and University Park, Illinois IBEW employees within the Safety and Security Systems Group was approved by the Company's Board of Directors. The amendment froze service accruals for these employees as of December 31, 2006. The participants do, however, continue to accrue benefits resulting from future salary increases through 2016. As a result of the amendment, the Company was required to recognize a curtailment charge under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits" due to the recognition of prior service costs. The Company recognized a curtailment charge of \$1.3 million measured at July 1, 2006, which was recorded during the quarter ended September 30, 2006 and is recognized in the table above, reflecting the unamortized portion of prior benefit changes.

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The following table summarizes the weighted-average assumptions used in determining pension costs in each of the three years in the period ended December 31, 2008:

	<u>U.S. Benefit Plans</u>			<u>Non-U.S. Benefit Plan</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rate	6.8%	6.0%	6.1%	5.9%	5.8%	5.2%
Rate of increase in compensation levels	3.5%	3.5%	3.5%	N/A*	N/A*	NA*
Expected long term rate of return on plan assets	8.5%	8.5%	8.5%	6.6%	6.9%	7.0%

* Non-U.S. plan benefits are not adjusted for compensation level changes

The following summarizes the changes in the projected benefit obligation and plan assets, the funded status of the Company-sponsored plans and the major assumptions used to determine these amounts at December 31:

	<u>U.S. Benefit Plans</u>		<u>Non-U.S. Benefit Plan</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Change in Benefit Obligation				
Benefit obligation, beginning of year	\$ 142.5	\$ 143.2	\$ 61.3	\$ 59.0
Service cost	0.9	1.8	0.2	0.2
Interest cost	8.7	8.8	3.3	3.1
Actuarial (gain)/loss	(1.9)	(6.4)	(3.4)	2.1
Benefits paid	(21.2)	(4.9)	(3.0)	(3.9)
Curtailments	(2.0)	—	—	—
Settlements	2.7	—	—	—
Translation and other	—	—	(15.8)	0.8
Benefit obligation, end of year	<u>\$ 129.7</u>	<u>\$ 142.5</u>	<u>\$ 42.6</u>	<u>\$ 61.3</u>
Accumulated benefit obligation, end of year	<u>\$ 125.2</u>	<u>\$ 129.8</u>	<u>\$ 42.6</u>	<u>\$ 61.3</u>

The following table summarizes the weighted-average assumptions used in determining benefit obligations as of December 31, 2008 and 2007:

	<u>U.S. Benefit Plans</u>		<u>Non-U.S. Benefit Plan</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Discount rate	6.5%	6.45%	5.9%	5.8%
Rate of increase in compensation levels	3.5%	3.5%	N/A	N/A

	<u>U.S. Benefit Plans</u>		<u>Non-U.S. Benefit Plan</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Change in Plan Assets				
Fair value of plan assets, beginning of year	\$ 132.9	\$ 125.0	\$ 63.3	\$ 58.7
Actual return on plan assets	(42.6)	7.8	(8.2)	5.7
Company contribution	10.0	5.0	1.6	1.7
Benefits and expenses paid	(21.2)	(4.9)	(2.9)	(3.9)
Translation and other	—	—	(14.9)	1.1
Fair value of plan assets, end of year	<u>\$ 79.1</u>	<u>\$ 132.9</u>	<u>\$ 38.9</u>	<u>\$ 63.3</u>

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The amounts included in Translation and other in the preceding tables reflect the impact of the change in measurement date from September 30 to December 31 for the year ended December 31, 2007 as well as foreign exchange translation for the non-U.S. benefit plan.

The following table summarizes the Company's asset allocations for its benefits plans as of December 31, 2008 and 2007 and the target allocation for 2009 by asset category:

	U.S. Benefit Plans			Non-U.S. Benefit Plan		
	Target Percent 2009	Percentage of Plan Assets as of December 31		Target Percent 2009	Percentage of Plan Assets as of December 31,	
		2008	2007		2008	2007
Equity securities	60-85%	72%	74%	50-70%	52%	60%
Fixed income securities	10-30%	14%	16%	30-50%	36%	30%
Alternative investments	0-15%	14%	10%	—	—	—
Cash	—	—	—	—	12%	10%
Total		100%	100%		100%	100%

The investment strategy for the U.S. benefit plans is to 1) maintain a diversified portfolio that can provide a weighted-average target return of 8.5% or more, 2) maintain liquidity to meet obligations and 3) prudently manage administrative and management costs. The plan invests in equity, alternative and fixed income instruments. The asset allocation is reviewed regularly and portfolio investments are rebalanced periodically when considered appropriate. The use of derivatives is allowed in limited circumstances. The plan held no derivatives during the years ended December 31, 2008 and 2007.

Plan assets for the non-U.S. benefit plan consist principally of a diversified portfolio of equity securities, U.K. government obligations and fixed interest securities.

As of December 31, 2008 and 2007, equity securities included 0.2 million shares of the Company's common stock valued at \$1.9 million and \$2.7 million, respectively. Dividends paid on the Company's common stock to the pension trusts aggregated \$0.1 million in each of the years ended December 31, 2008 and 2007.

	U.S. Benefit Plans		Non-U.S. Benefit Plan	
	2008	2007	2008	2007
Funded status, end of year				
Fair value of plan assets	\$ 79.1	\$ 132.9	\$ 38.9	\$ 63.3
Benefit obligations	129.7	142.5	42.6	61.3
Funded status	\$ (50.6)	\$ (9.6)	\$ (3.7)	\$ 2.0

Amounts recognized in the Balance Sheet consist of:

	U.S. Benefit Plans		Non-U.S. Benefit Plan	
	2008	2007	2008	2007
Long term pension liabilities	\$ (50.6)	\$ (9.6)	\$ (3.7)	\$ N/A
Other current assets	N/A	N/A	—	2.0
Accumulated other comprehensive loss, pre-tax	71.4	26.1	16.0	13.2
Net amount recognized	\$ 20.8	\$ 16.5	\$ 12.3	\$ 15.2

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Amounts recognized in Accumulated Other Comprehensive Income consist of:

	<u>U.S. Benefit Plans</u>		<u>Non-U.S. Benefit Plan</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net actuarial loss	\$ 71.4	\$ 25.7	\$ 16.0	\$ 13.2
Prior service cost	—	0.4	—	—
Net amount recognized, pre-tax	<u>\$ 71.4</u>	<u>\$ 26.1</u>	<u>\$ 16.0</u>	<u>\$ 13.2</u>

The Company expects \$3.1 million relating to amortization of the actuarial loss to be amortized from Accumulated Other Comprehensive Income into Net Periodic Benefit Cost in 2009.

The Company expects to contribute up to \$10.0 million to the U.S. benefit plans in 2009 and up to \$1.0 million to the non-U.S. plan. Future contributions to the plans will be based on such factors as annual service cost as well as return on plan asset values, interest rate movements and benefit payments.

The following table presents the benefits expected to be paid under the Company's defined benefit plans in each of the next five years, and in aggregate for the five years thereafter:

	<u>U.S. Benefit Plans</u>	<u>Non-U.S. Benefit Plan</u>
2009	\$ 6.1	\$ 2.1
2010	6.6	2.2
2011	7.0	2.3
2012	7.3	2.4
2013	7.9	2.5
2014-2018	46.2	13.9

The Company also sponsors a number of defined contribution pension plans covering a majority of its employees. Through 2006 participation in the plans was at each employee's election and Company contributions to these plans were based on a percentage of employee contributions. Effective January 1, 2007, participation is via automatic enrollment; employees may elect to opt out of the plan. Company contributions to the plan are now based on employees' age and service as well as a percentage of employee contributions.

The cost of these plans during each of the three years in the period ended December 31, 2008, was \$8.2 million in 2008, \$9.9 million in 2007 and \$5.6 million in 2006.

Prior to September 30, 2003, the Company also provided medical benefits to certain eligible retired employees. These benefits were funded when the claims were incurred. Participants generally became eligible for these benefits at age 60 after completing at least fifteen years of service. The plan provided for the payment of specified percentages of medical expenses reduced by any deductible and payments made by other primary group coverage and government programs. Effective September 30, 2003, the Company amended the retiree medical plan and effectively canceled coverage for all eligible active employees except for retirees and a limited group that qualified under a formula based on age and years of service. Accumulated postretirement benefit liabilities of \$1.7 million and \$2.3 million at December 31, 2008 and 2007, respectively, were fully accrued. The net periodic postretirement benefit costs have not been significant during the three-year period ended December 31, 2008.

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NOTE 7 — DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative financial instruments are reported on the balance sheet at their respective fair values. Changes in fair value are recognized either in earnings or equity, depending on the nature of the underlying exposure being hedged and how effective a derivative is at offsetting price movements in the underlying exposure. The Company's derivative positions existing at December 31, 2008 qualified for hedge accounting under SFAS No. 133, except as described below.

To manage interest costs, the Company utilizes interest rate swaps in combination with its funded debt. Interest rate swaps executed in conjunction with long-term private placements effectively convert fixed rate debt to variable rate debt. At December 31, 2008, the Company's receive fixed, pay variable swap agreements with a financial institution terminates in 2012. These agreements are designated as fair value hedges. In the second quarter of 2005, the Company de-designated a fair value hedge. The derivative does not qualify for hedge accounting under SFAS No. 133 and is marked-to-market with the offsetting adjustment recorded to income.

At December 31, 2008, the Company was also party to interest rate swap agreements with financial institutions in which the Company pays interest at a fixed rate and receives interest at variable LIBOR rates. These derivative instruments terminate in 2010. These interest rate swap agreements are designated as cash flow hedges. In the second quarter of 2005, the Company entered into an interest rate swap which was not designated as a hedge and is marked-to-market with the offsetting adjustment recorded to income.

The fair values of interest rate swaps are based on quotes from financial institutions. The following table summarizes the Company's interest rate swaps at December 31, 2008 and 2007:

	<u>Fair Value Swaps</u>		<u>Cash Flow Swaps</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Notional amount	\$ 50.0	\$ 138.7	\$ 60.0	\$ 135.0
Fair value	1.7	(1.3)	(2.7)	(0.9)
Average pay rate	4.9%	7.7%	6.5%	6.0%
Average receive rate	6.2%	6.8%	3.6%	6.1%

In 2008 and 2007, the Company cancelled various interest rate swaps associated with its debt portfolio in response to movements in the interest rate market. These transactions resulted in net cash payments of \$0.0 million and \$0.3 million in 2008 and 2007, respectively. The associated losses on the interest rate swaps are being amortized to interest expense over the life of the underlying debt. As of December 31, 2008 and 2007, the Company had unamortized gains of \$0.6 million and \$0.8 million, respectively.

The Company manages the volatility of cash flows caused by fluctuations in currency rates by entering into foreign exchange forward contracts and options. These derivative instruments may be designated as cash flow hedges that hedge portions of the Company's anticipated third-party purchases and forecast sales denominated in foreign currencies. The Company also enters into foreign exchange contracts that are not intended to qualify for hedge accounting in accordance with SFAS 133, but are intended to offset the effect on earnings of foreign currency movements on short and long term intercompany transactions. Gains and losses on these derivative instruments are recorded through earnings.

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The following table summarizes the Company's foreign exchange contracts at December 31, 2008 and 2007:

	2008		2007	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange forwards	\$ 48.6	\$ (1.3)	\$ 55.9	\$ (3.2)
Options	10.6	1.6	10.3	—
Total	\$ 59.2	\$ 0.3	\$ 66.2	\$ (3.2)

The Company expects \$1.2 million of pre-tax net losses on cash flow hedges that are reported in accumulated other comprehensive income as of December 31, 2008 to be reclassified into earnings in 2009 as the respective hedged transactions affect earnings.

For assets and liabilities measured at fair value on a recurring basis during the period under the provisions of FAS 157, the Company uses an income approach to value the assets and liabilities for outstanding derivative contracts which include interest rate swap and foreign currency forward contracts. This income approach consists of a discounted cash flow model that takes into account the present value of future cash flows under the terms of the contracts using current market information as of the reporting date such as prevailing interest rates and foreign currency spot and forward rates. As noted in Note 2, the Company adopted the provisions of FAS 157 with respect to its financial assets and liabilities that are measured at fair value within the consolidated financial statements. The Company has deferred the application of the provisions of this statement to its non-financial assets and liabilities in accordance with FSP 157-b. The following table provides a summary of the fair values of assets and liabilities under FAS 157:

	Fair Value Measurements at December 31, 2008			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Derivatives	\$ 4.4	\$ —	\$ 4.4	\$ —
Short-term investments	10.0		10.0	

	Fair Value Measurements at December 31, 2008			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities				
Derivatives	\$ (5.1)	\$ —	\$ (5.1)	\$ —

NOTE 8 — STOCK-BASED COMPENSATION

The Company's stock benefit plans, approved by the Company's shareholders, and administered by the Compensation and Benefits Committee of the Board of Directors of the Company, provides for the grant of incentive and non-incentive stock options, restricted stock and other stock-based awards or units to key employees and directors. The plans, as amended, authorize the grant of up to 4.0 million benefit shares or units through April 2015. These share or unit amounts exclude amounts that were issued under predecessor plans.

Stock options are granted at the fair market value of the shares on the date of grant. Stock options normally become exercisable at a rate of one-third annually and in full on the third anniversary date. All options and rights must be exercised within ten years from date of grant. At the Company's discretion, vested stock option holders are permitted to elect an alternative settlement method in lieu of purchasing common stock at the option price. The

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alternative settlement method permits the employee to receive, without payment to the Company, cash, shares of common stock or a combination thereof equal to the excess of market value of common stock over the option purchase price. The Company intends to settle all such options in common stock.

The weighted average fair value of options granted during 2008, 2007 and 2006 was \$3.60, \$5.68, and \$6.21, respectively. The fair value of each option grant was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Dividend yield	1.7%	1.7%	1.3%
Expected volatility	33%	31%	30%
Risk free interest rate	3.2%	4.4%	4.6%
Weighted average expected option life in years	6.4	7	7

The expected life of options represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant for periods corresponding with the expected life of the options. Expected volatility is based on historical volatilities of the Company's common stock. Dividend yields are based on historical dividend payments.

Stock option activity for the three years ended December 31, 2008 was as follows:

	<u>Option Shares</u>			<u>Weighted Average Exercise Price</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In millions)					
Outstanding at beginning of year	2.4	2.6	2.7	\$ 17.47	\$ 18.15	\$ 19.15
Granted	0.6	0.5	0.6	11.13	15.69	16.93
Cancelled or expired	(0.7)	(0.6)	(0.7)	16.00	19.67	21.26
Exercised	—	(0.1)	—	—	15.06	16.23
Outstanding at end of year	<u>2.3</u>	<u>2.4</u>	<u>2.6</u>	<u>\$ 16.20</u>	<u>\$ 17.47</u>	<u>\$ 18.15</u>
Exercisable at end of year	<u>1.6</u>	<u>1.5</u>	<u>1.7</u>	<u>\$ 17.68</u>	<u>\$ 18.28</u>	<u>\$ 18.84</u>

The following table summarizes information concerning stock options outstanding as of December 31, 2008 under all plans:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Shares</u>	<u>Weighted Average Remaining Life</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
	(in millions)	(in years)	Price	(in millions)	Price
\$ 7.61 - \$11.00	0.4	9.2	\$ 10.56	—	\$ —
11.01 - 15.00	0.2	7.5	13.86	0.1	13.26
15.01 - 17.00	1.0	4.2	16.15	0.8	16.12
17.01 - 21.00	0.5	2.2	19.31	0.5	19.33
21.01 - 26.13	<u>0.2</u>	<u>1.4</u>	<u>22.63</u>	<u>0.2</u>	<u>22.63</u>
	<u>2.3</u>	<u>4.7</u>	<u>\$ 16.20</u>	<u>1.6</u>	<u>\$ 17.68</u>

The exercise price of stock options outstanding and exercisable at December 31, 2008 exceeded the market value and therefore, the aggregate intrinsic value was near zero. The closing price on December 31, 2008 was \$8.21.

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Restricted stock awards are granted to employees at no cost. Through 2004, these awards primarily vested at the rate of 25% annually commencing one year from the date of award, provided the recipient was still employed by the Company on the vesting date. Beginning in 2005, awards primarily cliff vest at the third anniversary from the date of award, provided the recipient is still employed by the Company on the vesting date. The cost of restricted stock awards, based on the fair market value at the date of grant, is being charged to expense over the respective vesting periods. The following table summarizes restricted stock grants for the twelve month period ended December 31, 2008:

(shares in millions)	Number of Restricted Shares	Weighted Average Price per Share
Outstanding and non-vested at December 31, 2007	0.8	\$ 16.28
Granted	0.4	10.95
Vested	(0.2)	15.23
Cancelled	(0.4)	15.55
Outstanding and non-vested at December 31, 2008	0.6	\$ 13.86

The total compensation expense related to all share-based compensation plans was \$2.9 million, \$3.5 million, and \$5.8 million for the years ended December 31, 2008, 2007 and 2006, respectively. Also, as of December 31, 2008, the total remaining unrecognized compensation cost related to awards of stock options amounted to \$2.2 million, which will be amortized over the weighted-average period of approximately 1.5 years.

Beginning in 2008, the Company established a long term incentive plan for Executive Officers under which awards thereunder are classified as equity in accordance with SFAS 123R. The ultimate payment of the performance shares units will be based on the Company's stock performance as compared to the stock performance of a peer group. Compensation expense for the stock performance portion of the plan is based on the fair value of the plan that is determined on the day the plan is established. The fair value is calculated using a Monte Carlo simulation model. The total compensation expense for these awards is being amortized over a three-year service period. Compensation expense relating to these awards included in the Consolidated Statement of Operations for 2008 was \$0.1 million. As of December 31, 2008, the unrecognized compensation cost relating to these plans was \$0.6 million, which will be amortized over the remaining requisite service period of 2 years.

NOTE 9 — SHAREHOLDERS' EQUITY

The Company's board of directors has the authority to issue 90.0 million shares of common stock at a par value of \$1 per share. The holders of common stock (i) may receive dividends subject to all of the rights of the holders of preference stock, (ii) shall be entitled to share ratably upon any liquidation of the Company in the assets of the Company, if any, remaining after payment in full to the holders of preference stock and (iii) receive one vote for each common share held and shall vote together share for share with the holders of voting shares of preference stock as one class for the election of directors and for all other purposes. The Company has 49.3 million and 49.4 million common shares issued as of December 31, 2008 and 2007, respectively. Of those amounts 47.7 million and 47.9 million common shares were outstanding as of December 31, 2008 and 2007, respectively.

The Company's board of directors is also authorized to provide for the issuance of 0.8 million shares of preference stock at a par value of \$1 per share. The authority of the board of directors includes, but is not limited to, the determination of the dividend rate, voting rights, conversion and redemption features and liquidation preferences. The Company has not issued any preference stock as of December 31, 2008.

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NOTE 10 — ACQUISITIONS

On January 15, 2007, the Company acquired the net assets of Codespear LLC, a Birmingham, Michigan based, privately held developer of specialized software used in emergency management situations, for \$16.6 million in cash plus an additional \$0.8 million payment based on working capital and contingent consideration adjustments which were finalized in the third quarter of 2007. In addition, there are potential additional earnout payments for up to three years following the transaction, if specific performance targets are met. Any additional payments related to this contingency will be accounted for as additional goodwill, however, as of December 31, 2008, the performance targets have not been met and no additional payments are due. As a result of the acquisition, the Company recorded the addition of \$12.2 million of goodwill in 2007, which was deductible for tax purposes, and \$5.2 million of acquired developed software. The results since the date of acquisition are included in the Safety and Security Systems segment.

On July 25, 2007, the Company acquired the net assets of Riverchase Technologies, a software development firm that specializes in serving the municipal safety market and includes a suite of products for small to medium size municipalities that includes CAD, RMS, mobile data, mobile video and mobile handheld solutions which enable emergency response agencies to manage and communicate remotely with their fleets. The purchase price was \$6.7 million in cash plus an additional payment of \$0.2 million for a working capital adjustment which was paid in the first quarter of 2008, as well as potential earnout payments for up to two years following the transaction, if specific performance targets are met. As of December 31, 2008, these performance targets have not been met and no additional payments are due. As a result of the acquisition, the Company recorded the addition of \$2.9 million of goodwill in 2007, which was deductible for tax purposes, \$3.6 million of acquired developed software and \$0.2 million of net assets. The results since the date of acquisition are included in the Safety and Security Systems segment.

On August 6, 2007, the Company acquired 100% of the voting interests in PIPS Technology Limited, a private company limited by shares incorporated in England and Wales, (the UK Company), and PIPS Technology, Inc., a Tennessee corporation (the U.S. Company), together referred to as the PIPS Technology companies (“PIPS Technologies”). PIPS Technologies is a global leader in the design and manufacture of automated license plate recognition (“ALPR”) technology and optical character recognition software. ALPR solutions are used in control and surveillance applications in markets such as traffic and tolling, law enforcement, public safety and access control. ALPR-enabled cameras are used on emergency vehicles and mounted on stationary support structures at access entry and tolling points to capture license plate details for tolling, congestion zone charging and law enforcement purposes. The results since the date of acquisition are included in the Safety and Security Systems segment.

PIPS Technologies was acquired for approximately \$123.4 million in cash plus acquisition related costs of approximately \$3.0 million. The purchase price is subject to potential additional earnout payments through 2010, if specific performance targets are met. Additional payments related to this contingency, if any, will be accounted for as goodwill, however, as of December 31, 2008, the performance targets have not been met and no additional payments are due. The acquisition was funded through available cash balances and borrowings under the Company’s credit facility.

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The allocation of the purchase price is shown in the table below.

(\$ in million)	
Goodwill	\$ 75.5
Intangible assets:	
Customer relationships	20.5
Technology	6.0
Trade name	26.1
Plant, property & equipment	0.8
Deferred tax asset	5.7
Deferred tax liability	(15.1)
Other assets acquired and liabilities assumed	<u>6.9</u>
Total acquisition cost	<u>\$ 126.4</u>

The acquisition gave rise to goodwill of \$75.5 million as the Company paid a premium over the fair value of the net tangible and identifiable intangible assets acquired in the PIPS Technologies acquisition, largely due to the growth prospects of the business, its strategic fit and revenue synergies. ALPR technology is experiencing tremendous demand throughout the world as governments and municipalities seek the dual purpose of providing security and increased revenues through such applications as tolling congestion. The acquisition adds a core building block of video analytics to the Company's safety and security systems from which other operating businesses could build. The Safety and Security Systems Group was already integrating ALPR cameras from PIPS Technologies in its largest parking systems, and the camera technology and systems can be integrated into other core offerings.

Goodwill and trade name intangible assets have indefinite lives and therefore will not be subject to amortization, but will instead be subject to an annual impairment test. Approximately €29 million of the goodwill is deductible by a European subsidiary of the Company. Technology will be amortized over a 10-year life and customer relationships will be amortized over a 10-year life in the U.K and a 5-year life in the U.S.

The unaudited financial information in the table below summarizes the combined results of operations of the Company and PIPS Technologies, on a pro forma basis, as though PIPS Technologies had been acquired as of January 1, 2006. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period or of results that may occur in the future. Proforma financial information for the acquisition of Codespear and Riverchase has not been presented due to immateriality.

(\$ in millions)	<u>Year Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Proforma net sales	\$ 948.2	\$ 819.1
Proforma income from continuing operations	39.4	32.9
Proforma net income	54.6	24.4
Proforma earnings per share from continuing operations — basic and diluted	\$ 0.82	\$ 0.68

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NOTE 11 — GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets”, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests. Other intangible assets continue to be amortized over their useful lives.

Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007, by operating segment, were as follows:

	<u>Environmental Solutions</u>	<u>Fire Rescue</u>	<u>Safety Security</u>	<u>Total</u>
December 31, 2006	\$ 126.2	\$ 32.4	\$ 90.0	\$ 248.6
Acquisitions	—	—	90.5	90.5
Translation	0.5	3.1	2.0	5.6
December 31, 2007	126.7	35.5	182.5	344.7
Adjustments	—	—	0.3	0.3
Translation	(0.2)	(2.5)	(14.2)	(16.9)
December 31, 2008	<u>\$ 126.5</u>	<u>\$ 33.0</u>	<u>\$ 168.6</u>	<u>\$ 328.1</u>

Under SFAS No. 142, the Company is required to test its goodwill annually for impairment; the Company performs this test in the fourth quarter. The Company performed this test in 2008 and determined that there was no impairment. The Company determined the fair value of each reporting unit by calculating the present value of expected future cash flows. See Note 10 for a discussion of goodwill additions as a result of acquisitions made in the year ended December 31, 2007.

OTHER INTANGIBLE ASSETS

In 2008, the carrying value of other intangible assets was impacted by changes in foreign currency exchange rates. In 2007, the Company acquired intangible assets through acquisition. See Note 10 for a discussion of intangible additions as a result of acquisitions made in the year ended December 31, 2007. Following are the carrying amount and accumulated amortization of these assets as of December 31:

	<u>Weighted- Average Useful Life (Years)</u>	<u>2008</u>			<u>2007</u>		
		<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>
Definite lived (amortizable):							
Developed software	6	\$ 24.6	\$ (14.1)	\$ 10.5	\$ 24.2	\$ (10.9)	\$ 13.3
Patents	5-10	0.6	(0.4)	0.2	0.6	(0.4)	0.2
Customer relationships	5-10	15.0	(2.3)	12.7	20.1	(0.9)	19.2
Technology	10	4.5	(0.6)	3.9	5.9	(0.3)	5.6
Other	3	1.8	(0.8)	1.0	1.8	(0.5)	1.3
		<u>46.5</u>	<u>(18.2)</u>	<u>28.3</u>	<u>52.6</u>	<u>(13.0)</u>	<u>39.6</u>
Indefinite lived:							
Trade name		<u>19.5</u>		<u>19.5</u>	<u>25.6</u>		<u>25.6</u>
Total		<u>\$ 66.0</u>	<u>\$ (18.2)</u>	<u>\$ 47.8</u>	<u>\$ 78.2</u>	<u>\$ (13.0)</u>	<u>\$ 65.2</u>

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Amortization expense for the years ended December 31, 2008, 2007 and 2006 totaled \$5.2 million, \$4.2 million and \$2.0 million, respectively. The Company estimates that the aggregate amortization expense will be \$5.4 million in 2009, \$5.1 million in 2010, \$5.0 million in 2011, \$3.9 million in 2012, \$2.3 million in 2013 and \$6.6 million thereafter. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, changes in foreign currency exchange rates, impairment of intangible assets, accelerated amortization of intangible assets and other events.

NOTE 12 — DISCONTINUED OPERATIONS

The following table presents the operating results of the Company's discontinued operations for the three-year period ended December 31, 2008:

E-ONE (Fire Rescue Segment)	2008	2007	2006
Net sales	\$ 157.1	\$ 201.3	\$ 278.5
Costs and expenses	(168.2)	(226.9)	(283.6)
Loss before income taxes	(11.1)	(25.6)	(5.1)
Income tax benefit	4.9	10.4	1.1
Loss from discontinued operations	<u>\$ (6.2)</u>	<u>\$ (15.2)</u>	<u>\$ (4.0)</u>

Die and Mold Operations (Tool Segment)	2008	2007	2006
Net sales	\$ 39.7	\$ 119.3	\$ 122.9
Costs and expenses	(39.2)	(112.5)	(114.6)
Income before income taxes	0.5	6.8	8.3
Income tax expense	(0.7)	(3.0)	(2.9)
(Loss) income from discontinued operations	<u>\$ (0.2)</u>	<u>\$ 3.8</u>	<u>\$ 5.4</u>

Refuse and Cutting Tool Operations (ESG and Tool Segments)	2008	2007	2006
Net sales	\$ —	\$ 3.0	\$ 83.9
Costs and expenses	—	(2.8)	(86.0)
Income (loss) before income taxes	—	0.2	(2.1)
Income tax benefit (expense)	1.9	(0.1)	0.1
Income (loss) from discontinued operations	<u>\$ 1.9</u>	<u>\$ 0.1</u>	<u>\$ (2.0)</u>

Financial Services	2008	2007	2006
Net sales	\$ 4.3	\$ 7.4	\$ 8.2
Costs and expenses	(5.7)	(8.2)	(8.7)
Loss before income taxes	(1.4)	(0.8)	(0.5)
Income tax benefit	1.7	2.2	2.3
Income from discontinued operations	<u>\$ 0.3</u>	<u>\$ 1.4</u>	<u>\$ 1.8</u>

All of the Company's E-ONE businesses were discontinued in 2008 leaving just the Company's Bronto businesses within its Fire Rescue segment. On August 5, 2008, the Company sold 100% of the shares of E-ONE, Inc. located in Ocala, Florida for approximately \$20.0 million subject to an initial working capital adjustment that

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resulted in cash proceeds of \$0.5 million at closing. The final working capital adjustment was concluded in December 2008, resulting in additional cash proceeds of \$2.9 million received January 2009. The after-tax loss on the sale for the year ended December 31, 2008 totaled \$85.0 million, which related primarily to after-tax impairment charges that reflect the fair value of the net assets and the impairment of \$6.2 million of goodwill attributable to the E-ONE business. The goodwill impairment computation was based on the relative fair values of E-ONE and Bronto, the two reporting units within the Fire Rescue Group. At the time of the impairment, E-ONE was available for sale, so the best determination of its value was the contractual sales price the Company had negotiated with a buyer for the business. Bronto's value was based on a discounted cash flow analysis using its projected cash flows over a five year period. The \$6.2 million attributed to E-ONE represented 14% of the total goodwill of the group.

The Company provided its domestic municipal customers with the opportunity to finance purchases through leasing arrangements with the Company. Following the sale of the E-ONE business, the Company elected to discontinue its financial services activities through divestiture of this leasing portfolio. During the year, the Company sold its municipal leasing portfolio to Banc of America Public Capital Corp. in several tranches for a gain of \$0.3 million. Proceeds from the sale of the portfolio were used to repay debt associated with these assets. In October, 2008, the Company discontinued entirely its practice of providing lease financing to its customers and all other financial service activities, principally its dealer floor planning.

On April 21, 2008, the Company completed the sale of Dayton Progress Corporation (excluding Dayton Hong Kong) and its subsidiary, PCS Company, referred to collectively as "Die and Mold Operations," for \$65.5 million. The after-tax loss on disposal for the year ended December 31, 2008 was \$35.3 million primarily due to asset impairments; included in the loss on disposal is the remaining goodwill of the Tool Group of \$55.8 million. The Company also decided to close the Dayton Hong Kong operation incurring a \$4.6 million pre-tax impairment charge related to this business for the year ended December 31, 2008. The Die and Mold operations produced special precision perforating components for metal stamping applications and tooling components for the plastic injection mold and the die cast industries. Sale proceeds were used to repay debt.

On January 31, 2007, the Company completed the sale of Manchester Tool Company, On Time Machining Company and Clapp Dico, referred to collectively as the "Cutting Tool Operations" which were part of the Tool Group for \$65.4 million. There was a net gain on disposal of discontinued operations of \$24.6 million for the year ended December 31, 2007. These operations produced industrial cutting tools, engineered components and advanced materials consumed in production processes. No asset impairment charges were recorded in conjunction with the disposal.

In December 2005, the Company determined that its investment in the Refuse business operating under the Leach brand name was no longer strategic. The majority of the assets of the business have been sold since that time and the operation has been shut down. For the years ended December 31, 2008 and 2007, the Company recorded an after-tax gain of \$2.2 million and \$0.5 million, respectively, primarily related to a revision in the estimate of product liability reserves. For the year ended December 31, 2006, the loss from disposal of discontinued operations included \$9.7 million of after tax impairment charges related to the disposal of refuse assets.

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The following table shows an analysis of assets and liabilities of discontinued operations as of December 31:

(\$ in millions)	<u>2008</u>	<u>2007</u>
Current assets	\$ 6.9	\$ 133.0
Properties and equipment	0.2	38.1
Long-term assets	—	64.4
Financial service assets, net	<u>5.6</u>	<u>146.8</u>
Total assets of discontinued operations	<u>\$ 12.7</u>	<u>\$ 382.3</u>
Current liabilities	6.1	46.5
Long-term liabilities	13.1	26.9
Financial service liabilities	<u>5.2</u>	<u>137.4</u>
Total liabilities of discontinued operations	<u>\$ 24.4</u>	<u>\$ 210.8</u>

Included in long-term liabilities is \$7.7 million relating to estimated product liability obligations of the North American refuse truck body business.

NOTE 13 — RESTRUCTURING

In December 2008, the Company announced an objective to reduce salaried personnel costs by 13% in 2009 when compared to 2008 levels. This cost reduction was to affect not only salaries, benefits and equity compensation, but also contracted services and travel expenses. A process was created to review every organizational chart and employee reporting relationship within the company with the purpose of increasing spans of control of each manager and to better improve management oversight. In addition, certain contracted services were reviewed for termination. A charge of \$2.7 million was recorded in the fourth quarter of 2008 to reflect severance and other costs associated with a salaried employee reduction in force and contract terminations. The Company expects all of these actions will be completed by March 31, 2009.

The following table summarizes the 2008 restructuring charges by segment and the total charges estimated to be incurred:

<u>Group</u>	<u>Pre-Tax Restructuring Charges in 2008</u>	<u>Estimate of Total Charges</u>
Safety and Security	\$ 1.8	\$ 1.8
Environmental Solutions	0.3	0.3
Corporate	<u>0.6</u>	<u>0.6</u>
	<u>\$ 2.7</u>	<u>\$ 2.7</u>

The following presents an analysis of the restructuring reserves for the year ended December 31, 2008:

	<u>Severance</u>	<u>Other</u>	<u>Total</u>
Balance as of January 1, 2008	\$ —	\$ —	\$ —
Charges to expense	2.1	0.6	2.7
Cash payments	<u>(0.1)</u>	<u>—</u>	<u>(0.1)</u>
Balance as of December 31, 2008	<u>\$ 2.0</u>	<u>\$ 0.6</u>	<u>\$ 2.6</u>

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Severance charges in 2008 consisted of termination and benefit costs for salaried manufacturing, engineering, sales, general and administrative employees that will be involuntarily terminated in the first quarter of 2009. There were no asset impairment charges associated with this restructuring in 2008. The Company incurred no restructuring charges in the years ended December 31, 2007 and 2006.

NOTE 14 — LEGAL PROCEEDINGS

The Company is subject to various claims, other pending and possible legal actions for product liability and other damages and other matters arising out of the conduct of the Company's business. The Company believes, based on current knowledge and after consultation with counsel, that the outcome of such claims and actions will not have a material adverse effect on the Company's consolidated financial position or the results of operations. However, in the event of unexpected future developments, it is possible that the ultimate resolution of such matters, if unfavorable, could have a material adverse effect on the Company's results of operations.

The Company has been sued in Chicago, Illinois by firefighters seeking damages claiming that exposure to the Company's sirens has impaired their hearing and that the sirens are therefore defective. There are presently 33 cases filed during the period 1999-2004, involving a total of 2,443 plaintiffs pending in the Circuit Court of Cook County, Illinois. The trial of the first 27 of these plaintiffs' claims began on March 18, 2008 and ended on April 25, 2008, when a Cook County jury returned a unanimous verdict in favor of the Company and absolved the Company of any liability for all 27 of these claims, which had been consolidated for trial. Since the first trial concluded, another 63 cases were dismissed, all during 2008. An additional 40 Chicago firefighter plaintiffs were selected for trial to begin on January 5, 2009. Plaintiffs' counsel later moved to reduce the number of plaintiffs from 36 to 9. Trial of these nine plaintiffs began on Feb 6, 2009 and concluded on February 20 with a verdict returned against the Company and for the plaintiffs in varying amounts totaling \$0.4 million. Additional trial dates of Chicago plaintiff firefighters are scheduled during 2009 and 2010.

Federal Signal has been sued outside of the Cook County venue. With the exception of matters on appeal, Federal Signal is currently a defendant in 6 such hearing loss lawsuits in Pennsylvania, involving a total of 6 plaintiffs. Two of these lawsuits have been set for trial during the 4th Quarter of 2009. All of the plaintiffs have stipulated to or claimed less than \$75,000 in damages. Four cases in the Supreme Court of Kings County, New York were dismissed on January 25, 2008 after the court granted Federal Signal's motion to dismiss which eliminated all claims pending in New York. The Court subsequently denied reconsideration of its ruling. These cases are on appeal. All plaintiffs who have filed hearing loss cases against Federal Signal in other jurisdictions have dismissed their claims. Plaintiffs' attorneys have threatened to file additional lawsuits. The Company intends to vigorously defend all of these lawsuits. The Company successfully defended approximately 41 similar cases in Philadelphia, Pennsylvania in 1999 resulting in a series of unanimous jury verdicts in favor of the Company.

Federal Signal's ongoing negotiations with CNA over insurance coverage resulted in an agreement under which CNA reimbursed \$3.7 million to the Company during the year ended December 31, 2007 for past defense costs. CNA agreed to cover a percentage of defense costs amounting to approximately \$1.7 million of which \$1.4 million had been received through December 31, 2008.

NOTE 15 — SEGMENT AND RELATED INFORMATION

The Company has three continuing operating segments as defined under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Business units are organized under each segment because they share certain characteristics, such as technology, marketing, distribution and product application, which create long-term synergies. The principal activities of the Company's operating segments are as follows:

Information regarding the Company's discontinued operations is included in Note 12 — Discontinued Operations. The segment information included herein has been reclassified to reflect such discontinued operations.

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Safety and Security Systems — Safety and Security Systems Group companies produce a variety of systems for automated license plate recognition, campus and community alerting, emergency vehicles, first responder interoperable communications, industrial communications and command, municipal networked security and parking revenue and access control for municipal, governmental and industrial applications. Specific products include access control devices, lightbars and sirens, public warning sirens, public safety software and automated license plate recognition cameras. The group's products are sold primarily to industrial, municipal and governmental customers.

Fire Rescue — Fire Rescue manufactures articulated and telescopic aerial platforms for rescue and fire fighting and for maintenance purposes. This group sells to municipal and industrial fire services, civil defense authorities, rental companies, electric utilities and industrial customers.

Environmental Solutions — Environmental Solutions manufactures a variety of self-propelled street cleaning vehicles, vacuum loader vehicles, municipal catch basin/sewer cleaning vacuum trucks and water blasting equipment. Environmental Solutions sells primarily to municipal and government customers and industrial contractors.

Net sales by operating segment reflect sales of products and services and financial revenues to external customers, as reported in the Company's consolidated statements of operations. Intersegment sales are insignificant. The Company evaluates performance based on operating income of the respective segment. Operating income includes all revenues, costs and expenses directly related to the segment involved. In determining operating segment income, neither corporate nor interest expenses are included. Operating segment depreciation expense, identifiable assets and capital expenditures relate to those assets that are utilized by the respective operating segment. Corporate assets consist principally of cash and cash equivalents, notes and other receivables and fixed assets. The accounting policies of each operating segment are the same as those described in the summary of significant accounting policies.

Revenues attributed to customers located outside of the U.S. aggregated \$412.8 million in 2008, \$376.7 million in 2007 and \$310.8 million in 2006. Of that, sales exported from the U.S. aggregated \$110.8 million in 2008, \$116.4 million in 2007 and \$101.6 million in 2006.

The Company invests in research to support development of new products and the enhancement of existing products and services. The Company believes this investment is important to maintain and/or enhance its leadership position in key markets. Expenditures for research and development by the Company were approximately \$23.4 million in 2008, \$23.5 million in 2007 and \$15.7 million in 2006.

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A summary of the Company's continuing operations by segment for each of the three years in the period ended December 31, 2008 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net sales			
Safety and Security Systems	\$ 371.8	\$ 367.2	\$ 304.5
Fire Rescue	145.5	117.9	90.7
Environmental Solutions	441.5	449.2	397.5
Total net sales	<u>\$ 958.8</u>	<u>\$ 934.3</u>	<u>\$ 792.7</u>
Operating income (loss)			
Safety and Security Systems	\$ 40.3	\$ 49.6	\$ 41.2
Fire Rescue	10.4	7.9	5.6
Environmental Solutions	35.5	38.8	35.3
Corporate expense	<u>(30.7)</u>	<u>(21.1)</u>	<u>(23.0)</u>
Total operating income	55.5	75.2	59.1
Interest expense	(15.3)	(18.5)	(17.0)
Loss on investment in joint venture (Environmental Solutions Segment)	(13.0)	(3.3)	(1.9)
Other (expense) income	<u>(0.9)</u>	<u>0.2</u>	<u>(0.2)</u>
Income before income taxes	<u>\$ 26.3</u>	<u>\$ 53.6</u>	<u>\$ 40.0</u>
Depreciation and amortization			
Safety and Security Systems	\$ 9.3	\$ 8.3	\$ 4.9
Fire Rescue	1.4	1.3	1.1
Environmental Solutions	4.2	3.9	3.1
Corporate	<u>0.6</u>	<u>0.6</u>	<u>0.4</u>
Total depreciation and amortization	<u>\$ 15.5</u>	<u>\$ 14.1</u>	<u>\$ 9.5</u>
		<u>2008</u>	<u>2007</u>
Identifiable assets			
Safety and Security Systems		\$ 334.7	\$ 387.3
Fire Rescue		141.0	118.3
Environmental Solutions		277.8	251.7
Corporate		<u>67.8</u>	<u>30.0</u>
Total assets of continuing operations		821.3	787.3
Assets of discontinued operations		<u>12.7</u>	<u>382.3</u>
Total identifiable assets		<u>\$ 834.0</u>	<u>\$ 1,169.6</u>

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital expenditures			
Safety and Security Systems	\$ 4.7	\$ 4.6	\$ 4.2
Fire Rescue	8.5	4.6	1.4
Environmental Solutions	14.5	10.2	5.4
Corporate	<u>0.8</u>	<u>0.7</u>	<u>1.2</u>
Total capital expenditures	<u>\$ 28.5</u>	<u>\$ 20.1</u>	<u>\$ 12.2</u>

The segment information provided below is classified based on geographic location of the Company's subsidiaries:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net sales			
United States	\$ 545.9	\$ 557.6	\$ 481.9
Europe	379.8	337.0	271.0
Canada	<u>33.1</u>	<u>39.7</u>	<u>39.8</u>
	<u>\$ 958.8</u>	<u>\$ 934.3</u>	<u>\$ 792.7</u>
Long-lived assets			
United States	\$ 276.1	\$ 226.8	
Europe	180.5	228.8	
Canada	13.5	16.7	
Other	<u>5.9</u>	<u>4.3</u>	
	<u>\$ 476.0</u>	<u>\$ 476.6</u>	

NOTE 16 — COMMITMENTS, GUARANTEES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

At December 31, 2008 and 2007, the Company had outstanding standby letters of credit aggregating \$34.0 million and \$34.4 million, respectively, principally to act as security for retention levels related to casualty insurance policies and to guarantee the performance of subsidiaries that engage in export transactions to foreign governments and municipalities.

The Company guarantees the bank debt of the China Joint Venture up to a maximum of \$12.5 million. The outstanding amount of the guaranteed debt at December 31, 2008 was \$9.4 million. Prior to December 31, 2008, no charges associated with this guarantee had been incurred. In connection with the Company's annual review of the market conditions and long range forecasts of the joint venture's cash flows, the Company determined it was probable that it would be obligated to repay the bank debt of the joint venture. The Company recognized a \$9.4 million liability for this debt guarantee recorded in short-term borrowings in the Consolidated Balance Sheet at December 31, 2008.

The Company issues product performance warranties to customers with the sale of its products. The specific terms and conditions of these warranties vary depending upon the product sold and country in which the Company does business with warranty periods generally ranging from six months to five years. The Company estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time the sale of the related product is recognized. Factors that affect the Company's warranty liability include the number of units under warranty from time to time, historical and anticipated rates of warranty claims and costs per

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's warranty liabilities for the years ended December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Balance at January 1	\$ 5.9	\$ 5.2
Provisions to expense	9.2	8.2
Actual costs incurred	<u>(8.7)</u>	<u>(7.5)</u>
Balance at December 31	<u>\$ 6.4</u>	<u>\$ 5.9</u>

The Company also provides residual value guarantees on vehicles sold to certain customers. Proceeds received in excess of the fair value of the guarantee are deferred and amortized into income ratably over the life of the guarantee. These transactions have been recorded as operating leases and liabilities equal to the fair value of the guarantees were recognized. The notional amounts of the residual value guarantees were \$1.6 million and \$2.1 million as of December 31, 2008 and 2007, respectively. No losses have been incurred as of December 31, 2008. The guarantees expire in 2009.

The following table summarizes the carrying amounts and fair values of the Company's financial instruments at December 31, 2008:

	<u>2008</u>		<u>2007</u>	
	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Notional Amount</u>	<u>Fair Value</u>
Short-term debt — Note 4	\$ 12.6	\$ 12.6	\$ 2.6	\$ 2.6
Long-term debt — Note 4*	270.4	273.7	423.8	427.5
Fair value swaps — Note 7	50.0	1.7	138.7	(1.3)
Cash flow swaps — Note 7	60.0	(2.7)	135.0	(0.9)
Foreign exchange contracts — Note 7	59.2	0.3	66.2	(3.2)

* Long term debt includes financial service borrowings for all periods presented, which is included in discontinued operations.

The Dallas Fort Worth ("DFW") airport gave Federal APD certain notices of non-performance and default, most recently in March 2008, regarding the \$18.0 million contract for installation of a new parking and revenue control system at the airport, and DFW demanded that Federal APD cure its alleged non-performance. DFW also provided a copy of the non-performance and default letters to the Company's surety carrier. The most recent non-performance and default claim relates principally to certain disagreements as to the timeliness of certain work under the contract and whether certain of Federal APD's work has complied with contract specifications. Federal APD disputed that there was any basis under the contract for the non-performance or default as alleged by DFW. DFW terminated the contract effective July 29, 2008. Federal APD disputed that DFW was entitled to terminate the contract for cause and asserted that it was entitled to damages as a result of DFW's conduct. DFW and Federal APD each filed a lawsuit against the other which were pending in the United States District Court for the Northern District of Texas, Dallas Division, asserting claims for breach of contract and other damages arising from the contract and its termination. In December 2008, the parties executed a settlement agreement resolving all disputes between them, including all claims asserted in the pending litigation, and all payment terms have been satisfied. The Company established reserves totaling \$8.2 million in relation to this contract and settlement.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

NOTE 17 — NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued FAS No. 141 (revised 2007), “Business Combinations” (“FAS 141(R)”), which expands the definition of a business and a business combination, requires the fair value of the purchase price of an acquisition including the issuance of equity securities to be determined on the acquisition date, requires that all assets, liabilities, contingent consideration, contingencies and in-process research and development costs of an acquired business be recorded at fair value at the acquisition date, requires that acquisition costs generally be expensed as incurred, requires that restructuring costs generally be expensed in periods subsequent to the acquisition date, and requires changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period to impact income tax expense. The Company will be required to adopt FAS 141(R) on January 1, 2009. The Company expects FAS 141(R) may have a material impact on its results of operations or consolidated financial statements in periods subsequent to or concurrent with future acquisitions.

In December 2007, the FASB issued FAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51” (“FAS 160”), which changes the accounting and reporting for minority interests such that minority interests will be recharacterized as noncontrolling interests and will be required to be reported as a component of equity, and requires that purchases or sales of equity interests that do not result in a change in control be accounted for as equity transactions and, upon a loss of control, requires the interest sold, as well as any interest retained, to be recorded at fair value with any gain or loss recognized in earnings. The Company will be required to adopt FAS 160 on January 1, 2009. The adoption of FAS 160 did not have a material impact on the Company’s operations or consolidated financial statements.

In March 2008, the FASB issued Statement of FAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FAS 133” (“FAS 161”). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. It is effective for fiscal years and interim periods beginning after November 15, 2008, and will be applicable to the Company in the first quarter of fiscal 2009. The principal impact to the Company will be to require the Company to expand its disclosure regarding its derivative instruments.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data) — (Continued)

NOTE 18 — SELECTED QUARTERLY DATA (UNAUDITED)

Effective January 1, 2004, the Company began reporting its interim quarterly periods on a 13-week basis ending on a Saturday with the fiscal year ending on December 31. For convenience purposes, the Company uses “March 31”, “June 30”, “September 30” and “December 31” to refer to its results of operations for the quarterly periods ended. In 2008, the Company’s interim quarterly periods ended March 29, June 28, September 27 and December 31 and in 2007, the Company’s interim quarterly periods ended March 31, June 30, September 29 and December 31, respectively.

The following is a summary of the quarterly results of operations, including income per share, for the Company for the quarterly periods of fiscal 2008 and 2007. Restatements of previously reported amounts represent discontinued operations as described in Note 12.

	For the Quarterly Period Ended							
	2008				2007			
	March 29	June 28	September 27	December 31	March 31	June 30	September 29	December 31
Net sales	\$ 226.4	\$ 252.9	\$ 225.6	\$ 253.8	\$ 211.1	\$ 241.3	\$ 226.8	\$ 255.1
Gross margin	58.2	66.4	58.0	69.2	53.7	65.1	62.4	67.2
Income from continuing operations	4.1	7.7	14.6	4.9	7.2	11.7	9.8	11.0
(Loss) gain from discontinued operations	(2.6)	0.6	(1.5)	(0.7)	(1.0)	(0.8)	(5.0)	(3.2)
(Loss) gain on disposition	(86.4)	(21.7)	1.1	(15.7)	24.5	0.2	(0.2)	0.7
Net (loss) income	(84.9)	(13.4)	14.2	(11.5)	30.7	11.1	4.6	8.5
Per share data — diluted:								
Income from continuing operations	\$ 0.09	\$ 0.16	\$ 0.31	\$ 0.10	\$ 0.15	\$ 0.25	\$ 0.21	\$ 0.23
(Loss) income from discontinued operations	(1.86)	(0.44)	(0.01)	(0.34)	0.49	(0.02)	(0.12)	(0.05)
Net (loss) income	(1.77)	(0.28)	0.30	(0.24)	0.64	0.23	0.09	0.18
Dividends paid per share	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Market price range per share								
High	14.37	14.70	17.50	13.48	17.00	16.78	16.48	17.00
Low	9.10	11.53	10.91	5.10	14.29	15.19	12.71	10.82

The Company recorded \$3.9 million of after-tax charges to income from continuing operations in the quarter ended December 31, 2008 associated with its investment in a joint venture in China.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

(a) Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

(b) Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in the Exchange Act Rule 13a-15(f). Management conducted an assessment of the Company's internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on the assessment, management concluded that, as of December 31, 2008, the Company's internal control over financial reporting is effective.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of their audit, has issued its report, included herein, on the effectiveness of the Company's internal control over financial reporting. See "Report of Independent Registered Public Accounting Firm" on page 23.

(c) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Information regarding directors and nominees for directors is set forth in the Company's Proxy Statement for its 2009 Annual Meeting of Stockholders and is incorporated herein by reference. For information concerning the Company's executive officers, see "Executive Officers of the Registrant" set forth in Part I hereof. Information regarding Compliance with Section 16(a) of the Exchange Act is set forth in the Company's 2009 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference. Information regarding the Company's Audit Committee, Corporate Governance Committee, Nominating Committee and Compensation and Benefits Committee are set forth in the Company's 2009 Proxy Statement under the caption "Information Concerning the Board of Directors" and is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. This code of ethics and the Company's corporate governance policies are posted on the Company's website at <http://www.federalsignal.com>. The Company intends to satisfy its disclosure requirements regarding amendments to or waivers from its code of ethics by posting such information on this website. The charters of the Audit Committee, Corporate Governance Committee, Nominating Committee and

Compensation and Benefits Committee of the Company's Board of Directors are available on the Company's website and are also available in print free of charge.

Item 11. *Executive Compensation.*

The information contained under the captions "Information Concerning the Board of Directors", "Compensation Committee Interlocks and Insider Participation", "Compensation Discussion and Analysis", "Compensation and Benefits Committee Report" and "Executive Compensation in the Last Fiscal Year" of the Company's 2009 Proxy Statement is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Information regarding security ownership of certain beneficial owners, of all directors and nominees, of the named executive officers, and of directors and executive officers as a group, is set forth in the Company's 2009 Proxy Statement under the caption "Ownership of Our Common Stock" and is incorporated herein by reference. Information regarding our equity compensation plans is set forth in the Company's 2009 Proxy Statement under the caption "Equity Compensation Plan Information" and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information regarding certain relationships is hereby incorporated by reference from the Company's 2009 Proxy Statement under the heading "Information Concerning the Board of Directors" and under the heading "Certain Relationships and Related Party Transactions".

Item 14. *Principal Accountant Fees and Services.*

Information regarding principal accountant fees and services is incorporated by reference from the Company's 2009 Proxy Statement under the heading "Accounting Information".

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

(a) 1. *Financial Statements*

The following consolidated financial statements of Federal Signal Corporation and Subsidiaries and the report of the Independent Registered Public Accounting Firm contained under Item 8 of this Form 10-K are incorporated herein by reference:

Consolidated Balance Sheets as of December 31, 2008 and 2007

Consolidated Statements of Operations for the Years Ended December 31, 2008, 2007 and 2006

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2007 and 2006

Notes to Consolidated Financial Statements

2. *Financial Statement Schedules*

The following consolidated financial statement schedule of Federal Signal Corporation and Subsidiaries, for the three years ended December 31, 2008 is filed as a part of this report in response to Item 15(a)(2):

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

3. *Exhibits*

See Exhibit Index.

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, as of February 27, 2009, by the following persons on behalf of the Company and in the capacities indicated.

<u>/s/ William H. Osborne</u> William H. Osborne	President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ William G. Barker</u> William G. Barker	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ David E. Janek</u> David E. Janek	Vice President and Controller (Principal Accounting Officer)
<u>/s/ James C. Janning</u> James C. Janning	Chairman and Director
<u>/s/ Charles R. Campbell</u> Charles R. Campbell	Director
<u>/s/ Robert M. Gerrity</u> Robert M. Gerrity	Director
<u>/s/ Robert S. Hamada</u> Robert S. Hamada	Director
<u>/s/ Paul W. Jones</u> Paul W. Jones	Director
<u>/s/ John F. McCartney</u> John F. McCartney	Director
<u>/s/ Brenda L. Reichelderfer</u> Brenda L. Reichelderfer	Director
<u>/s/ James E. Goodwin</u> James E. Goodwin	Director
<u>/s/ Dennis J. Martin</u> Dennis J. Martin	Director
<u>/s/ Joseph R. Wright</u> Joseph R. Wright	Director

SCHEDULE II
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
For the Years Ended December 31, 2008, 2007 and 2006

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions Accounts Written off Net of Recoveries</u>	<u>Balance at End of Year</u>
	(\$ in millions)			
Allowance for doubtful accounts:				
Year ended December 31, 2008:	\$ 3.8	\$ 7.2	\$ (9.0)	\$ 2.0
Year ended December 31, 2007:	\$ 2.0	\$ 1.9	\$ (0.1)	\$ 3.8
Year ended December 31, 2006:	\$ 1.6	\$ 0.8	\$ (0.3)	\$ 2.0
Inventory obsolescence:				
Year ended December 31, 2008:	\$ 6.9	\$ 2.4	\$ (3.2)	\$ 6.1
Year ended December 31, 2007:	\$ 4.8	\$ 2.8	\$ (0.7)	\$ 6.9
Year ended December 31, 2006:	\$ 4.4	\$ 2.0	\$ (1.6)	\$ 4.8
Product liability and workers' compensation:				
Year ended December 31, 2008:	\$ 6.7	\$ 2.9	\$ (3.8)	\$ 5.8
Year ended December 31, 2007:	\$ 7.7	\$ 3.2	\$ (4.2)	\$ 6.7
Year ended December 31, 2006:	\$ 7.6	\$ 4.3	\$ (4.2)	\$ 7.7
Income tax valuation allowances:				
Year ended December 31, 2008:	\$ 15.9	\$ 26.7	\$ (8.7)	\$ 33.9
Year ended December 31, 2007:	\$ 3.9	\$ 14.2	\$ (2.2)	\$ 15.9
Year ended December 31, 2006:	\$ 3.1	\$ 1.1	\$ (0.3)	\$ 3.9
Warranty liability:				

The changes in the Company's warranty liabilities are analyzed in Note 16 — Commitments, Guarantees and Fair Values of Financial Instruments.

EXHIBIT INDEX

The following exhibits, other than those incorporated by reference, have been included in the Company's Form 10-K filed with the Securities and Exchange Commission. The Company shall furnish copies of these exhibits upon written request to the Corporate Secretary at the address given on the cover page. (* denotes exhibit filed in this Form 10-K)

3. a. Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit (3)(a) to the Company's Form 10-K for the year ended December 31, 1991.
- b. Amended and Restated By-laws of the Company, as further amended December 5, 2008. Incorporated by reference to Exhibit 3.b to the Company's Form 8-K for December 5, 2008.
4. a. Second Amended and Restated Credit Agreement dated April 25, 2007 among the Company, Bank of Montreal and other third party lenders named therein. Incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 2007.
- b. Supplemental Agreement to the Second Amended and Restated Credit Agreement among Federal Signal Corporation, Federal Signal of Europe B.V. y CIA, SC, and Bank of Montreal, Ireland and other third party lenders named therein dated September 6, 2007. Incorporated by reference to Exhibit (4)(c) to the Company's Form 10-K for the year ended December 31, 2007
- c. Second Amendment and Waiver to the Second Amended and Restated Credit Agreement, dated March 27, 2008. Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 2008.
10. a. The 1996 Stock Benefit Plan, as amended. Incorporated by reference to Exhibit 10.A to the Company's Form 10-K for the year ended December 31, 2006.(1)
- b. Supplemental Pension Plan. Incorporated by reference to Exhibit 10.C to the Company's Form 10-K for the year ended December 31, 1995.(1)
- c. Executive Disability, Survivor and Retirement Plan. Incorporated by reference to Exhibit 10.D to the Company's Form 10-K for the year ended December 31, 1995.(1)
- d. Director Deferred Compensation Plan. Incorporated by reference to Exhibit 10.H to the Company's Form 10-K for the year ended December 31, 1997.(1)
- e. 2005 Executive Incentive Compensation Plan. Incorporated by reference to Appendix B to the Company's Proxy Statement dated March 22, 2005 filed on Schedule 14A.(1)
- f. Pension Agreement with Stephanie K. Kushner. Incorporated by reference to Exhibit 10.G to the Company's Form 10-K for the year ended December 31, 2002.(1)
- g. Executive Incentive Performance Plan. Incorporated by reference to Appendix C to the Company's Proxy Statement dated March 22, 2005 filed on Schedule 14A.(1)
- h. Release and Severance Agreement between the Company and Marc F. Gustafson, effective July 17, 2007. Incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 2007.(1)
- i. Consulting Letter Agreement between the Company and Marc F. Gustafson, effective July 17, 2007. Incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 2007.(1)
- j. Stock Purchase Agreement between the Company and Alan K. Sefton dated August 6, 2007. Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2007.
- k. Purchase Agreement between Alan Keith Sefton and Federal Signal of Europe B.V. y CIA, SC and the other parties named therein. Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 2007.
- l. Release and Severance Agreement between the Company and Robert D. Welding, dated January 21, 2008. Incorporated by reference to Exhibit (10)(l) to the Company's Form 10-K for the year ended December 31, 2007.(1)
- m. Employment Agreement between the Company and William H. Osborne, dated September 15, 2008. Incorporated by reference to Exhibit 10.1 to the Company's 8-K filed September 18, 2008.(1)

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- n. Settlement Agreement between the Company and the Ramius Group, dated March 12, 2008. Incorporated by reference to Exhibit 10 to the Company's Form 8-K filed March 13, 2008.
- o. Release and Severance Agreement between the Company and Kimberly L. Dickens, dated March 19, 2008. Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2008.(1)
- p. Stock Purchase Agreement among Connell Limited Partnership, Federal Signal Corporation, and Federal Signal of Europe B.V., dated April 3, 2008. Incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2008.
- q. Tax-Exempt Lease Purchase Agreement (Elgin Sweeper Company) between Elgin Sweeper Company and Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- r. Guaranty and Payment Agreement (Elgin Sweeper Company) Federal Signal Corporation in favor of Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- s. Tax-Exempt Lease Purchase Agreement (E-One New York, Inc.) between E-One New York, Inc. and Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- t. Guaranty and Payment Agreement (E-One New York, Inc.) by Federal Signal Corporation in favor of Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- u. Tax-Exempt Lease Purchase Agreement (E-One, Inc.) among E-One, Inc., Federal Signal Corporation and Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- v. Guaranty and Payment Agreement (E-One, Inc.) by Federal Signal Corporation in favor of Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- w. Tax-Exempt Lease Purchase Agreement (Federal Signal Corporation) between Federal Signal Corporation and Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- x. Tax-Exempt Lease Purchase Agreement (FS Depot, Inc.) between FS Depot, Inc. and Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.8 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- y. Guaranty and Payment Agreement (FS Depot, Inc.) by Federal Signal Corporation in favor of Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.9 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- z. Tax-Exempt Lease Purchase Agreement (Vactor Manufacturing, Inc.) between Vactor Manufacturing, Inc. and Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.10 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- aa. Guaranty and Payment Agreement (Vactor Manufacturing, Inc.) by Federal Signal Corporation in favor of Banc of America Public Capital Corp dated June 27, 2008. Incorporated by reference to Exhibit 10.11 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- bb. Agreement of Purchase and Sale between Federal Signal Corporation and Centerpoint Properties Trust dated July 2, 2008. Incorporated by reference to Exhibit 10.12 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- cc. Lease (Elgin) between Centerpoint Properties Trust and Elgin Sweeper Company dated July 2, 2008. Incorporated by reference to Exhibit 10.13 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- dd. Lease (University Park) between Centerpoint Properties Trust and Federal Signal Corporation dated July 2, 2008. Incorporated by reference to Exhibit 10.14 to the Company's Form 10-Q for the quarter ended June 30, 2008.
- ee. Management Incentive Plan.* (1)
- ff. Savings Restoration Plan, as amended and Restated January 1, 2007.*(1)

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- gg. Severance Policy for Executive Employees, as amended January, 2008.*(1)
- hh. Form of Executive Change-In-Control Severance Agreement (Tier 1) with William G. Barker, III and certain other executive officers.*(1)
- ii. Form of Executive Change-In-Control Severance Agreement (Tier 2) with John A. DeLeonardis and certain other executive officers.*(1)
- jj. Employment Letter Agreement between the Company and William G. Barker, III dated November 10, 2008.*(1)
- kk. Release and Severance Agreement between the Company and Stephanie K. Kushner, dated December 30, 2008.*(1)
- ll. Forms of Equity Award Agreements*(1)
- mm. First Amendment of the Federal Signal Corporation Savings Restoration Plan.*(1)
- nn. Second Amendment to Federal Signal Corporation Savings Restoration Plan.*(1)
- oo. Third Amendment to Federal Signal Corporation Savings Restoration Plan.*(1)
- 14. Code of Ethics for Chief Executive Officer and Senior Financial Officers, as amended. Incorporated by reference to Exhibit 14 to the Company's Form 10-K for the year ended December 31, 2003.
- 21. Subsidiaries of the Company.*
- 23. Consent of Independent Registered Public Accounting Firm.*
- 31.1 CEO Certification under Section 302 of the Sarbanes-Oxley Act.*
- 31.2 CFO Certification under Section 302 of the Sarbanes-Oxley Act.*
- 32.1 CEO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act.*
- 32.2 CFO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act.*

* Filed herewith.

(1) Management contract or compensatory plan or arrangement.

Federal Signal Corporation
Corporate and Stockholder Information

Management

William G. Barker, III

Senior Vice President and Chief Financial Officer

John A. DeLeonardis

Vice President, Taxes

David E. Janek

Vice President and Controller

Fred H. Lietz

Vice President and Chief Procurement Officer

David R. McConaughy

President, Safety and Security Systems Group

William H. Osborne

President and Chief Executive Officer

Esa Peltola

President, Bronto Skylift Oy Ab

Jennifer L. Sherman

Senior Vice President Human Resources, General Counsel and Secretary

Mark D. Weber

President, Environmental Solutions Group

Board of Directors

James C. Janning, 61

Chairman of the Board
Group President Harbour Group, Ltd.

Charles R. Campbell, 69

Retired, Consultant
The Everest Group

Robert M. Gerrity, 71

Director and Principal Gerrity Partners

James E. Goodwin, 64

Former Chairman and Chief Executive Officer of United Airlines

Robert S. Hamada, 71

Edward Eagle Brown Distinguished Service
Professor of Finance, Emeritus Graduate
School of Business, University of Chicago

Paul W. Jones, 60

Chairman and Chief Executive Officer
A. O. Smith Corporation

Dennis J. Martin, 58

Former Chairman, President and Chief Executive Officer
General Binding Corporation

John F. McCartney, 56

Chairman, Westcon Group, Inc. and
A. M. Castle & Co.

Brenda L. Reichelderfer, 50

Retired Senior Vice President and Chief Technology
Officer, ITT Corporation

Joseph R. Wright, 70

Chief Executive Officer Scientific Games Corporation

Corporate Information

Form 10-K and Other Reports and Information

Our Annual Report and Form 10-K, Quarterly Reports on Form 10-Q, Proxy Statement and other reports that we file with the SEC are available on our website at federal.signal.com. In addition, copies of these reports may be obtained without charge by contacting:

Investor Relations

Federal Signal Corporation

1415 W. 22nd St., Suite 1100

Oak Brook, IL 60523

630-954-2000

<http://www.federal.signal.com>

Stock Trading Information

New York Stock Exchange

Symbol: FSS

Transfer Agent and Registrar

National City Bank

Shareholder Services Operations

Locator 5352

P.O. Box 92301

Cleveland, OH 44101-4301

800-622-6757

2009 Annual Meeting of Stockholders

Tuesday, April 21, 2009, 3:30 pm

Regency Towers Conference Center

1515 W. 22nd Street

Oak Brook, IL 60523

Independent Registered Public Accounting Firm

Ernst & Young, LLP

**Federal Signal Corporation
Management Incentive Plan—Detailed Specifications**

The following Management Incentive Plan specifications provide a detailed description of a new annual incentive bonus arrangement for Federal Signal Corporation executives. The plan will provide key corporate and business unit executives an opportunity to earn an annual cash award based on the level of achievement of specific “Economic Value” (“EV”) based goals over a 12-month period and beyond.

Effective Date	The effective date of the plan will be January 1, 2005, and will replace the annual bonus opportunity offered under the existing Management Incentive Plan.
Performance Period	The measurement period, for earning an award under this Plan, will be 12 months in length, which will correspond to the calendar year.
General Plan Concept	Specific EV goals will be established for each 12-month performance period (i.e., 3-year goals stated in annual increments). The level of achievement of the preestablished EV goals by the end of each year will determine the size of the corresponding bonus earned by each participant for that year. A “carry-forward” feature will exist, such that bonus dollars at or above target not earned in any year can be re-earned over the next two years (50% in the first year, and the remaining 50% in the second year).
Eligibility	<p>Top executives and key contributors at both the corporate and business unit levels (i.e., approximately 244 incumbents) will be eligible to participate in this Plan for 2005. This includes corporate officers and direct reports, and Group and Business Unit Heads, Vice Presidents, and specified managers.</p> <p>The Plan may be expanded in 2006 to include all salary-exempt employees. Further expansion is possible in 2007 to include all hourly employees.</p>
Award Opportunities	<p>Minimum, target, and maximum award opportunities will be established for each participant level, as a percentage of salary grade midpoint for each grade.</p> <p>The minimum opportunity will be 50 percent of target and maximum will be 200 percent of target (with target being 100%).</p>

The proposed award opportunities for the 2005 plan year are as follows:

Position	Bonus Award Opportunity (As a Percent of Salary Grade Midpoint)		
	Minimum (50% of Target)	Target	Maximum (200% of Target)
Corporate			
President and CEO	37.5%	75%	150%
VP-CFO	25.0%	50%	100%
VP-Legal	20.0%	40%	80%
VP-HR	20.0%	40%	80%
VP-CIO	20.0%	40%	80%
VP-Corporate Development	15.0%	30%	60%
VP-Controller	15.0%	30%	60%
VP-Treasurer	15.0%	30%	60%
VP-Internal Audit	15.0%	30%	60%
VP-Taxes	15.0%	30%	60%
VP-Procurement	15.0%	30%	60%
Assistant Treasurer	10.0%	20%	40%
Assistant Controller	10.0%	20%	40%
Assistant VP Leasing	10.0%	20%	40%
Director Supply Chain	10.0%	20%	40%
Director Audit	10.0%	20%	40%
Director HR	10.0%	20%	40%
Corporate Attorney	10.0%	20%	40%
Procurement Manager	7.5%	10%	20%
Commodity Manager	7.5%	10%	20%
Supply Chain Manager	7.5%	10%	20%
Business Groups and Units			
Group Presidents	25.0%	50%	100%
Group Vice Presidents	15.0%	30%	60%
General Managers	12.5%	25%	50%
Direct Reports to VPs	10.0%	20%	40%

Carry-Forward Opportunity

If, in any 12-month bonus plan year, the maximum bonus opportunity is not earned, the difference between the maximum opportunity and the actual bonus earned, or the “unearned spread” (“US”) can be re-earned over the next two years by achieving the corresponding goal (i.e., target through maximum) in those years. However, performance in years 2 and 3 must be at or above target for any amount to be earned. Fifty percent of the US can be earned in the immediately preceding year, with the remaining 50 percent being re-earnable in the year thereafter. If not re-earned in the specified year, the opportunity expires.

Overlapping unearned spread opportunities can exist if the maximum bonus is not earned in consecutive years as follows:

	2005	2006	2007	2008	2009
2005 Bonus Opportunity	50% Min. to 200% Max.	50% of Unearned Spread	50% of Unearned Spread	—	—
2006 Bonus Opportunity	—	50% Min. to 200% Max.	50% of Unearned Spread	50% of Unearned Spread	—
2007 Bonus Opportunity	—	—	50% Min. to 200% Max.	50% of Unearned Spread	50% of Unearned Spread

Performance Metrics/Goals

EV will be the exclusive performance measure and, thereby, the level of achievement of the EV goal will determine 100 percent of each participant’s bonus.

Every three years EV goals will be established for a three-year period. These three-year goals should be considered fixed, absent the occurrence of any significant unforeseeable events. The three-year goal will be communicated to participants in terms of three annual goals. The level of achievement of the annual goal will determine the value of the earned award each year.

Weighting

The level of achievement of the EV goal will be weighted for corporate, versus group, versus business unit performance, dependent upon where each participant is employed within the organization.

An example of the possible weighting for 2005 is as follows:

Position	EV Goal Weighting Guidelines		
	Corporate Level	Group Level	Unit Level
Corporate			
President and CEO	100%		
VP-CFO	100%		
VP-Legal	100%		
VP-HR	100%		
VP-CIO	100%		
VP-Corporate Development	100%		
VP-Controller	100%		
VP-Treasurer	100%		
VP-Internal Audit	100%		
VP-Taxes	100%		
VP-Procurement	100%		
Assistant Treasurer	100%		
Assistant Controller	100%		
Assistant VP Leasing	100%		
Director Supply Chain	100%		
Director Audit	100%		
Director HR	100%		
Corporate Attorney	100%		
Procurement Manager	100%		
Commodity Manager	100%		
Supply Chain Manager	100%		
Business Groups and Units			
Group Presidents	20%	80%	
Group Vice Presidents	10%	90%	
Direct Reports to VPs at group		100%	
General Managers		20%	80%
Direct Reports to VPs at unit		20%	80%

Termination of Employment

If a participant's employment is terminated due to normal retirement (as defined under the Company's qualified retirement plan), death, or permanent disability, at any time prior to the end of the plan year in which any annual bonus is otherwise earned, the participant will receive a pro rata payout of the actual bonus earned, based on the number of days actively employed during the bonus plan year. This pro rata bonus will be paid after the end of the corresponding plan year, at the same time active participants receive their bonus payouts. If a participant's employment is terminated for any other reason, prior to the end of the plan year in which any annual bonus is otherwise earned, the participant shall not be eligible to receive a payout for that year.

Notwithstanding the above, upon a Change in Control and for two years thereafter, if a participant's employment is terminated involuntarily by the Company without Cause, or voluntarily by the participant for Good Reason, then the participant shall receive a pro rata portion of their target bonus for the year of termination, within ten calendar days of termination.

"Cause" and "Good Reason" shall have definitions identical to those contained in the Executive Change-in-Control Agreements.

"Umbrella" Pool Plan Design

The plan will be structured so that payouts will be exempt from the Internal Revenue Code Section 162(m) "\$1 million" nondeductibility rules. To accomplish this exemption, separate and distinct from the EV plan design, a bonus pool will be established annually (for the proxy reported executives) based on a single, fixed financial metric (e.g., 1.5% of net income). The Committee will then use "negative discretion" to award bonuses based on the EV performance criteria using the actual minimum, target, and maximum award opportunities by position. As long as the actual bonuses paid (using the EV criteria) are less than the amount as determined by the umbrella pool approach, all payouts should be exempt as being "performance based" under Section 162(m).

Note: This approach will require shareholder approval of the umbrella pool formula and maximum opportunities for each proxy reported participant, among other details. These provisions will be made a part of the long-term incentive plan document (which also will require shareholder approval via the next proxy statement).

Deferral of Bonus Dollars

Executives who otherwise participate in the Company's voluntarily deferral plan will be allowed to voluntarily defer all or any portion of amounts earned under this bonus plan, subject to properly executed deferral elections.

Bonus Calculation Example

Bonus Calculation for 2005

Position	Midpoint	Minimum		Target		Maximum	
		% of Midpoint	Required EV	% of Midpoint	Required EV	% of Midpoint	Required EV
Corporate VP— CFO	\$ 265,000	25%	<\$23.8M>	50%	<\$17.1M>	100%	<\$7.0M>
		(\$66,200)		(\$132,500)		(\$265,000)	

Assumptions

- One hundred percent of the goals are based on corporate-wide performance (i.e., there is no weighting given to business group or business unit performance).
- At the end of the year, presume the target level of EV performance is achieved.

Bonus Amounts

- **Regular Annual Bonus.** With the achievement of target level of EV performance, the result is a payout of the target bonus amount of \$132,500 (or 50% of base pay).
- **Carry-Forward Opportunity.** In addition to the regular annual bonus, 50 percent of the difference between the maximum opportunity and the actual earned bonus ($(\$265,000 - \$132,500) \times 50\% = \$66,250$) can be earned in the next year, proportionally, if anywhere between target and maximum performance is achieved by the end of that year (i.e., not the base year maximum goal of <\$7.0M>). Further, the remaining 50 percent can be earned in the second year thereafter, proportionally, if anywhere between target and maximum performance is achieved by that year end (less the amounts previously earned).
- **Interpolation.** For performance between the points (i.e., minimum, target, and maximum), the actual payout will be determined by using straight-line interpolation between the points.

FEDERAL SIGNAL CORPORATION

SAVINGS RESTORATION PLAN

(Amended and Restated Effective January 1, 2007)

McDermott Will & Emery LLP
Chicago

CERTIFICATE

I, **Kimberly L. Dickens**, member of the Federal Signal Corporation Benefits Planning Committee and Vice President, Human Resources of Federal Signal Corporation, hereby certify that the attached document is a correct copy of the Federal Signal Corporation Savings Restoration Plan (As Amended and Restated Effective January 1, 2007), as adopted by the Benefits Planning Committee of Federal Signal Corporation at its meeting on November 21, 2006.

Dated this 6th day of December, 2007.

FEDERAL SIGNAL CORPORATION
BENEFITS PLANNING COMMITTEE

By /s/ Kimberly L. Dickens
Its Member as Aforesaid

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FEDERAL SIGNAL CORPORATION
SAVINGS RESTORATION PLAN

(Amended and Restated Effective January 1, 2007)

SECTION 1 INTRODUCTION

1.1 Purpose

Federal Signal Corporation (the "Company") has established the Federal Signal Corporation Savings Restoration Plan (the "Plan"), to provide certain supplemental benefits to a select group of management employees of the Employers under the Plan who contribute materially to the continued growth, development, and future success of the Employers. The Plan is an amendment and restatement of the Federal Signal Corporation Supplemental Savings and Investment Plan, which was originally established effective January 1, 1983. This Plan is intended to comply with the American Jobs Creation Act of 2004, Code Section 409A, and related guidance. The Plan is intended to constitute an account balance plan (as defined in IRS Notice 2005-1, Q&A-9).

1.2 Effective Date; Plan Year

The Plan is amended and restated effective January 1, 2007. The original effective date of the Federal Signal Corporation Supplemental Savings and Investment Plan, of which this Plan is a restatement, was January 1, 1983. The Plan is administered on the basis of a Plan Year, as defined in subsection 2.24.

1.3 Plan Administration

As described in Section 11, the Committee shall be the administrator (as that term is defined in Section 3(16)(A) of ERISA) of the Plan and shall be responsible for the administration of the Plan; provided, however, the Committee may delegate all or any part of its powers, rights, and duties under the Plan to such person or persons as it may deem advisable. Any notice or document relating to the Plan which is to be filed with the Committee may be delivered, or mailed by registered or certified mail, postage pre-paid, to the secretary of the Committee, or to any designated Committee representative, in care of the Company, at its principal office.

1.4 Unfunded Nature of Plan

The Plan is an unfunded, nonqualified deferred compensation plan that is intended to qualify for the exemptions provided in Sections 201, 301, and 401 of ERISA. Participants (and their Beneficiaries) shall have only those rights to payments as set forth in the Plan and shall be considered general, unsecured creditors of the Employers with respect to any such rights.

SECTION 2 DEFINITIONS

2.1 Account

“Account” means all notional accounts and sub-accounts maintained for a Participant in order to reflect his interest under the Plan, as described in Section 6.

2.2 Accounting Date

“Accounting Date” means each day designated by the Committee as of which the value of an Investment Fund is adjusted for notional deferrals, contributions, distributions, gains, losses, or expenses. To the extent not otherwise designated by the Committee, each Investment Fund will be valued as of each day on which the New York Stock Exchange is open for trading.

2.3 Beneficiary

“Beneficiary” means the person or persons to whom a deceased Participant’s benefits are payable under subsection 9.4.

2.4 Board

“Board” means the Board of Directors of the Company, as from time to time constituted.

2.5 Bonus

“Bonus” means an incentive award of cash contingent upon the achievement of specified performance goals and payable to an Employee in a given year, with respect to the immediately preceding incentive bonus performance period.

2.6 Code

“Code” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.7 Committee

“Committee” means the Benefits Planning Committee of the Company, as described in Section 11.

2.8 Company

“Company” means Federal Signal Corporation or any successor organization or entity that assumes the Plan.

2.9 Company Contributions

“Company Contributions” means the amounts credited to a Participant’s Company Contribution Account under the Plan by the Employer, in accordance with subsection 4.2.

2.10 Compensation

“Compensation” means Compensation as defined in the Federal Signal Retirement Savings Plan (the “Qualified RSP Plan”), which term shall include (but shall not be limited to) salary, bonus, and commissions; provided, however, that Compensation shall be determined for these purposes without regard to the dollar limitations in effect for qualified plans under Section 401(a)(17) of the Code.

2.11 Compensation Deferrals

“Compensation Deferrals” means the amounts credited to a Participant’s Compensation Deferral Account pursuant to the Participant’s election made in accordance with subsection 4.1.

2.12 Disability

“Disability” means the occurrence of an event as a result of which a Participant is considered disabled. A Participant is considered disabled if the Participant is determined to be disabled in accordance with a disability insurance program maintained or contributed to by the Employer by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of at least 12 months.

2.13 Effective Date

“Effective Date” means January 1, 2007.

2.14 Eligible Individual

“Eligible Individual” means each Employee of an Employer who satisfies the requirements set forth in Section 3.

2.15 Employee

“Employee” means a person who is employed by an Employer, is on the Employer’s regular payroll, and is treated and/or classified by the Employer as a common law employee for purposes of wage withholding for Federal income taxes. If a person is not considered to be an Employee of the Employer in accordance with the preceding sentence, a subsequent determination by the Employer, any governmental agency, or a court that the person is a common law employee of the Employer, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.16 Employer

“Employer” means Federal Signal Corporation and any affiliate or subsidiary of the Company as defined in Subsections 414(b) and (c) of the Code that has adopted the Plan on behalf of its Eligible Individuals with the consent of the Company.

2.17 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.18 Federal Signal Stock Fund

“Federal Signal Stock Fund” means an Investment Fund offered under the Plan having a notional investment return based on the performance of the common stock of the Company, in accordance with rules and procedures established by the Committee.

2.19 Investment Funds

“Investment Funds” means the notional funds or other investment vehicles designated pursuant to subsection 5.1.

2.20 Matching Contributions

“Matching Contributions” means the amounts credited to a Participant’s Matching Contribution Account under the Plan by the Employer, in accordance with subsection 4.2.

2.21 Participant

“Participant” means an Eligible Individual who meets the requirements of Section 3 and elects to make Compensation Deferrals pursuant to Section 4, or any individual who is an Employee or former Employee of an Employer who has an Account under this Plan, or a non-Employee member or former member of the Board of Directors of the Company, who has a Pre-2007 Plan Account under the Plan.

2.22 Plan

“Plan” means the Federal Signal Corporation Savings Restoration Plan, as set forth in this instrument and as hereafter amended from time to time.

2.23 Plan Year/Plan Year Quarter

“Plan Year” means each 12-month period beginning January 1 and ending the following December 31. “Plan Year Quarter” means each three-month period ending March 31, June 30, September 30 and December 31.

2.24 Spouse

“Spouse” means the person to whom a Participant is legally married under applicable state law at the earlier of the date of the Participant’s death or the date payment of the Participant’s benefits commenced and who is living on the date of the Participant’s death.

2.25 Termination Date

“Termination Date” means, with respect to an Employee, the date on which the Participant has a separation from service with the Employers, the Company and any subsidiary or affiliate of the Company, as determined by the Committee.

2.26 Other Definitions

Other defined terms used in the Plan shall have the meanings given such terms elsewhere in the Plan.

SECTION 3 ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

For each Plan Year commencing on or after 2007, each Employee of an Employer who is employed at a salary grade of 18 or above (as determined by the Committee) shall be an Eligible Individual eligible to participate in the Plan by making a deferral election pursuant to Section 4. Notwithstanding the foregoing, an Employee who is employed at a salary grade lower than 18 may be determined by the Committee to be an Eligible Individual if the Committee determines that his Compensation is at a level such that he is likely to be, on a sustained basis, subject to the limitations on Compensation that can be taken into account under the Qualified RSP Plan, as described in Section 4 below. An Employee who first becomes employed at a salary grade of 18 or above during a Plan Year (or is otherwise determined by the Committee to be an Eligible Individual) shall only be permitted to become a Participant in the Plan as of the January 1 following the date he becomes an Eligible Individual. A list of all potential Eligible Individuals shall be presented to the Committee annually for approval.

Each Eligible Individual's decision to become a Participant shall be entirely voluntary. An Eligible Individual who makes a deferral election pursuant to Section 4, or who has an Account balance under the Plan, shall be a Participant in the Plan.

3.2 Cessation of Participation

If a Participant ceases to be an Eligible Individual, no further Compensation Deferrals, Company Contributions or Matching Contributions shall be credited to the Participant's Accounts after the end of the Plan Year Quarter following the date the Participant ceases to be eligible or as soon as administratively feasible thereafter (or, if the eligibility determination can be made by the Committee or its designee prior to the end of the Plan Year Quarter, on or as soon as administratively feasible after the date the Participant ceases to be eligible), unless he is again determined to be an Eligible Individual, but the balance credited to his Accounts shall continue to be adjusted for notional investment gains and losses under the terms of the Plan and shall be distributed to him at the time and manner set forth in Section 9. An Employee shall cease to be a Participant after his Termination Date or other loss of eligibility as soon as his entire Account balance has been distributed.

SECTION 4 DEFERRALS AND CONTRIBUTIONS

4.1 Compensation Deferrals

Each Plan Year, an Eligible Individual may elect to defer receipt (in increments of one percent) of no less than 6 percent but no greater than 40 percent (or such other percentage as determined by the Committee) of his Compensation that would otherwise have been payable to him on or after the effective date of the election, but only to the extent that the Participant's deferrals under the Qualified RSP Plan have been limited by the restrictions on deferrals to the Qualified RSP Plan imposed by Section 402(g) of the Code, or by the limitations on Compensation that can be taken into account under the Qualified RSP Plan imposed by Section 401(a)(17) of the Code. A Participant's deferral election for a Plan Year under this subsection must be made not later than December 31 of the preceding Plan Year with respect to Compensation payable on or after the following January 1 in accordance with rules established by the Committee.

Except as provided in subsection 4.3, an election to make Compensation Deferrals under this subsection 4.1 shall be irrevocable and shall remain in effect for Compensation otherwise payable during the calendar year to which the election applies (or, in the case of deferrals of Compensation consisting of Bonus, shall remain in effect for the Bonus otherwise payable during the second calendar year following the December 31 election date described above).

4.2 Matching and Company Contributions

Matching Contributions shall be credited to the Matching Contribution Accounts of Participants who have satisfied the requirements of subsection 3.1 and in accordance with the requirements of this subsection 4.2. The amount of any such Matching Contribution with respect to a Participant shall be equal to 50% of 6% of the amount of the Participant's Compensation, but reduced by the amount of Matching Contributions made to the Qualified RSP Plan on the Participant's behalf for the applicable Plan Year. Matching Contributions under this Plan shall be credited to such Participants' Matching Contribution Accounts at the same time as Matching Contributions are credited to Participants' Accounts under the Qualified RSP Plan.

Company Contributions shall be credited to the Company Contribution Accounts of Participants who have satisfied the requirements of subsection 3.1 and in accordance with the requirements of this subsection 4.2. The amount of any such Company Contributions with respect to a Participant shall be equal to the amount of Points-Weighted Contributions that would have been made under the Qualified RSP Plan on the Participant's behalf without regard to the limits on the Participant's Compensation under Section 401(a)(17) of the Code, but reduced by the amount of Points-Weighted Contributions that were made to the Qualified RSP Plan on the Participant's behalf for the applicable Plan Year. Company Contributions under this Plan shall be credited to such Participants' Company Contribution Accounts at the same time as Points-Weighted Contributions are credited to Participants' Accounts under the Qualified RSP Plan. Additional discretionary Company Contributions may be made to the Participant's Company Contribution Account, in the Company's sole discretion and subject to such rules and procedures as the Committee may establish.

4.3 No Election Changes During Plan Year

A Participant shall not be permitted to change or revoke his deferral elections, except that, if a Participant's status changes such that he becomes ineligible for the Plan, the Participant's deferrals under the Plan shall cease as described in subsection 3.2.

4.4 Crediting of Deferrals

The amount of deferrals pursuant to subsection 4.1 shall be credited to the Participant's Accounts as of a date not later than 15 business days after the date on which the amount (but for the deferral) otherwise would have been paid to the Participant.

4.5 Reduction of Deferrals or Contributions

Any deferrals or contributions to be credited to a Participant's Account under this Section may be reduced by an amount equal to the Federal or state income, payroll, or other taxes required to be withheld on such deferrals or contributions or to satisfy any necessary employee welfare plan contributions. A Participant shall be entitled only to the net amount of such deferral or contribution (as adjusted from time to time pursuant to the terms of the Plan).

SECTION 5 NOTIONAL INVESTMENTS

5.1 Investment Funds

The Committee may designate, in its discretion, one or more Investment Funds for the notional investment of Participants' Accounts. The Committee, in its discretion, may from time to time establish new Investment Funds or eliminate existing Investment Funds. An Investment Fund will be offered that consists of a notional investment in a Federal Signal Stock Fund, as defined in subsection 2.19. The Investment Funds are for recordkeeping purposes only and do not allow Participants to direct any Company assets (including, if applicable, the assets of any trust related to the Plan). Each Participant's Accounts shall be adjusted pursuant to the Participant's notional investment elections made in accordance with this Section 5, except as otherwise determined by the Committee in its sole discretion.

5.2 Investment Fund Elections

A Participant may elect from among the Investment Funds for the notional investment of his Accounts from time to time in accordance with procedures established by the Committee. The Committee, in its discretion, may adopt (and may modify from time to time) such rules and procedures as it deems necessary or appropriate to implement the notional investment of the Participant's Accounts. Such procedures may differ among Participants or classes of Participants, as determined by the Committee in its discretion. The Committee may limit, delay or restrict the notional investment of certain Participants' Accounts in accordance with Committee rules in order to comply with Company policy and applicable law or to minimize regulated filings and disclosures. Any deferred amounts subject to a Participant's investment election that must be so limited, delayed or restricted under such circumstances may be notionally invested in an Investment Fund designated by the Committee, or may be credited with earnings at a rate determined by the Committee, which rate may be zero. A Participant's notional investment election shall remain in effect until later changed in accordance with the rules of the Committee. If a Participant does not make a notional investment election, all deferrals by the Participant and contributions on his behalf will be deemed to be notionally invested in the Investment Fund designated by the Committee for such purpose.

5.3 Investment Fund Transfers

A Participant may elect that all or a part of his notional interest in an Investment Fund shall be transferred to one or more of the other Investment Funds. A Participant may make such notional Investment Fund transfers in accordance with rules established from time to time by the Committee, and in accordance with subsection 5.2. Notwithstanding the foregoing, any amount of a Participant's Pre-2007 Plan Account that has been invested in the Federal Signal Stock Fund may not be transferred to any of the other Investment Funds.

SECTION 6 ACCOUNTING

6.1 Individual Accounts

The Committee may, in its discretion, maintain in the name of each Participant, as applicable, the following Accounts, and any sub-accounts under such Accounts deemed necessary or advisable by the Committee from time to time:

- (a) Compensation Deferral Account. A Compensation Deferral Account to reflect the Participant's Compensation Deferrals and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (b) Matching Contribution Account. A Matching Contribution Account to reflect the Matching Contributions credited on behalf of the Participant, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (c) Company Contribution Account. A Company Contribution Account to reflect the Company Contributions credited on behalf of the Participant, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (d) Pre-2007 Plan Account. A Pre-2007 Plan Account to reflect the amounts, if any, credited on behalf of the Participant under the Plan prior to January 1, 2007, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto. Amounts in the Participant's Pre-2007 Plan Account shall always be notionally invested in the Federal Signal Corporation Stock Fund. Notwithstanding the foregoing, a Participant's Pre-2007 Plan Account may also contain a Pre-1998 Sub-account, which shall not be notionally invested in the Federal Signal Corporation Stock Fund, but which instead shall be notionally credited with a fixed interest rate based upon the Vanguard Retirement Savings Trust rate, or such other rate or benchmark as the Committee shall determine from time to time in its discretion.

The Committee may establish such rules and procedures relating to the maintenance, adjustment, and liquidation of Participants' Accounts, the crediting of deferrals and contributions and the notional gains, losses, expenses, appreciation, and depreciation attributable thereto, as it considers necessary or advisable. In addition to the Accounts described above, the Committee may maintain other Accounts or sub-accounts in the names of Participants or otherwise as the Committee considers necessary or desirable.

6.2 Adjustment of Accounts

Pursuant to rules established by the Committee and applied on a uniform basis, Participants' Accounts will be adjusted on each Accounting Date, except as provided in Section 9, to reflect the value of the various Investment Funds as of such date, including adjustments to

reflect any deferrals and contributions, notional transfers between Investment Funds, and notional gains, losses, expenses, appreciation, or depreciation with respect to such Accounts since the previous Accounting Date. The “value” of an Investment Fund at any Accounting Date shall be based on the fair market value of the Investment Fund, as determined by the Committee.

6.3 Accounting Methods

The accounting methods or formulae to be used under the Plan for purposes of monitoring Participants’ Accounts, including the calculation and crediting of notional gains, losses, expenses, appreciation, or depreciation, shall be determined by the Committee in its sole discretion. The accounting methods or formulae selected by the Committee may be revised from time to time.

6.4 Statement of Account

At such times and in such manner as determined by the Committee, but at least annually, each Participant will be furnished with a statement reflecting the condition of his Accounts.

SECTION 7 VESTING

A Participant shall be fully vested at all times in his Compensation Deferral Account and his Pre-2007 Plan Account. A Participant's Matching Contribution Account and Company Contribution Account shall be vested at the same time and in the same manner as the Participant's Matching Contributions and Points-Weighted Contributions are vested under the Qualified RSP Plan. Notwithstanding the foregoing, a Participant or his Beneficiary shall have no right to amounts credited to his Matching Contributions Account and Company Contributions Account if the Committee, the Company or the Employer determines that he engaged in any willful, deliberate or gross act of commission or omission which is substantially injurious to the finances or reputation of the Company or any Employer.

Neither the Committee nor the Employers in any way guarantee the Participant's Account balance from loss or depreciation. Notwithstanding any provision of the Plan to the contrary, the Participant's Account balance is subject to Section 8.

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SECTION 8 FUNDING

No Participant or other person shall acquire by reason of the Plan any right in or title to any assets, funds, or property of the Employers whatsoever, including, without limiting the generality of the foregoing, any specific funds, assets, or other property of the Employers. Benefits under the Plan are unfunded and unsecured. A Participant shall have only an unfunded, unsecured right to the amounts, if any, payable hereunder to that Participant. The Employers' obligations under this Plan are not secured or funded in any manner, even if the Company elects to establish a trust with respect to the Plan. Even though benefits provided under the Plan are not funded, the Company may establish a trust to assist in the payment of benefits. All investments under this Plan are notional and do not obligate the Employers (or their delegates) to invest the assets of the Employers or of any such trust in a similar manner.

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SECTION 9 DISTRIBUTION OF ACCOUNTS

9.1 Distribution of Accounts

A Participant may elect to receive payment of his Accounts at his Termination of Employment (subject to subsection 9.2) in the form of a single lump sum or in annual installments for 5, 10, or 15 years. The Participant may elect each year to have all amounts attributable to the Compensation Deferrals, Matching Contributions and Company Contributions, made to the Plan on his behalf for that Plan Year, and the earnings thereon, paid in the form of either a single lump sum or installments. The Participant's distribution election with respect to amounts credited to his Accounts for such Plan Year, and the earnings thereon, must apply to all Accounts for such Plan Year. The Participant may make a separate distribution election with respect to each Plan Year. To the extent a Participant fails to make an election, the Participant shall be deemed to have elected to receive his distribution for that Plan Year in the form of a single lump sum. Notwithstanding the foregoing, in the event of the Participant's death, the Participant's total Account balances shall be distributed in the form of a lump sum to the Participant's Beneficiary as determined under subsection 9.4. A Participant's total Pre-2007 Plan Account shall be paid to him in the form of a single lump sum (or, if applicable, in the form of installments pursuant to his election made prior to January 1, 2005 with respect to such Pre-2007 Plan Account) upon his Termination Date (or such later date as shall be required under subsection 9.2).

- (a) Elections. A Participant will be required to make his distribution election prior to the commencement of each Plan Year.
- (b) Installment Payments. The first installment payment shall be made in the month of January following the calendar year in which occurs the Participant's Termination Date, or such later date as shall be administratively feasible for the Committee to make such payment and in accordance with subsection 9.2. Succeeding payments shall be made in January of each succeeding calendar year, or as soon as administratively feasible for the Committee to make such payment. The amount to be distributed in each installment payment shall be determined by dividing the value of the Participant's Accounts as of an Accounting Date preceding the date of each distribution by the number of installment payments remaining to be made, in accordance with rules established by the Committee.
- (c) Subsequent Elections to Change Form of Payment. Participants may make a subsequent election to change the form of payment from installments to a lump sum or vice versa, and a separate election change shall be allowed with respect to the amounts in the Participants' Accounts attributable to each Plan Year. Provided, however, that such election change will be allowed only once in a Participant's period of participation in the Plan, and such election change shall only be permitted with the approval of the Committee in its sole discretion and in accordance with procedures established by the Committee. Any such election change shall not take effect until the Participant has completed 12 months of employment with the Employer following the date of such election change, and

payments subject to such change may not commence earlier than five years following the date payments would otherwise have commenced.

- (d) Disability Election. Notwithstanding the foregoing, a Participant may elect, as of the first year in which the Participant becomes a Participant, to have the remainder of his Accounts under the Plan paid out in a lump sum immediately following his Disability (as defined in subsection 2.13), regardless of whether he has incurred a Termination Date or whether his Accounts have commenced distribution under the Plan as of such date.

9.2 6-Month Delay on Payments Due to Termination of Employment

Notwithstanding anything herein to the contrary, payment shall not be made or commence as a result of the Participant's Termination Date to any Participant before the date that is not less than six months after the Participant's Termination Date.

9.3 Mandatory Cash-Outs of Small Amounts

If the value of a Participant's total Accounts equals \$10,000 or less at his Termination Date (or his death), the Accounts will be paid to the Participant (or, in the event of his death, his Beneficiary) in a single lump sum, subject to subsection 9.2, notwithstanding any election by the Participant otherwise.

9.4 Designation of Beneficiary

Each Participant from time to time may designate any individual, trust, charity or other person or persons to whom the value of the Participant's Accounts will be paid in the event the Participant dies before receiving the value of all of his Accounts. A Beneficiary designation must be made in the manner required by the Committee for this purpose. Primary and secondary Beneficiaries are permitted. Payments to the Participant's Beneficiary(ies) shall be made after the Committee has received proper notification of the Participant's death.

A Beneficiary designation will be effective only when the Beneficiary designation is filed with the Committee while the Participant is alive, and a subsequent Beneficiary designation will cancel all of the Participant's Beneficiary designations previously filed with the Committee. Any designation or revocation of a Beneficiary shall be effective as only if it is received by the Committee. Once received, such designation shall be effective as of the date the designation was executed, but without prejudice to the Committee on account of any payment made before the change is recorded by the Committee. If a Beneficiary dies before payment of the Participant's Accounts have been made, the Participant's Accounts shall be distributed in accordance with the Participant's Beneficiary designation and pursuant to rules established by the Committee. If a deceased Participant failed to designate a Beneficiary, or if the designated Beneficiary predeceases the Participant, the value of the Participant's Accounts shall be payable to the Participant's Spouse or, if there is none, to the Participant's estate, or in accordance with such other equitable procedures as determined by the Committee.

9.5 Reemployment

If a former Participant is rehired by an Employer, the Company or any affiliate or subsidiary of the Company described in Section 414(b) and (c) of the Code, regardless of whether he is rehired as an Eligible Individual, any payments being made to such Participant hereunder by virtue of his previous Termination Date shall cease. Upon such Participant's subsequent Termination Date, his payments shall again commence in the form previously elected by such Participant in accordance with this Section 9. If a former Participant is rehired by the Employer, and any payments to be made to the Participant by virtue of his previous Termination Date have not been made or commenced, such Participant shall no longer be entitled to such payments until his subsequent Termination Date.

9.6 Form of Payment

Amounts in a Participant's Pre-2007 Plan Accounts shall be distributed only in the form of Federal Signal Corporation common stock. Amounts in a Participant's other Accounts under the Plan invested at the Participant's direction in the notional Investment Funds shall be distributed to the Participant in cash.

SECTION 10 GENERAL PROVISIONS

10.1 Interests Not Transferable

The interests of persons entitled to benefits under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered. A Participant's interest in the Plan is not transferable pursuant to a qualified domestic relations order.

10.2 Employment Rights

The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee the right to be retained in the employ of an Employer, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. The Employers expressly reserve the right to discharge any Employee at any time.

10.3 Litigation by Participants or Other Persons

If a legal action begun against the Committee (or any member or former member thereof), an Employer, or any person or persons to whom an Employer or the Committee has delegated all or part of its duties hereunder, by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Committee (or any member or former member thereof), the Employers or any person or persons to whom the Employer or the Committee has delegated all or part of its duties hereunder of defending the action shall be charged to the extent permitted by law to the sums, if any, which were involved in the action or were payable to the Participant or other person concerned.

10.4 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document, or other information which the person acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

10.5 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

10.6 Controlling Law

Except to the extent superseded by laws of the United States, the laws of the State of Illinois shall be controlling in all matters relating to the Plan.

10.7 Statutory References

Any reference in the Plan to a Code section or a section of ERISA, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements, or supersedes that section.

10.8 Severability

In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

10.9 Action By the Company, the Employers or the Committee

Any action required or permitted to be taken by the Company or any of the Employers under the Plan shall be by resolution of its board of directors, by resolution or other action of a duly authorized committee of its board of directors, or by action of a person or persons authorized by resolution of its board of directors or such committee. Any action required or permitted to be taken by the Committee under the Plan shall be by resolution or other action of the Committee or by a person or persons duly authorized by the Committee.

10.10 Headings and Captions

The headings and captions contained in this Plan are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the construction of any provision of the Plan.

10.11 Gender and Number

Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular.

10.12 Examination of Documents

Copies of the Plan and any amendments thereto are on file at the office of the Company where they may be examined by any Participant or other person entitled to benefits under the Plan during normal business hours.

10.13 Elections

Each election or request required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary) shall be made in accordance with the rules and procedures established by the Committee and shall be effective as determined by the Committee. The Committee's rules and procedures may address, among other things, the method and timing of any elections or requests required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary).

10.14 Manner of Delivery

Each notice or statement provided to a Participant shall be delivered in any manner established by the Committee and in accordance with applicable law, including, but not limited to, electronic delivery.

10.15 Facility of Payment

When a person entitled to benefits under the Plan is a minor, under legal disability, or, in the Committee's opinion, is in any way incapacitated so as to be unable to manage his financial affairs, the Committee may cause the benefits to be paid to such person's guardian or legal representative. If no guardian or legal representative has been appointed, or if the Committee so determines in its sole discretion, payment may be made to any person as custodian for such individual under applicable state law, or to the legal representative of such person for such person's benefit, or the Committee may direct the application of such benefits for the benefit of such person. Any payment made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

10.16 Missing Persons

The Employers and the Committee shall not be required to search for or locate a Participant, Spouse, or Beneficiary. Each Participant, Spouse, and Beneficiary must file with the Committee, from time to time, in writing the Participant's, Spouse's, or Beneficiary's post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant, Spouse, or Beneficiary at the last post office address filed with the Committee, or if no address is filed with the Committee, then in the case of a Participant, at the Participant's last post office address as shown on the Employer's records, shall be considered a notification for purposes of the Plan and shall be binding on the Participant and the Participant's Spouse and Beneficiary for all purposes of the Plan.

If the Committee is unable to locate the Participant, Spouse, or Beneficiary to whom a Participant's Accounts are payable, the Participant's Accounts shall be frozen as of the date on which distribution would have been completed under the terms of the Plan, and no further notional investment returns shall be credited thereto.

If a Participant whose Accounts were frozen (or his Beneficiary) files a claim for distribution of the Accounts within 7 years after the date the Accounts are frozen, and if the Committee determines that such claim is valid, then the frozen balance shall be paid by the Company to the Participant or Beneficiary in a lump sum cash payment as soon as practicable thereafter. If the Committee notifies a Participant, Spouse, or Beneficiary of the provisions of this Subsection, and the Participant, Spouse, or Beneficiary fails to claim the Participant's, Spouse's, or Beneficiary's benefits or make such person's whereabouts known to the Committee within 7 years after the date the Accounts are frozen, the benefits of the Participant, Spouse, or Beneficiary may be disposed of, to the extent permitted by applicable law, by one or more of the following methods:

- (a) By retaining such benefits in the Plan.
- (b) By paying such benefits to a court of competent jurisdiction for judicial determination of the right thereto.
- (c) By forfeiting such benefits in accordance with procedures established by the Committee. If a Participant, Spouse, or Beneficiary is subsequently located, such benefits shall be restored (without adjustment) to the Participant, Spouse, or Beneficiary under the Plan.
- (d) By any equitable manner permitted by law under rules adopted by the Committee.

10.17 Recovery of Benefits

In the event a Participant, Spouse, or Beneficiary receives a benefit payment from the Plan that is in excess of the benefit payment that should have been made to such Participant, Spouse, or Beneficiary, or in the event a person other than a Participant, Spouse, or Beneficiary receives an erroneous payment from the Plan, the Committee shall have the right, on behalf of the Plan, to recover the amount of the excess or erroneous payment from the recipient. To the extent permitted under applicable law, the Committee may, at its option, deduct the amount of such excess or erroneous payment from any future benefits payable to the applicable Participant, Spouse, or Beneficiary.

10.18 Effect on Other Benefits

Except as otherwise specifically provided under the terms of any other employee benefit plan of the Company, a Participant's participation in this Plan shall not affect the benefits provided under such other employee benefit plan.

10.19 Tax and Legal Effects

The Employers, the Committee, and their representatives and delegates do not in any way guarantee the tax treatment of benefits for any Participant, Spouse, or Beneficiary, and the Employers, the Committee, and their representatives and delegates do not in any way guarantee or assume any responsibility or liability for the legal, tax, or other implications or effects of the Plan. In the event of any legal, tax, or other change that may affect the Plan, the Company may, in its sole discretion, take any actions it deems necessary or desirable as a result of such change.

SECTION 11 THE COMMITTEE

11.1 Establishment of Committee

The Plan shall be administered by a Committee established by the Company, which as of the Effective Date shall be the Benefits Planning Committee or any successor thereto.

11.2 Committee General Powers, Rights, and Duties

Except as otherwise specifically provided herein, and in addition to the powers, rights, and duties specifically given to the Committee elsewhere in the Plan or otherwise delegated to the Committee by the Company, the Committee shall have the following powers, rights, and duties, which shall be exercisable in the sole discretion of the Committee:

- (a) To adopt such rules, procedures, and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and to change, alter, or amend such rules, procedures, and regulations;
- (b) To construe and interpret the provisions of the Plan and make factual determinations thereunder;
- (c) To determine all questions arising in the administration of the Plan, including the power to determine the rights or eligibility of Employees or Participants or any other persons, and the amounts of their benefits (if any) under the Plan, and to remedy ambiguities, inconsistencies, or omissions, and any such determination shall be binding on all parties;
- (d) To employ and suitably compensate such agents, attorneys, accountants, actuaries, recordkeepers, or other persons (who also may be employed by the Company) to render advice and perform other services as the Committee may deem necessary to carry out its powers, rights, and duties;
- (e) To the extent applicable, to direct payments or distributions in accordance with the provisions of the Plan;
- (f) To furnish the Employers with such information as may be required by them for tax or other purposes in connection with the Plan;
- (g) To communicate the Plan and its requirements to Participants;
- (h) To take such actions as the Committee may deem necessary or advisable to correct any errors in the operation of the Plan; and
- (i) To take such other actions as the Committee may deem necessary for the proper administration and operation of the Plan in accordance with its terms.

11.3 Interested Committee Member

No member of the Committee who is also an Employee of an Employer shall be excluded from participating in the Plan if otherwise eligible. If a member of the Committee (or one of its delegates or designees) also is a Participant in the Plan, he may not decide or determine any matter or question concerning distributions of any kind to be made to him or her or the nature or mode of settlement of his benefits unless such decision or determination could be made by him or her under the Plan if he were not serving on the Committee.

11.4 Compensation and Expenses

Unless paid by an Employer, all reasonable costs, charges, and expenses incurred in the administration of this Plan, including expenses incurred by the Committee, compensation to an investment manager, and any compensation to agents, attorneys, actuaries, accountants, recordkeepers, and other persons performing services on behalf of this Plan or for the Committee, may be drawn from (a) Participants' Accounts, in the form of a flat fee or a percentage of the value of each Account, (b) notional earnings or gains in each Investment Fund, or (c) an account maintained under a trust related to the Plan (if any).

11.5 Information Required by Committee

Each person entitled to benefits under the Plan must file with the Committee from time to time in writing such person's mailing address and each change of mailing address. Any communication, statement, or notice addressed to any person at the last mailing address filed with the Committee will be binding upon such person for all purposes of the Plan. Each person entitled to benefits under the Plan also shall furnish the Committee with such documents, evidence, data, or information as the Committee considers necessary or desirable for the purposes of administering the Plan. The Employers shall furnish the Committee with such data and information as the Committee may deem necessary or desirable in order to administer the Plan. The records of the Employers as to an Employee's or Participant's period of employment, termination of employment and the reason therefor, leave of absence, reemployment, and Compensation will be conclusive on all persons unless determined to the Committee's satisfaction to be incorrect.

11.6 Uniform Application of Rules

The Committee shall administer the Plan on a reasonable basis. Any rules, procedures, or regulations established by the Committee shall be applied uniformly to all persons similarly situated.

11.7 Review of Benefit Determinations

Claims for benefits under the Plan shall be administered in accordance with Section 503 of ERISA, the regulations thereunder, and such reasonable claims procedures as may be established by the Committee. The Plan shall provide adequate notice to any Participant, Spouse, Beneficiary, or other claimant whose claim for benefits under the Plan has been denied,

setting forth the reasons for such denial, and shall afford such claimant a reasonable opportunity for a full and fair review. After exhaustion of the Plan's claim procedures, any further legal action taken against the Plan or its fiduciaries by the Participant, Spouse, or Beneficiary (or other claimant) for benefits under the Plan must be filed in a court of law no later than 120 days after the Committee's final decision regarding the claim. No action at law or in equity shall be brought to recover benefits under this Plan until the appeal rights herein provided have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part. All decisions and communications to Participants, Spouses, Beneficiaries, or other persons regarding a claim for benefits under the Plan shall be held strictly confidential by the Participant, Spouse, or Beneficiary (or other claimant), and the Committee, the Employers, and their agents.

11.8 Committee's Decision Final

Benefits under the Plan will be paid only if the Committee decides in its sole discretion that a Participant or Beneficiary (or other claimant) is entitled to them. Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on any matter within the discretion of the Committee made by the Committee or its delegate in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known and the Committee shall make such adjustment on account thereof as it considers equitable and practicable.

SECTION 12 AMENDMENT AND TERMINATION

While the Company expects and intends to continue the Plan, the Company and the Committee reserve the right to amend the Plan at any time and for any reason, including the right to amend this Section 12 and the Plan termination rules herein; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such amendment. The Company's power to amend the Plan includes (without limitation) the power to change the Plan provisions regarding eligibility, contributions, notional investments, vesting, and distribution forms, and timing of payments, including changes applicable to benefits accrued prior to the effective date of any such amendment; provided, however, that amendments to the Plan (other than amendments relating to Plan termination) shall not cause the Plan to provide for acceleration of distributions in violation of Section 409A of the Code and applicable regulations thereunder

The Company and the Committee reserve the right to terminate the Plan at any time and for any reason; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such termination (but such Accounts shall not be adjusted for future notional income, losses, expenses, appreciation and depreciation).

In the event that the Plan is terminated pursuant to this Section 12, the balances in affected Participants' Accounts shall be distributed at the time and in the manner set forth in Section 9. Notwithstanding the foregoing, the Company and the Committee reserve the right to make all such distributions within the second twelve-month period commencing with the date of termination of the Plan; provided, however, that no such distribution will be made during the first twelve-month period following such date of Plan termination other than those that would otherwise be payable under Section 9 absent the termination of the Plan.

SUPPLEMENT A

Special Contributions for Stephanie K. Kushner

A-1. Special Contributions. Beginning in Plan Year 2007 and for each of the five Plan years thereafter, the Company shall make an additional Special Contribution to the Company Contribution Account of Stephanie Kushner under this Plan in the amount described in paragraph A-2 below. Such Special Contributions shall be made at the time and in the manner determined by the Committee, and each Plan Year's Special Contribution shall be made to the Plan only in the event that Stephanie Kushner is employed on the anniversary of her date of hire; i.e., March 1 of the applicable Plan Year as Chief Financial Officer of Federal Signal Corporation.

A-2. Amount of Special Contributions. The amount of such Special Contributions shall be as follows:

Year of Special Contribution	Amount of Special Contribution
2007	\$308,472
2008	\$ 30,322
2009	\$ 11,233
2010	\$ 11,658
2011	\$ 11,902
2012	\$ 12,365

A-3. Vesting of Special Contributions. Special Contributions shall be 100% vested five years after Stephanie Kushner's date of hire in 2002; consequently, effective on the fifth anniversary of Stephanie Kushner's date of hire occurring in 2007, the Special Contributions made in 2007 and thereafter shall each be 100% vested and nonforfeitable.

A-4. Other Provisions of the Plan Applicable. All other provisions of the Plan are applicable to Special Contributions made under this Supplement A.

Executive General Severance Plan

Federal Signal Corporation

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**Federal Signal Corporation
Executive General Severance Plan**

Article 1. Establishment, Term, and Purpose

1.1 Establishment of the Plan. Federal Signal Corporation (hereinafter referred to as the “Company”) hereby establishes a severance plan to be known as the “Federal Signal Corporation Executive General Severance Plan” (the “Plan”). The Plan provides severance benefits to certain employees of the Company upon a termination of employment from the Company, not including a termination of employment as a result of a Change in Control of the Company. Except for the Change-in-Control Severance Agreements entered into with certain executives, the Plan is intended to supersede any and all plans, programs, or agreements providing for severance-related payments.

1.2 Term of the Plan. This Plan commenced on January 1, 2005 (the “Effective Date”) and continued in effect for three (3) full calendar years. However, at the end of such three (3) year period and, if extended, at the end of each additional year thereafter, the term of this Plan shall be extended automatically for one (1) additional year, unless the Benefits Committee delivers written notice six (6) months prior to the end of such term, or extended term, to each Participant that the Plan will not be extended. This Plan has been updated as of January 1, 2008.

In the event the term of the Plan is not extended for any reason, the Plan will terminate at the end of the term, or extended term, then in progress.

1.3 Purpose of the Plan. The purpose of the Plan is to provide certain key employees of the Company financial security in the event of a termination of employment from the Company.

Article 2. Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) “**Base Salary**” means, at any time, the then regular annual rate of pay which the Participant is receiving as annual salary, excluding amounts: (i) received under short-term or long-term incentive or other bonus plans, regardless of whether or not the amounts are deferred, or (ii) designated by the Company as payment toward reimbursement of expenses.
- (b) “**Beneficiary**” means the persons or entities designated or deemed designated by a Participant pursuant to Section 10.2 herein.
- (c) “**Benefits Committee**” means the Benefits Planning Committee of the Company which was appointed by the Compensation and Benefits Committee of the Company’s Board of Directors, and is composed of certain officers or other employees of the Company.
- (d) “**Board**” means the Board of Directors of the Company.

- (e) “**Cause**” shall be determined solely by the Benefits Committee except as expressly set forth to the contrary hereinbelow), which shall have the authority to interpret the Plan and to determine the meaning of any ambiguous Plan provisions in its sole and absolute discretion, and shall mean the occurrence of any one or more of the following:
- (i) The Participant’s failure to substantially perform his duties with the Company (other than any such failure resulting from the Participant’s Disability), after written notice of such failure and a reasonable opportunity to cure following written notice; or
 - (ii) The Participant’s conviction of a felony; or
 - (iii) The Participant’s willful engaging in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise. However, no act or failure to act on the Participant’s part shall be deemed “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the action or omission was in the best interests of the Company.
 - (iv) The Participant’s material breach of Company policies, including but not limited to the Company’s policy for business conduct.

Notwithstanding anything to the contrary stated herein, in the case of the determination of Cause involving a Participant who is a member of the Company’s “Executive Committee” as such term is defined in the Company’s then most recent annual report, the Benefits Committee shall assign and cede all of its discretion and authority in the determination of Cause to the Compensation Committee.

- (f) “**Code**” means the Internal Revenue Code of 1986, as amended.
- (g) “**Compensation Committee**” means the Compensation and Benefits Committee of the Board of Directors of the Company, or, if no Compensation Committee exists, then the full Board of Directors of the Company, or a committee of Board members, as appointed by the full Board to administer this Plan.
- (h) “**Company**” means Federal Signal Corporation, a Delaware corporation (including any and all subsidiaries), or any successor thereto as provided in Article 9 herein.
- (i) “**Disability**” or “**Disabled**” shall have the meaning ascribed to such term in the Participant’s governing long-term disability plan, or if no such plan exists, shall mean entitled to receive Social Security disability benefits. .
- (j) “**Effective Date**” means the date this Plan is approved by the Board, or such other date as the Board shall designate in its resolution approving this Plan, and as specified in the opening sentence of this Plan.

- (k) “**Effective Date of Termination**” means the date on which the Executive’s separation from service (as defined in Section 409A of the Code and the applicable regulations) occurs which triggers the payment of Severance Benefits hereunder.
- (l) “**Good Reason**” means, without the Participant’s express written consent, the occurrence of any one (1) or more of the following , which results in a material negative change in the Participant’s employment relationship with the Company:
- (i) The assignment of the Participant to duties materially inconsistent with the Participant’s authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements) as an executive and/or officer of the Company, or a material reduction or alteration in the nature or status of the Participant’s authorities, duties, or responsibilities from those in effect as of the Effective Date, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Participant;
 - (ii) The Company’s requiring the Participant to be based at a location in excess of fifty (50) miles from the location of the Participant’s principal job location or office as of the Effective Date; except for required travel on the Company’s business to an extent substantially consistent with the Participant’s then present business travel obligations;
 - (iii) A reduction by the Company of the Participant’s Base Salary in effect on the Effective Date hereof, or as the same shall be increased from time to time;
 - (iv) The failure of the Company to continue in effect any of the Company’s short- and long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or other compensation arrangements in which the Participant participates unless such failure to continue the plan, policy, practice, or arrangement pertains to all plan participants generally; or the failure by the Company to continue the Participant’s participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of the Participant’s participation relative to other participants, as of the Effective Date;
 - (v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company’s obligations under this Plan, as contemplated in Article 9 herein; and
 - (vi) A material breach of this Plan by the Company which is not remedied by the Company within thirty (30) business days of receipt of written notice of such breach delivered by the Participant to the Company.

Unless the Participant becomes Disabled, the Participant’s right to terminate employment for Good Reason shall not be affected by the Participant’s incapacity due to physical or mental illness. The Participant must notify the Company within ninety (90) days of the existence of the Good Reason condition, and the Company shall have thirty (30) days to remedy the conditions.

- (m) “**Notice of Termination**” shall mean a written notice which shall indicate the specific termination provision in this Plan relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant’s employment under the provision so indicated.
- (n) “**Participant**” means an executive of the Company who is named by the Compensation Committee as a Participant in the Plan, as set forth in Article 2 herein.
- (o) “**Plan**” has the meaning ascribed to such term in Section 1.1 hereof.
- (p) “**Severance Benefits**” means the payment of severance compensation as provided in Article 4 herein.

Article 3. Participation

3.1 Eligible Employees. Individuals eligible to participate in the Plan shall include all key employees of the Company, as determined by the Compensation Committee in its sole discretion.

3.2 Participation. Subject to the terms of the Plan, the Compensation Committee may, from time to time, select from all eligible employees those who shall participate in the Plan. From those selected to participate in the Plan, the Benefits Committee shall assign each Participant to a category as follows: Tier I Executives, Tier II Executives, or Tier III Executives.

Article 4. Severance Benefits

4.1 Right to Severance Benefits. Subject to the provisions herein, each Participant shall be entitled to receive from the Company Severance Benefits as described in Section 4.2 herein, if, during the term of the Plan, the Participant’s separation from service (as defined in Section 409A of the Code and applicable regulations) with the Company occurs by the Company without Cause, or voluntarily by the Participant for Good Reason.

A Participant shall not be entitled to receive Severance Benefits under Section 4.2 hereof if he or she is terminated for Cause, or if his or her employment with the Company ends due to death, Disability, Retirement, or due to a voluntary termination of employment by the Participant without Good Reason.

4.2 Description of Severance Benefits. In the event that a Participant becomes entitled to receive Severance Benefits, as provided in Section 4.1 herein, the Participant shall receive the following Severance Benefits:

- (a) **Tier I Executives:** One (1.0) times the sum of: (i) the Participant’s Base Salary; and (ii) the Participant’s target annual bonus established for the bonus plan year in which the Participant’s Effective Date of Termination occurs.

Tier II Executives: Three-quarters (0.75) times the sum of: (i) the Participant’s Base Salary; and (ii) the Participant’s target annual bonus established for the bonus plan year in which the Participant’s Effective Date of Termination occurs.

Tier III Executives: One-half (0.5) times the sum of: (i) the Participant's Base Salary; and (ii) the Participant's target annual bonus established for the bonus plan year in which the Participant's Effective Date of Termination occurs.

- (b) An amount equal to the Participant's unpaid targeted annual bonus, established for the plan year in which the Participant's Effective Date of Termination occurs, multiplied by a fraction, the numerator of which is the number of days the Participant was employed by the Company in the then existing fiscal year through the Effective Date of Termination, and the denominator of which is three hundred sixty-five (365).
- (c) A continuation of the welfare benefits of medical insurance, dental insurance, and group term life insurance for eighteen (18) months following the Effective Date of Termination. These benefits shall be provided to Participants at the same premium cost, and at the same coverage level, as in effect as of the Participant's Effective Date of Termination.

However, in the event the premium cost and/or level of coverage shall change for all employees of the Company, the cost and/or coverage level, likewise, shall change for each Participant in a corresponding manner. Any COBRA health benefit continuation coverage provided to Participant shall run concurrently with the aforementioned eighteen (18) month period.

The value of such medical insurance coverage shall be treated as taxable income to Participant to the extent necessary to comply with Sections 105(h) and 409A of the Code. For purposes of 409A of the Code, any payments of continued health benefits that are made during the applicable COBRA continuation period (even if the Participant does not actually receive COBRA coverage for the entire applicable period), are exempt from the requirements of Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(v)(B). The right to continue coverage beyond the applicable COBRA continuation period is not subject to liquidation or exchange for another benefit.

The continuation of these welfare benefits shall be discontinued prior to the end of the eighteen (18) month period in the event the Participant has available substantially similar benefits from a subsequent employer, as determined by the Benefits Committee.

- (d) The treatment of accrued vacation days earned prior to the Effective Date of Termination, but not taken by the Participant, shall be subject to the treatment provided under the Company's vacation policy.
- (e) All outstanding long-term incentive awards shall be subject to the treatment provided under the applicable long-term incentive plan of the Company.

4.3 Termination Due to Disability. If a Participant's employment is terminated due to Disability during the term of this Plan, the Participant shall receive his or her Base Salary and

accrued vacation through the Effective Date of Termination in a lump sum within 90 days of the date of the Company's proper notification of the Participant's Disability. All other benefits provided to the Participant shall be determined in accordance with the Company's disability, retirement, insurance, and other applicable plans and programs then in effect.

4.4 Termination Due to Death. If a Participant's employment is terminated by reason of death, the Participant, or where applicable, the Participant's Beneficiaries, shall receive the Participant's Base Salary and accrued vacation through the Effective Date of Termination in a lump sum no later than March 15 of the year following the year of the Participant's death. All other benefits provided to the Participant or the Participant's Beneficiaries shall be determined in accordance with the Company's retirement, survivor's benefits, insurance, and other applicable programs of the Company then in effect.

4.5 Termination for Cause or by a Participant Other Than for Good Reason. If a Participant has a separation from service due to the Participant's employment termination either: (a) by the Company for Cause; or (b) by the Participant other than for Good Reason, the Company shall pay the Participant his or her unpaid Base Salary and accrued vacation through the Effective Date of Termination, at the rate then in effect, plus all other amounts to which the Participant is entitled under any compensation plans of the Company, in a lump sum within 90 days of the Participant's separation from service, and the Company shall have no further obligations to the Participant under this Plan.

4.6 Notice of Termination. Any termination by the Company for Cause or by a Participant for Good Reason shall be communicated by Notice of Termination at least sixty (60) days prior to the date on which such termination shall be effective.

4.7 Form and Timing of Severance Benefits. The Severance Benefits set forth in this Article 4 shall be made as a lump sum payment to the Participant within the 90-day period beginning after the Participant's Effective Date of Termination, subject to Section 4.10 herein.

4.8 No Duplication of Severance. If a Participant is a party to a change-in-control agreement with the Company, the Participant shall not be entitled to receive a Severance Benefit under this Plan if he or she is entitled to receive a severance benefit under the change-in-control agreement.

4.9 Release. As a condition of receiving Severance Benefits under the Plan, the Participant is required to sign a general release in a form acceptable to the Benefits Committee. No Severance Benefits will be paid to a Participant until the applicable release becomes irrevocable in accordance with its terms.

4.10. Internal Revenue Code Section 409A. The Plan is intended to comply with the American Jobs Creation Act of 2004, Code Section 409A, and related guidance.

(a) Notwithstanding anything to the contrary set forth in this Plan, any Severance Benefits paid (i) within 2-¹/₂ months of the end of the Company's taxable year containing the Participant's severance from employment, or (ii) within 2-¹/₂ months of the Participant's taxable year containing the severance from employment shall be exempt from the requirements of Section 409A of the

Internal Revenue Code (the "Code"), and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 4.10(a) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder. Notwithstanding the provisions of Section 4.7, the Benefits Committee retains the discretion to make payments of Severance Benefits in installments at the same time and in the same frequency as the Participant's regular payroll compensation would have been made to him if he had continued as an active Employee of the Company, which installment payments shall commence at the Participant's separation from service, provided that all such Severance Benefits shall be paid in their entirety (i) within 2-¹/₂ months of the end of the Company's taxable year containing the Participant's severance from employment, or (ii) within 2-¹/₂ months of the Participant's taxable year containing the severance from employment, and therefore such payments shall be exempt from the requirements of Section 409A of the Internal Revenue Code (the "Code"),

(b) To the extent Severance Benefits are not exempt from Section 409A under Section 4.10(a) above, any Benefits paid in the first 6 months following the Participant's severance from employment that are equal to or less than the lesser of the amounts described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and (2) shall be exempt from Section 409A and shall be paid in accordance with this Article 4. Severance Benefits subject to this Section 4.10(b) shall be betreated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(c) To the extent Severance Benefits are not exempt from Section 409A under Sections 4.10(a) or (b) above, any Benefits paid equal to or less than the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year of severance from employment shall be exempt from Section 409A in accordance with Treasury Regulation Section 1.409A-1(b)(9)(v)(D) and shall be paid in accordance with this Article 4. Severance Benefits subject to this Section 4.10(c) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(d) To the extent Severance Benefits are not exempt from Section 409A pursuant to Sections 4.10(a), (b) or (c) above, and to the extent the Participant is a "specified employee" (as defined below), payments due to the Participant under Section 6 shall begin no sooner than six months after the Participant's severance from employment (other than for Death) ; provided, however, that any payments not made during the six (6) month period described in this Section 4.10(d) due to the 6-month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six (6) month period, with interest thereon , and the balance of all other payments required under this Plan shall be made as otherwise scheduled in this Plan. Notwithstanding anything herein to the contrary, and subject to Code Section 409A, to the extent the following rules should apply to the Participant in connection with payments made hereunder, payment shall not be made or commence as a result of the Participant's Effective Date of Termination to any Participant who is a key employee (defined below) before the date that is not less than six months after the Participant's Effective Date of Termination. For this purpose, a key employee includes a "specified employee" (as defined in Code Section 409A(a)(2)(B)) during the entire 12-month period determined by the Company ending with the annual date upon which key employees are identified by the Company, and also including any Participant identified by the Company in good faith with respect to any distribution as belonging to the group of identified key employees, to a maximum of 200 such key employees, regardless of

whether such Participant is subsequently determined by the Company, any governmental agency, or a court not to be a key employee. The identification date for determining key employees shall be each December 31 (and the new key employee list shall be updated and effective each subsequent April 1).

(e) For purposes of this Section 4.10, any reference to severance of employment or termination of employment shall mean a “separation from service” as defined in Treasury Reg. Section 1.409A-1(h). For purposes of this Plan, the term “specified employee” shall have the meaning set forth in Treasury Reg. Section 1.409A-1(i). The determination of whether the Participant is a “specified employee” shall be made by the Company in good faith applying the applicable Treasury regulations.

Article 5. The Company’s Payment Obligation

5.1 Payment Obligations Absolute. The Company’s obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against Participants or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from Participants or from whomsoever may be entitled thereto, for any reasons whatsoever.

Participants shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Plan, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Plan, except to the extent provided in Section 4.2(c) herein.

5.2 Rights to Benefits. Nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder.

Article 6. Legal Remedies

6.1 Payment of Legal Fees. To the extent permitted by law, the Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses incurred in good faith by the Participant as a result of the Company's refusal to provide the Severance Benefits to which the Participant becomes entitled under this Plan, or as a result of the Company's contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the parties pertaining to this Plan; provided, however, that the Company shall be reimbursed by the Participant for all such fees and expenses in the event the Participant fails to prevail with respect to any one material issue of dispute in connection with such legal action.

6.2 Arbitration. Subject to the following sentences, Participants shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Plan settled by arbitration, conducted before a panel of three (3) arbitrators sitting in a location selected by the Participant within fifty (50) miles from the location of his job with the Company, in accordance with the rules of the American Arbitration Association then in effect. The Participant shall not have the right to elect to have any dispute which arises under Article 8 of this Plan settled by arbitration, but rather, the Company or the Participant shall have the right to institute judicial proceedings in any court of competent jurisdiction with respect to such dispute or claim. If judicial proceedings are instituted, the parties agree that such proceedings shall not be stayed or delayed pending the outcome of any arbitration proceeding hereunder.

Except as provided above for claims or disputes under Article 8, judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. All expenses of such arbitration, including the fees and expenses of the counsel for the Participant, shall be borne by the Company; provided, however, that the Company shall be reimbursed by the Participant for all such fees and expenses in the event the Participant fails to prevail with respect to any one material issue of dispute in connection with such legal action.

Article 7. Withholding

The Company shall be entitled to withhold from any amounts payable under this Plan all taxes as legally shall be required (including, without limitation, any United States federal taxes, and any other state, city, or local taxes).

Article 8. Noncompetition

8.1 Prohibition on Competition. Without the prior written consent of the Company, during the term of this Plan, and for a period of one (1) year following the payment of Severance Benefits under this Plan, Participants shall not, as an employee or an officer, engage directly or indirectly in any business or enterprise which is “in competition” with the Company or its successors or assigns. For purposes of this Plan, a business or enterprise will be deemed to be “in competition” if it is engaged in any significant business activity of the Company or its subsidiaries within the United States of America.

However Participants shall be allowed to purchase and hold for investment less than two percent (2%) of the shares of any corporation whose shares are regularly traded on a national securities exchange or in the over-the-counter market.

8.2 Disclosure of Information. Participants recognize that they have access to and knowledge of certain confidential and proprietary information of the Company which is essential to the performance of their duties as employees of the Company. Participants will not, during or after the term of their employment by the Company, in whole or in part, disclose such information to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever, nor shall he or she make use of any such information for their own purposes.

8.3 Covenants Regarding Other Employees. During the term of this Plan, and for a period of one (1) year following the payment of Severance Benefits under this Plan, each Participant agrees not to attempt to induce any employee of the Company to terminate his or her employment with the Company, accept employment with any competitor of the Company, or to interfere in a similar manner with the business of the Company.

Article 9. Successors and Assignment

9.1 Successors to the Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof to expressly assume and agree to perform the Company’s obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effective date of any such succession shall be a breach of this Plan and shall entitle Participants to compensation from the Company in the same amount and on the same terms as they would be entitled to hereunder if they had terminated their employment with the Company voluntarily for Good Reason. Except for the purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Effective Date of Termination.

9.2 Assignment by the Participant. This Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.

Article 10. Miscellaneous

10.1 Employment Status. Except as may be provided under any other agreement between a Participant and the Company, the employment of the Participant by the Company is "at will" and may be terminated by either the Participant or the Company at any time, subject to applicable law.

10.2 Beneficiaries. Each Participant may designate one or more persons or entities as the primary and/or contingent Beneficiaries of any Severance Benefits owing to the Participant under this Plan. Such designation must be in the form of a signed writing acceptable to the Benefits Committee. Participants may make or change such designations at any time. If a Participant dies while any amount would still be payable to him or her hereunder had he or she continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan, to the Participant's Beneficiary. In the event that a Participant fails to designate a Beneficiary, or the Beneficiary(ies) designated by the Participant predecease the Participant, then the beneficiary designated by the Participant under the Company's group term life insurance program shall be deemed to be the designated Beneficiary under this Plan, or, if there is no such Beneficiary, then such amounts shall be paid to the Participant's devisee, legatee, or other designee, or if there is no such designee, to the Participant's estate.

10.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the feminine shall include the masculine, the plural shall include the singular, and the singular shall include the plural.

10.4 Severability. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Plan are not part of the provisions hereof and shall have no force and effect.

10.5 Modification. The Compensation Committee shall have unilateral authority to approve any amendment or modification to the Plan, in its sole and absolute discretion.

10.6 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the state of Delaware shall be the controlling law in all matters relating to this Plan.

Federal Signal Corporation
Tier 1 Executive Change-in-Control Severance Agreement

THIS EXECUTIVE CHANGE-IN-CONTROL SEVERANCE AGREEMENT is made, entered into, and is effective this _____ day of _____, 20__ (hereinafter referred to as the "Effective Date"), by and between Federal Signal Corporation (the "Company"), a Delaware corporation, and _____ (the "Executive"). This Agreement is an amendment and restatement of, and supersedes, any applicable previously existing agreement between the Company and Executive.

WHEREAS, the Executive is currently employed by the Company and possesses considerable experience and knowledge of the business and affairs of the Company concerning its policies, methods, personnel, and operations; and

WHEREAS, the Company is desirous of assuring insofar as possible, that it will continue to have the benefit of the Executive's services; and the Executive is desirous of having such assurances; and

WHEREAS, the Company recognizes that circumstances may arise in which a Change-in-Control of the Company occurs, through acquisition or otherwise, thereby causing uncertainty of employment without regard to the Executive's competence or past contributions. Such uncertainty may result in the loss of the valuable services of the Executive to the detriment of the Company and its shareholders; and

WHEREAS, both the Company and the Executive are desirous that any proposal for a Change-in-Control or acquisition will be considered by the Executive objectively and with reference only to the business interests of the Company and its shareholders; and

WHEREAS, the Executive will be in a better position to consider the Company's best interests if the Executive is afforded reasonable security, as provided in this Agreement, against altered conditions of employment which could result from any such Change-in-Control or acquisition.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Article 1. Definitions

Wherever used in this Agreement, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) "**Agreement**" means this Executive Change-in-Control Severance Agreement.
- (b) "**Base Salary**" means, at any time, the then regular annual rate of pay which the Executive is receiving as annual salary, excluding amounts: (i) received under short-term or long-term incentive or other bonus plans, regardless of whether or not the amounts are deferred, or (ii) designated by the Company as payment toward reimbursement of expenses.
- (c) "**Beneficial Owner**" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- (d) "**Board**" means the Board of Directors of the Company.
- (e) "**Cause**" shall be determined solely by the Committee in the exercise of good faith and reasonable judgment, and shall mean the occurrence of any one or more of the following:
 - (i) The Executive's willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from the Executive's Disability), after a written demand for substantial performance is delivered to the Executive that

specifically identifies the manner in which the Committee believes that the Executive has not substantially performed his duties, and the Executive has failed to remedy the situation within fifteen (15) business days of such written notice from the Company; or

- (ii) The Executive's conviction of a felony; or
 - (iii) The Executive's willful engagement in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise. However, no act or failure to act on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interests of the Company.
- (f) "**Change-in-Control**" of the Company shall mean the occurrence of any one (1) or more of the following events:
- (i) Any Person (other than the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, and any trustee or other fiduciary holding securities under an employee benefit plan of the Company or such proportionately owned corporation), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities;
 - (ii) During any period of not more than twenty-four (24) consecutive months, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;
 - (iii) The consummation of a merger or consolidation of the Company with any other corporation, other than: (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty percent (60%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than forty percent (40%) of the combined voting power of the Company's then outstanding securities;
 - (iv) The Company's stockholders approve a plan or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction or series of transactions having a similar effect); or
 - (v) Any other transaction that the Board designates as being a Change-in-Control.
- (g) "**Code**" means the Internal Revenue Code of 1986, as amended.
- (h) "**Committee**" means the Compensation and Benefits Committee of the Board of Directors of the Company, or, if no Compensation and Benefits Committee exists, then the full Board of Directors of the Company, or a committee of Board members, as appointed by the full Board to administer this Agreement.
- (i) "**Company**" means Federal Signal Corporation, a Delaware corporation (including any and all subsidiaries), or any successor thereto as provided in Article 9 herein.
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- (j) “**Disability**” or “**Disabled**” shall have the meaning ascribed to such term in the Executive’s governing long-term disability plan, or if no such plan exists, means entitled to receive Social Security disability benefits.
- (k) “**Effective Date**” means the date this Agreement is approved by the Board, or such other date as the Board shall designate in its resolution approving this Agreement, and as specified in the opening sentence of this Agreement.
- (l) “**Effective Date of Termination**” means the date on which a Qualifying Termination occurs, as provided in Section 2.2 herein, which triggers the payment of Severance Benefits hereunder.
- (m) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
- (n) “**Good Reason**” means, without the Executive’s express written consent, the occurrence after a Change-in-Control of the Company of any one (1) or more of the following, which results in a material negative change in the Executive’s employment relationship with the Company:
 - (i) The assignment of the Executive to duties materially inconsistent with the Executive’s authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements) as an executive and/or officer of the Company, or a material reduction or alteration in the nature or status of the Executive’s authorities, duties, or responsibilities from those in effect as of ninety (90) calendar days prior to the Change-in-Control, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Executive;
 - (ii) The Company’s requiring the Executive to be based at a location in excess of fifty (50) miles from the location of the Executive’s principal job location or office immediately prior to the Change-in-Control, except for required travel on the Company’s business to an extent substantially consistent with the Executive’s then present business travel obligations;
 - (iii) A reduction by the Company of the Executive’s Base Salary in effect on the Effective Date hereof, or as the same shall be increased from time to time;
 - (iv) The failure of the Company to continue in effect any of the Company’s short- and long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or other compensation arrangements in which the Executive participates unless such failure to continue the plan, policy, practice, or arrangement pertains to all plan participants generally; or the failure by the Company to continue the Executive’s participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of the Executive’s participation relative to other participants, as existed immediately prior to the Change-in-Control of the Company;
 - (v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company’s obligations under this Agreement, as contemplated in Article 9 herein; or
 - (vi) A material breach of this Agreement by the Company which is not remedied by the Company within thirty (30) business days of receipt of written notice of such breach delivered by the Executive to the Company.

Unless the Executive becomes Disabled, the Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness.. The Executive must notify the Company within ninety (90) days of the existence of

the Good Reason condition, and the Company shall have thirty (30) days to remedy the condition.

- (o) “**Notice of Termination**” shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated.
- (p) “**Person**” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d).
- (q) “**Qualifying Termination**” means the Executive’s separation from service (as defined in Section 409A of the Code and the applicable regulations) due to any of the events described in Section 2.2 herein, the occurrence of which triggers the payment of Severance Benefits hereunder.
- (r) “**Severance Benefits**” mean the payment of severance compensation as provided in Section 2.3 herein.

Article 2. Severance Benefits

2.1 Right to Severance Benefits. The Executive shall be entitled to receive from the Company Severance Benefits as described in Section 2.3 herein, if there has been a Change-in-Control of the Company and, certain other Severance Benefits, if within twenty-four (24) calendar months thereafter the Executive’s employment with the Company shall end for any reason specified in Section 2.2 herein as being a Qualifying Termination.

The Executive shall not be entitled to receive Severance Benefits if he is terminated for Cause, or if his employment with the Company ends due to death, Disability, or a voluntary termination of employment for reasons other than as specified in Section 2.2(b) herein.

No Executive shall be entitled to receive duplicative severance benefits under any other Company-related plans or programs if benefits are triggered hereunder.

2.2 Qualifying Termination. The Executive’s separation from service (as defined in Section 409A of the Code and applicable regulations) within twenty-four (24) calendar months after a Change-in-Control of the Company shall constitute a Qualifying Termination and shall trigger the payment of Severance Benefits to the Executive under this Agreement under the following circumstances:

- (a) The Company’s involuntary termination of the Executive’s employment without Cause; and
- (b) The Executive’s voluntary employment termination for Good Reason.

For purposes of this Agreement, a Qualifying Termination shall not include a termination of employment by reason of death, Disability, or the Executive’s voluntary termination for reasons other than as specified in Section 2.2(b) herein, or the Company’s involuntary termination for Cause.

2.3 Description of Severance Benefits. In the event the Executive becomes entitled to receive Severance Benefits, as provided in Sections 2.1 and 2.2 herein, the Company shall pay to the Executive and provide him with the following Severance Benefits:

- (a) Upon a Qualifying Termination, a lump-sum amount equal to the Executive’s unpaid Base Salary, accrued vacation pay, unreimbursed business expenses, and all other items earned by and owed to the Executive through and including the Effective Date of Termination.
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- (b) Upon a Qualifying Termination, a lump-sum amount equal to the Executive's then current annual target bonus opportunity, established under the annual bonus plan in which the Executive is then participating, for the bonus plan year in which the Executive's Effective Date of Termination occurs, multiplied by a fraction the numerator of which is the number of full completed months in the year from January 1 through the Effective Date of Termination, and the denominator of which is twelve (12). This payment will be in lieu of any other payment to be made to the Executive under the annual bonus plan in which the Executive is then participating for the plan year.
 - (c) Upon a Qualifying Termination, a lump-sum amount equal to two (2) multiplied by the sum of the following: (i) the higher of: (A) the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination, or (B) the Executive's annual rate of Base Salary in effect on the date of the Change-in-Control; and (ii) the Executive's annual target bonus opportunity established under the annual bonus plan in which the Executive is then participating for the bonus plan year in which the Executive's Effective Date of Termination occurs.
 - (d) Upon a Qualifying Termination, a lump-sum amount equal to one (1) multiplied by the sum of the following: (i) the higher of: (A) the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination, or (B) the Executive's annual rate of Base Salary in effect on the date of the Change-in-Control; and (ii) the Executive's annual target bonus opportunity established under the annual bonus plan in which the Executive is then participating for the bonus plan year in which the Executive's Effective Date of Termination occurs. Such amount shall be in consideration for the Executive entering into a noncompete agreement as described in Article 4 herein.
 - (e) Upon a Qualifying Termination, vesting and cash-out of any and all outstanding cash-based long-term incentive awards held by the Executive, as granted to the Executive by the Company as a component of the Executive's compensation. The cash-out shall be in a lump-sum amount equal to the target award level established for each award, multiplied by a fraction the numerator of which is the full number of completed days in the preestablished performance period as of the Effective Date of Termination, and the denominator of which is the full number of days in the entire performance period (i.e., typically thirty-six (36) months). This payment will be in lieu of any other payment to be made to the Executive under these long-term performance-based award plans.
 - (f) Upon the occurrence of a Change-in-Control, an immediate full vesting and lapse of all restrictions on any and all outstanding equity-based long-term incentives, including but not limited to stock options and restricted stock awards held by the Executive. This provision shall override any conflicting language contained in the Executive's respective award agreements.
 - (g) Upon the occurrence of a Change-in-Control, the Company shall, as soon as possible, but in no event longer than thirty (30) calendar days following the occurrence of a Change-in-Control, make an irrevocable contribution to the then current trust in effect for purposes of holding assets to assist the Company in satisfying its liabilities under the Federal Signal Corporation Supplemental Savings and Investment Plan (the "Deferred Compensation Plan") or successor thereto in an amount that is sufficient (taking into account the trust assets, if any, resulting from prior contributions) to fund the trust in an amount equal to but no less than one hundred percent (100%) of the amount necessary to pay the Executive the benefits to which such Executive would be entitled pursuant to the terms of the aforementioned Deferred Compensation Plan.
 - (h) Upon a Qualifying Termination, continuation for thirty-six (36) months of the Executive's medical insurance coverage. The benefit shall be provided by the
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Company to the Executive beginning immediately upon the Effective Date of Termination. Such benefit shall be provided to the Executive at the same coverage level and cost to the Executive as in effect immediately prior to the Executive's Effective Date of Termination. Any COBRA health benefit continuation coverage provided to Executive shall run concurrently with the aforementioned thirty-six (36) month period.

The value of such medical insurance coverage shall be treated as taxable income to Executive to the extent necessary to comply with Sections 105(h) and 409A of the Code. For purposes of 409A of the Code, any payments of continued health benefits that are made during the applicable COBRA continuation period (even if the Executive does not actually receive COBRA coverage for the entire applicable period), are exempt from the requirements of Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(v)(B). The right to continue coverage beyond the applicable COBRA continuation period is not subject to liquidation or exchange for another benefit. Notwithstanding the above, this medical insurance benefit shall be discontinued prior to the end of the stated continuation period in the event the Executive receives a substantially similar benefit from a subsequent employer, as determined solely by the Committee in good faith. For purposes of enforcing this offset provision, the Executive shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and any corresponding benefit earned from such employment, and shall provide, or cause to provide, to the Company in writing correct, complete, and timely information concerning the same.

2.4 Termination for Total and Permanent Disability. Following a Change-in-Control, if the Executive's employment is terminated with the Company due to Disability, the Executive's benefits shall be determined in accordance with the Company's retirement, insurance, and other applicable plans and programs then in effect.

2.5 Termination for Death. Following a Change-in-Control, if the Executive's employment with the Company is terminated by reason of his death, the Executive's benefits shall be determined in accordance with the Company's retirement, survivor's benefits, insurance, and other applicable programs then in effect.

2.6 Termination for Cause or by the Executive Other Than for Good Reason. Following a Change-in-Control, if the Executive has a separation from service (as defined in Section 409A of the Code and the applicable regulations) either due to: (i) termination by the Company for Cause; or (ii) voluntary termination by the Executive for reasons other than as specified in Section 2.2(b) herein, the Company shall pay the Executive his full Base Salary at the rate then in effect, accrued vacation, and other items earned by and owed to the Executive through the Executive's separation from service, plus all other amounts to which the Executive is entitled under any compensation plans of the Company at the time such payments are due, and the Company shall have no further obligations to the Executive under this Agreement.

2.7 Notice of Termination. Any termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party.

Article 3. Form and Timing of Severance Benefits

3.1 Form and Timing of Severance Benefits. The Severance Benefits described in Sections 2.3(a), 2.3(b), 2.3(c), 2.3(d), and 2.3(e) herein shall be paid in cash to the Executive in a single lump sum as soon as practicable following the Effective Date of Termination, but in no event beyond ten (10) calendar days from such date.

3.2. Internal Revenue Code Section 409A. The Plan is intended to comply with the American Jobs Creation Act of 2004, Code Section 409A, and related guidance.

(a) Notwithstanding anything to the contrary set forth in this Agreement, any Severance Benefits paid (i) within 2-¹/₂ months of the end of the Company's taxable year containing the Executive's severance from employment, or (ii) within 2-¹/₂ months of the Executive's taxable year containing the severance from employment shall be exempt from the requirements of Section 409A of the Code, and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 3.2(a) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(b) To the extent Severance Benefits are not exempt from Section 409A under Section 3.2(a) above, any Severance Benefits paid in the first 6 (six) months following the Executive's severance from employment that are equal to or less than the lesser of the amounts described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and (2) shall be exempt from Section 409A and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 3.2(b) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(c) To the extent Severance Benefits are not exempt from Section 409A under Sections 3.2(a) or (b) above, any Benefits paid equal to or less than the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year of severance from employment shall be exempt from Section 409A in accordance with Treasury Regulation Section 1.409A-1(b)(9)(v)(D) and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 3.2(c) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(d) To the extent Severance Benefits are not exempt from Section 409A pursuant to Sections 3.2(a), (b) or (c) above, and to the extent the Executive is a "specified employee" (as defined below), payments due to the Executive under Section 6 shall begin no sooner than six (6) months after the Executive's severance from employment (other than for death) ; provided, however, that any payments not made during the six (6) month period described in this Section 3.2(d) due to the six (6) month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six (6) month period, with interest thereon, and the balance of all other payments required under this Agreement shall be made as otherwise scheduled in this Agreement. Notwithstanding anything herein to the contrary, and subject to Code Section 409A, to the extent the following rules should apply to the Executive in connection with payments made hereunder, payment shall not be made or commence as a result of the Executive's Effective Date of Termination to any Executive who is a key employee (defined below) before the date that is not less than six months after the Executive's Effective Date of Termination. For this purpose, a key employee includes a "specified employee" (as defined in Code Section 409A(a)(2)(B)) during the entire twelve (12) month period determined by the Company ending with the annual date upon which key employees are identified by the Company, and also including any Executive identified by the Company in good faith with respect to any distribution as belonging to the group of identified key employees, to a maximum of 200 such key employees, regardless of whether such Executive is subsequently determined by the Company, any governmental agency, or a court not to be a key employee. The identification date for determining key employees shall be each December 31 (and the new key employee list shall be updated and effective each subsequent April 1).

(e) For purposes of this Section 3.2, any reference to severance of employment or termination of employment shall mean a "separation from service" as defined in Treasury Reg. Section 1.409A-1(h). For purposes of this Agreement, the term "specified employee" shall have the meaning set forth in Treasury Reg. Section 1.409A-1(i). The determination of whether the Executive is a "specified employee" shall be made by the Company in good faith applying the applicable Treasury regulations.

3.3 Withholding of Taxes. The Company shall withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as legally shall be required.

Article 4. Noncompetition and Confidentiality

In the event of a Change-in-Control, as provided in Article 1 paragraph (f) herein, the following shall apply:

- (a) **Noncompetition.** During the term of this Agreement and, if longer, for a period of eighteen (18) months after the Effective Date of Termination, the Executive shall not: (i) directly or indirectly act in concert or conspire with any person employed by the Company in order to engage in or prepare to engage in or to have a financial or other interest in any business or any activity which he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on; or (ii) serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage, or have a financial or other interest in any business or any activity which he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on (provided, however, that notwithstanding anything to the contrary contained in this Agreement, the Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934).
 - (b) **Confidentiality.** The Company has advised the Executive and the Executive acknowledges that it is the policy of the Company to maintain as secret and confidential all Protected Information (as defined below), and that Protected Information has been and will be developed at substantial cost and effort to the Company. All Protected Information shall remain confidential permanently and no Executive shall at any time, directly or indirectly, divulge, furnish, or make accessible to any person, firm, corporation, association, or other entity (otherwise than as may be required in the regular course of the Executive's employment with the Company), nor use in any manner, either during the term of employment or after termination, at any time, for any reason, any Protected Information, or cause any such information of the Company to enter the public domain.

For purposes of this Agreement, "Protected Information" means trade secrets, confidential and proprietary business information of the Company, and any other information of the Company, including, but not limited to, customer lists (including potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services which may be developed from time to time by the Company and its agents or employees, including the Executive; provided, however, that information that is in the public domain (other than as a result of a breach of this Agreement), approved for release by the Company or lawfully obtained from third parties who are not bound by a confidentiality agreement with the Company, is not Protected Information.
 - (c) **Nonsolicitation.** During the term of this Agreement and, if longer, for a period of eighteen (18) months after the Effective Date of Termination, the Executive shall not employ or retain or solicit for employment or arrange to have any other person, firm, or other entity employ or retain or solicit for employment or otherwise participate in the employment or retention of any person who is an employee or consultant of the Company.
 - (d) **Cooperation.** The Executive agrees to cooperate with the Company and its attorneys in connection with any and all lawsuits, claims, investigations, or similar proceedings that have been or could be asserted at any time arising out of or related in any way to the Executive's employment by the Company or any of its subsidiaries.
 - (e) **Nondisparagement.** At all times, the Executive agrees not to disparage the Company or otherwise make comments harmful to the Company's reputation.
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- (f) **Judicial Interpretation.** It is expressly understood and agreed that although the Executive and the Company consider the restrictions contained in this Section to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that any restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply to the maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.
- (g) **Injunctive Relief and Additional Remedy.** The Executive acknowledges that the injury that would be suffered by the Company as a result of a breach of the provisions of this Agreement would be irreparable and that an award of monetary damages to the Company for such a breach would be an inadequate remedy. Consequently, the Company will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Company will not be obligated to post bond or other security in seeking such relief. Without limiting the Company's rights under this Article or any other remedies of the Company, if the Executive breaches any of the provisions of this Article, the Company will have the right to recover any amounts paid to the Executive under subsection 2.3(d) of this Agreement.

Article 5. Excise Tax Equalization Payment

5.1 Excise Tax Equalization Payment. If any portion of the Severance Benefits or any other payment under this Agreement, or under any other agreement with, or plan of the Company (in the aggregate, "Total Payments") would constitute an "excess parachute payment," such that a golden parachute excise tax is due, the Company shall provide to the Executive, in cash, an additional payment in an amount sufficient to cover the full cost of any excise tax and all of the Executive's additional federal, state, and local income, excise, and employment taxes that arise on this additional payment (cumulatively, the "Full Gross-Up Payment"), such that the Executive is in the same after-tax position as if he had not been subject to the excise tax. For this purpose, the Executive shall be deemed to be in the highest marginal rate of federal, state, and local income taxes in the state and locality of the Executive's residence on the Effective Date of Termination. This payment shall be made as soon as possible following the date of the Executive's Qualifying Termination, but in no event later than ten (10) calendar days from such date.

For purposes of this Agreement, the term "excess parachute payment" shall have the meaning assigned to such term in Section 280G of the Code, and the term "excise tax" shall mean the tax imposed on such excess parachute payment pursuant to Sections 280G and 4999 of the Code.

5.2 Subsequent Recalculation. In the event the Internal Revenue Service subsequently adjusts the excise tax computation herein described, the Company shall reimburse the Executive for the full amount necessary to make the Executive whole on an after-tax basis (less any amounts received by the Executive that the Executive would not have received had the computations initially been computed as subsequently adjusted), including the value of any underpaid excise tax, and any related interest and/or penalties due to the Internal Revenue Service (IRS). Such payment shall be made by the end of the Executive's taxable year next following the Executive's taxable year in which the Executive remits the applicable excise tax to the IRS.

Article 6. The Company's Payment Obligation

6.1 Payment Obligations Absolute. The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the

Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement, except to the extent provided in Section 2.3(h) herein.

6.2 Contractual Rights to Benefits. This Agreement establishes and vests in the Executive a contractual right to the benefits to which he is entitled hereunder. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder, except to the extent provided in Section 2.3(g) herein.

Article 7. Term of Agreement

This Agreement will commence on the Effective Date and shall continue in effect for three (3) full years. However, at the end of such three (3) year period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless either party delivers written notice six (6) months prior to the end of such term, or extended term, stating that the Agreement will not be extended. In such case, the Agreement will terminate at the end of the term, or extended term, then in progress.

However, in the event of a Change-in-Control of the Company, the term of this Agreement shall automatically be extended for two (2) years from the date of the Change-in-Control.

Article 8. Dispute Resolution

Any dispute or controversy between the parties arising under or in connection with this Agreement shall be settled by arbitration.

The arbitration proceeding shall be conducted before a panel of three (3) arbitrators sitting in a location selected by the Executive within fifty (50) miles from the location of the Executive's principal place of employment, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the award of the arbitrators in any court having competent jurisdiction.

All expenses of such litigation or arbitration, including the reasonable fees and expenses of the legal representative for the Executive, and necessary costs and disbursements incurred as a result of such dispute or legal proceeding, and any prejudgment interest, shall be borne by the Company.

Article 9. Successors

9.1 Successors to the Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) of all or a significant portion of the assets of the Company by agreement, in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Regardless of whether such agreement is executed, this Agreement shall be binding upon any successor in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Agreement.

9.2 Assignment by the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's beneficiary designated under the Company's life insurance plan, or, if there is no such beneficiary, to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

Article 10. Miscellaneous

10.1 Employment Status. This Agreement is not, and nothing herein shall be deemed to create, an employment contract between the Executive and the Company or any of its subsidiaries. The Executive acknowledges that the rights of the Company remain wholly intact to change or reduce at any time and from time to time his compensation, title, responsibilities, location, and all other aspects of the employment relationship, or to discharge him prior to a Change-in-Control (subject to such discharge possibly being considered a Qualifying Termination pursuant to Section 2.2).

10.2 Entire Agreement. This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof. In addition, the payments provided for under this Agreement in the event of the Executive's termination of employment shall be in lieu of any severance benefits payable under any severance plan, program, or policy of the Company to which he might otherwise be entitled.

10.3 Notices. All notices, requests, demands, and other communications hereunder shall be sufficient if in writing and shall be deemed to have been duly given if delivered by hand or if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, at its principal offices.

10.4 Execution in Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

10.5 Conflicting Agreements. This Agreement completely supersedes any and all prior change-in-control agreements or understandings, oral or written, entered into by and between the Company and the Executive, with respect to the subject matter hereof, and all amendments thereto, in their entirety. Further, the Executive hereby represents and warrants to the Company that his entering into this Agreement, and the obligations and duties undertaken by him hereunder, will not conflict with, constitute a breach of, or otherwise violate the terms of, any other employment or other agreement to which he is a party, except to the extent any such conflict, breach, or violation under any such agreement has been disclosed to the Board in writing in advance of the signing of this Agreement.

Notwithstanding any other provisions of this Agreement to the contrary, if there is any inconsistency between the terms and provisions of this Agreement and the terms and provisions of Company-sponsored compensation and welfare plans and programs, the Agreement's terms and provisions shall completely supersede and replace the conflicting terms of the Company-sponsored compensation and welfare plans and programs, where applicable.

10.6 Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

Notwithstanding any other provisions of this Agreement to the contrary, the Company shall have no obligation to make any payment to the Executive hereunder to the extent, but only to the extent, that such payment is prohibited by the terms of any final order of a federal or state court or regulatory agency of competent jurisdiction; provided, however, that such an order shall not affect, impair, or invalidate any provision of this Agreement not expressly subject to such order.

10.7 Modification. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive and by a member of the Board, as applicable, or by the respective parties' legal representatives or successors.

10.8 Applicable Law. To the extent not preempted by the laws of the United States, the laws of Delaware shall be the controlling law in all matters relating to this Agreement without giving effect to principles of conflicts of laws.

IN WITNESS WHEREOF, the parties have executed this Agreement on this _____ day of _____, 20__.

ATTEST

Federal Signal Corporation

By: _____,

Compensation and Benefits Committee of the
Board of Directors

Executive

Federal Signal Corporation
Tier 2 Executive Change-in-Control Severance Agreement

THIS EXECUTIVE CHANGE-IN-CONTROL SEVERANCE AGREEMENT is made, entered into, and is effective this _____ day of _____, 20____ (hereinafter referred to as the "Effective Date"), by and between Federal Signal Corporation (the "Company"), a Delaware corporation, and _____ (the "Executive"). This Agreement is an amendment and restatement of, and supersedes, any applicable previously existing agreement between the Company and Executive.

WHEREAS, the Executive is currently employed by the Company and possesses considerable experience and knowledge of the business and affairs of the Company concerning its policies, methods, personnel, and operations; and

WHEREAS, the Company is desirous of assuring insofar as possible, that it will continue to have the benefit of the Executive's services; and the Executive is desirous of having such assurances; and

WHEREAS, the Company recognizes that circumstances may arise in which a Change-in-Control of the Company occurs, through acquisition or otherwise, thereby causing uncertainty of employment without regard to the Executive's competence or past contributions. Such uncertainty may result in the loss of the valuable services of the Executive to the detriment of the Company and its shareholders; and

WHEREAS, both the Company and the Executive are desirous that any proposal for a Change-in-Control or acquisition will be considered by the Executive objectively and with reference only to the business interests of the Company and its shareholders; and

WHEREAS, the Executive will be in a better position to consider the Company's best interests if the Executive is afforded reasonable security, as provided in this Agreement, against altered conditions of employment which could result from any such Change-in-Control or acquisition.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Article 1. Definitions

Wherever used in this Agreement, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) "**Agreement**" means this Executive Change-in-Control Severance Agreement.
- (b) "**Base Salary**" means, at any time, the then regular annual rate of pay which the Executive is receiving as annual salary, excluding amounts: (i) received under short-term or long-term incentive or other bonus plans, regardless of whether or not the amounts are deferred, or (ii) designated by the Company as payment toward reimbursement of expenses.
- (c) "**Beneficial Owner**" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- (d) "**Board**" means the Board of Directors of the Company.
- (e) "**Cause**" shall be determined solely by the Committee in the exercise of good faith and reasonable judgment, and shall mean the occurrence of any one or more of the following:
 - (i) The Executive's willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from the Executive's Disability), after a written demand for substantial performance is delivered to the Executive that

specifically identifies the manner in which the Committee believes that the Executive has not substantially performed his duties, and the Executive has failed to remedy the situation within fifteen (15) business days of such written notice from the Company; or

- (ii) The Executive's conviction of a felony; or
 - (iii) The Executive's willful engagement in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise. However, no act or failure to act on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the action or omission was in the best interests of the Company.
- (f) "**Change-in-Control**" of the Company shall mean the occurrence of any one (1) or more of the following events:
- (i) Any Person (other than the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, and any trustee or other fiduciary holding securities under an employee benefit plan of the Company or such proportionately owned corporation), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities;
 - (ii) During any period of not more than twenty-four (24) consecutive months, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;
 - (iii) The consummation of a merger or consolidation of the Company with any other corporation, other than: (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than sixty percent (60%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person acquires more than forty percent (40%) of the combined voting power of the Company's then outstanding securities;
 - (iv) The Company's stockholders approve a plan or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction or series of transactions having a similar effect); or
 - (v) Any other transaction that the Board designates as being a Change-in-Control.
- (g) "**Code**" means the Internal Revenue Code of 1986, as amended.
- (h) "**Committee**" means the Compensation and Benefits Committee of the Board of Directors of the Company, or, if no Compensation and Benefits Committee exists, then the full Board of Directors of the Company, or a committee of Board members, as appointed by the full Board to administer this Agreement.
- (i) "**Company**" means Federal Signal Corporation, a Delaware corporation (including any and all subsidiaries), or any successor thereto as provided in Article 9 herein.
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- (j) “**Disability**” or “**Disabled**” shall have the meaning ascribed to such term in the Executive’s governing long-term disability plan, or if no such plan exists, means entitled to receive Social Security disability benefits.
- (k) “**Effective Date**” means the date this Agreement is approved by the Board, or such other date as the Board shall designate in its resolution approving this Agreement, and as specified in the opening sentence of this Agreement.
- (l) “**Effective Date of Termination**” means the date on which a Qualifying Termination occurs, as provided in Section 2.2 herein, which triggers the payment of Severance Benefits hereunder.
- (m) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
- (n) “**Good Reason**” means, without the Executive’s express written consent, the occurrence after a Change-in-Control of the Company of any one (1) or more of the following, which results in a material negative change in the Executive’s employment relationship with the Company:
 - (i) The assignment of the Executive to duties materially inconsistent with the Executive’s authorities, duties, responsibilities, and status (including offices, titles, and reporting requirements) as an executive and/or officer of the Company, or a material reduction or alteration in the nature or status of the Executive’s authorities, duties, or responsibilities from those in effect as of ninety (90) calendar days prior to the Change-in-Control, other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by the Executive;
 - (ii) The Company’s requiring the Executive to be based at a location in excess of fifty (50) miles from the location of the Executive’s principal job location or office immediately prior to the Change-in-Control, except for required travel on the Company’s business to an extent substantially consistent with the Executive’s then present business travel obligations;
 - (iii) A reduction by the Company of the Executive’s Base Salary in effect on the Effective Date hereof, or as the same shall be increased from time to time;
 - (iv) The failure of the Company to continue in effect any of the Company’s short- and long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices, or other compensation arrangements in which the Executive participates unless such failure to continue the plan, policy, practice, or arrangement pertains to all plan participants generally; or the failure by the Company to continue the Executive’s participation therein on substantially the same basis, both in terms of the amount of benefits provided and the level of the Executive’s participation relative to other participants, as existed immediately prior to the Change-in-Control of the Company;
 - (v) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company’s obligations under this Agreement, as contemplated in Article 9 herein; or
 - (vi) A material breach of this Agreement by the Company which is not remedied by the Company within thirty (30) business days of receipt of written notice of such breach delivered by the Executive to the Company.

Unless the Executive becomes Disabled, the Executive’s right to terminate employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness.. The Executive must notify the Company within ninety (90) days of the existence of

the Good Reason condition, and the Company shall have thirty (30) days to remedy the condition.

- (o) “**Notice of Termination**” shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated.
- (p) “**Person**” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d).
- (q) “**Qualifying Termination**” means the Executive’s separation from service (as defined in Section 409A of the Code and the applicable regulations) due to any of the events described in Section 2.2 herein, the occurrence of which triggers the payment of Severance Benefits hereunder.
- (r) “**Severance Benefits**” mean the payment of severance compensation as provided in Section 2.3 herein.

Article 2. Severance Benefits

2.1 Right to Severance Benefits. The Executive shall be entitled to receive from the Company Severance Benefits as described in Section 2.3 herein, if there has been a Change-in-Control of the Company and, certain other Severance Benefits, if within twenty-four (24) calendar months thereafter the Executive’s employment with the Company shall end for any reason specified in Section 2.2 herein as being a Qualifying Termination.

The Executive shall not be entitled to receive Severance Benefits if he is terminated for Cause, or if his employment with the Company ends due to death, Disability, or a voluntary termination of employment for reasons other than as specified in Section 2.2(b) herein.

No Executive shall be entitled to receive duplicative severance benefits under any other Company-related plans or programs if benefits are triggered hereunder.

2.2 Qualifying Termination. The Executive’s separation from service (as defined in Section 409A of the Code and applicable regulations) within twenty-four (24) calendar months after a Change-in-Control of the Company shall constitute a Qualifying Termination and shall trigger the payment of Severance Benefits to the Executive under this Agreement under the following circumstances:

- (a) The Company’s involuntary termination of the Executive’s employment without Cause; and
- (b) The Executive’s voluntary employment termination for Good Reason.

For purposes of this Agreement, a Qualifying Termination shall not include a termination of employment by reason of death, Disability, or the Executive’s voluntary termination for reasons other than as specified in Section 2.2(b) herein, or the Company’s involuntary termination for Cause.

2.3 Description of Severance Benefits. In the event the Executive becomes entitled to receive Severance Benefits, as provided in Sections 2.1 and 2.2 herein, the Company shall pay to the Executive and provide him with the following Severance Benefits:

- (a) Upon a Qualifying Termination, a lump-sum amount equal to the Executive’s unpaid Base Salary, accrued vacation pay, unreimbursed business expenses, and all other items earned by and owed to the Executive through and including the Effective Date of Termination.
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- (b) Upon a Qualifying Termination, a lump-sum amount equal to the Executive's then current annual target bonus opportunity, established under the annual bonus plan in which the Executive is then participating, for the bonus plan year in which the Executive's Effective Date of Termination occurs, multiplied by a fraction the numerator of which is the number of full completed months in the year from January 1 through the Effective Date of Termination, and the denominator of which is twelve (12). This payment will be in lieu of any other payment to be made to the Executive under the annual bonus plan in which the Executive is then participating for the plan year.
 - (c) Upon a Qualifying Termination, a lump-sum amount equal to one and one-half (1.5) multiplied by the sum of the following: (i) the higher of: (A) the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination, or (B) the Executive's annual rate of Base Salary in effect on the date of the Change-in-Control; and (ii) the Executive's annual target bonus opportunity established under the annual bonus plan in which the Executive is then participating for the bonus plan year in which the Executive's Effective Date of Termination occurs.
 - (d) Upon a Qualifying Termination, a lump-sum amount equal to one-half (0.5) multiplied by the sum of the following: (i) the higher of: (A) the Executive's annual rate of Base Salary in effect upon the Effective Date of Termination, or (B) the Executive's annual rate of Base Salary in effect on the date of the Change-in-Control; and (ii) the Executive's annual target bonus opportunity established under the annual bonus plan in which the Executive is then participating for the bonus plan year in which the Executive's Effective Date of Termination occurs. Such amount shall be in consideration for the Executive entering into a noncompete agreement as described in Article 4 herein.
 - (e) Upon a Qualifying Termination, vesting and cash-out of any and all outstanding cash-based long-term incentive awards held by the Executive, as granted to the Executive by the Company as a component of the Executive's compensation. The cash-out shall be in a lump-sum amount equal to the target award level established for each award, multiplied by a fraction the numerator of which is the full number of completed days in the preestablished performance period as of the Effective Date of Termination, and the denominator of which is the full number of days in the entire performance period (i.e., typically thirty-six (36) months). This payment will be in lieu of any other payment to be made to the Executive under these long-term performance-based award plans.
 - (f) Upon the occurrence of a Change-in-Control, an immediate full vesting and lapse of all restrictions on any and all outstanding equity-based long-term incentives, including but not limited to stock options and restricted stock awards held by the Executive. This provision shall override any conflicting language contained in the Executive's respective award agreements.
 - (g) Upon the occurrence of a Change-in-Control, the Company shall, as soon as possible, but in no event longer than thirty (30) calendar days following the occurrence of a Change-in-Control, make an irrevocable contribution to the then current trust in effect for purposes of holding assets to assist the Company in satisfying its liabilities under the Federal Signal Corporation Supplemental Savings and Investment Plan (the "Deferred Compensation Plan") or successor thereto in an amount that is sufficient (taking into account the trust assets, if any, resulting from prior contributions) to fund the trust in an amount equal to but no less than one hundred percent (100%) of the amount necessary to pay the Executive the benefits to which such Executive would be entitled pursuant to the terms of the aforementioned Deferred Compensation Plan.
 - (h) Upon a Qualifying Termination, continuation for twenty-four (24) months of the Executive's medical insurance coverage. The benefit shall be provided by the
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Company to the Executive beginning immediately upon the Effective Date of Termination. Such benefit shall be provided to the Executive at the same coverage level and cost to the Executive as in effect immediately prior to the Executive's Effective Date of Termination. Any COBRA health benefit continuation coverage provided to Executive shall run concurrently with the aforementioned twenty-four (24) month period.

The value of such medical insurance coverage shall be treated as taxable income to Executive to the extent necessary to comply with Sections 105(h) and 409A of the Code. For purposes of 409A of the Code, any payments of continued health benefits that are made during the applicable COBRA continuation period (even if the Executive does not actually receive COBRA coverage for the entire applicable period), are exempt from the requirements of Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(v)(B). The right to continue coverage beyond the applicable COBRA continuation period is not subject to liquidation or exchange for another benefit. Notwithstanding the above, this medical insurance benefit shall be discontinued prior to the end of the stated continuation period in the event the Executive receives a substantially similar benefit from a subsequent employer, as determined solely by the Committee in good faith. For purposes of enforcing this offset provision, the Executive shall be deemed to have a duty to keep the Company informed as to the terms and conditions of any subsequent employment and any corresponding benefit earned from such employment, and shall provide, or cause to provide, to the Company in writing correct, complete, and timely information concerning the same.

2.4 Termination for Total and Permanent Disability. Following a Change-in-Control, if the Executive's employment is terminated with the Company due to Disability, the Executive's benefits shall be determined in accordance with the Company's retirement, insurance, and other applicable plans and programs then in effect.

2.5 Termination for Death. Following a Change-in-Control, if the Executive's employment with the Company is terminated by reason of his death, the Executive's benefits shall be determined in accordance with the Company's retirement, survivor's benefits, insurance, and other applicable programs then in effect.

2.6 Termination for Cause or by the Executive Other Than for Good Reason. Following a Change-in-Control, if the Executive has a separation from service (as defined in Section 409A of the Code and the applicable regulations) either due to: (i) termination by the Company for Cause; or (ii) voluntary termination by the Executive for reasons other than as specified in Section 2.2(b) herein, the Company shall pay the Executive his full Base Salary at the rate then in effect, accrued vacation, and other items earned by and owed to the Executive through the Executive's separation from service, plus all other amounts to which the Executive is entitled under any compensation plans of the Company at the time such payments are due, and the Company shall have no further obligations to the Executive under this Agreement.

2.7 Notice of Termination. Any termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party.

Article 3. Form and Timing of Severance Benefits

3.1 Form and Timing of Severance Benefits. The Severance Benefits described in Sections 2.3(a), 2.3(b), 2.3(c), 2.3(d), and 2.3(e) herein shall be paid in cash to the Executive in a single lump sum as soon as practicable following the Effective Date of Termination, but in no event beyond ten (10) calendar days from such date.

3.2. Internal Revenue Code Section 409A. The Plan is intended to comply with the American Jobs Creation Act of 2004, Code Section 409A, and related guidance.

(a) Notwithstanding anything to the contrary set forth in this Agreement, any Severance Benefits paid (i) within 2-¹/₂ months of the end of the Company's taxable year containing the Executive's severance from employment, or (ii) within 2-¹/₂ months of the Executive's taxable year containing the severance from employment shall be exempt from the requirements of Section 409A of the Code, and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 3.2(a) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(b) To the extent Severance Benefits are not exempt from Section 409A under Section 3.2(a) above, any Benefits paid in the first 6 months following the Executive's severance from employment that are equal to or less than the lesser of the amounts described in Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and (2) shall be exempt from Section 409A and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 3.2(b) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(c) To the extent Severance Benefits are not exempt from Section 409A under Sections 3.2(a) or (b) above, any Severance Benefits paid equal to or less than the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year of severance from employment shall be exempt from Section 409A in accordance with Treasury Regulation Section 1.409A-1(b)(9)(v)(D) and shall be paid in accordance with this Article 3. Severance Benefits subject to this Section 3.2(c) shall be treated and shall be deemed to be an entitlement to a separate payment within the meaning of Section 409A of the Code and the regulations thereunder.

(d) To the extent Severance Benefits are not exempt from Section 409A pursuant to Sections 3.2(a), (b) or (c) above, and to the extent the Executive is a "specified employee" (as defined below), payments due to the Executive under Section 6 shall begin no sooner than six (6) months after the Executive's severance from employment (other than for death) ; provided, however, that any payments not made during the six (6) month period described in this Section 3.2(d) due to the six (6) month delay period required under Treasury Regulation Section 1.409A-3(i)(2) shall be made in a single lump sum as soon as administratively practicable after the expiration of such six (6) month period, with interest thereon, and the balance of all other payments required under this Agreement shall be made as otherwise scheduled in this Agreement. Notwithstanding anything herein to the contrary, and subject to Code Section 409A, to the extent the following rules should apply to the Executive in connection with payments made hereunder, payment shall not be made or commence as a result of the Executive's Effective Date of Termination to any Executive who is a key employee (defined below) before the date that is not less than six (6) months after the Executive's Effective Date of Termination. For this purpose, a key employee includes a "specified employee" (as defined in Code Section 409A(a)(2)(B)) during the entire twelve (12) month period determined by the Company ending with the annual date upon which key employees are identified by the Company, and also including any Executive identified by the Company in good faith with respect to any distribution as belonging to the group of identified key employees, to a maximum of 200 such key employees, regardless of whether such Executive is subsequently determined by the Company, any governmental agency, or a court not to be a key employee. The identification date for determining key employees shall be each December 31 (and the new key employee list shall be updated and effective each subsequent April 1).

(e) For purposes of this Section 3.2, any reference to severance of employment or termination of employment shall mean a "separation from service" as defined in Treasury Reg. Section 1.409A-1(h). For purposes of this Agreement, the term "specified employee" shall have the meaning set forth in Treasury Reg. Section 1.409A-1(i). The determination of whether the Executive is a "specified employee" shall be made by the Company in good faith applying the applicable Treasury regulations.

3.3 Withholding of Taxes. The Company shall withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as legally shall be required.

Article 4. Noncompetition and Confidentiality

In the event of a Change-in-Control, as provided in Article 1 paragraph (f) herein, the following shall apply:

- (a) **Noncompetition.** During the term of this Agreement and, if longer, for a period of eighteen (18) months after the Effective Date of Termination, the Executive shall not: (i) directly or indirectly act in concert or conspire with any person employed by the Company in order to engage in or prepare to engage in or to have a financial or other interest in any business or any activity which he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on; or (ii) serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage, or have a financial or other interest in any business or any activity which he knows (or reasonably should have known) to be directly competitive with the business of the Company as then being carried on (provided, however, that notwithstanding anything to the contrary contained in this Agreement, the Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934).
 - (b) **Confidentiality.** The Company has advised the Executive and the Executive acknowledges that it is the policy of the Company to maintain as secret and confidential all Protected Information (as defined below), and that Protected Information has been and will be developed at substantial cost and effort to the Company. All Protected Information shall remain confidential permanently and no Executive shall at any time, directly or indirectly, divulge, furnish, or make accessible to any person, firm, corporation, association, or other entity (otherwise than as may be required in the regular course of the Executive's employment with the Company), nor use in any manner, either during the term of employment or after termination, at any time, for any reason, any Protected Information, or cause any such information of the Company to enter the public domain.

For purposes of this Agreement, "Protected Information" means trade secrets, confidential and proprietary business information of the Company, and any other information of the Company, including, but not limited to, customer lists (including potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services which may be developed from time to time by the Company and its agents or employees, including the Executive; provided, however, that information that is in the public domain (other than as a result of a breach of this Agreement), approved for release by the Company or lawfully obtained from third parties who are not bound by a confidentiality agreement with the Company, is not Protected Information.
 - (c) **Nonsolicitation.** During the term of this Agreement and, if longer, for a period of eighteen (18) months after the Effective Date of Termination, the Executive shall not employ or retain or solicit for employment or arrange to have any other person, firm, or other entity employ or retain or solicit for employment or otherwise participate in the employment or retention of any person who is an employee or consultant of the Company.
 - (d) **Cooperation.** The Executive agrees to cooperate with the Company and its attorneys in connection with any and all lawsuits, claims, investigations, or similar proceedings that have been or could be asserted at any time arising out of or related in any way to the Executive's employment by the Company or any of its subsidiaries.
 - (e) **Nondisparagement.** At all times, the Executive agrees not to disparage the Company or otherwise make comments harmful to the Company's reputation.
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- (f) **Judicial Interpretation.** It is expressly understood and agreed that although the Executive and the Company consider the restrictions contained in this Section to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that any restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply to the maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.
- (g) **Injunctive Relief and Additional Remedy.** The Executive acknowledges that the injury that would be suffered by the Company as a result of a breach of the provisions of this Agreement would be irreparable and that an award of monetary damages to the Company for such a breach would be an inadequate remedy. Consequently, the Company will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Company will not be obligated to post bond or other security in seeking such relief. Without limiting the Company's rights under this Article or any other remedies of the Company, if the Executive breaches any of the provisions of this Article, the Company will have the right to recover any amounts paid to the Executive under subsection 2.3(d) of this Agreement.

Article 5. Excise Tax Equalization Payment

5.1 Excise Tax Equalization Payment. If any portion of the Severance Benefits or any other payment under this Agreement, or under any other agreement with, or plan of the Company (in the aggregate, "Total Payments") would constitute an "excess parachute payment," such that a golden parachute excise tax is due, the Company shall provide to the Executive, in cash, an additional payment in an amount sufficient to cover the full cost of any excise tax and all of the Executive's additional federal, state, and local income, excise, and employment taxes that arise on this additional payment (cumulatively, the "Full Gross-Up Payment"), such that the Executive is in the same after-tax position as if he had not been subject to the excise tax. For this purpose, the Executive shall be deemed to be in the highest marginal rate of federal, state, and local income taxes in the state and locality of the Executive's residence on the Effective Date of Termination. This payment shall be made as soon as possible following the date of the Executive's Qualifying Termination, but in no event later than ten (10) calendar days from such date.

For purposes of this Agreement, the term "excess parachute payment" shall have the meaning assigned to such term in Section 280G of the Code, and the term "excise tax" shall mean the tax imposed on such excess parachute payment pursuant to Sections 280G and 4999 of the Code.

5.2 Subsequent Recalculation. In the event the Internal Revenue Service subsequently adjusts the excise tax computation herein described, the Company shall reimburse the Executive for the full amount necessary to make the Executive whole on an after-tax basis (less any amounts received by the Executive that the Executive would not have received had the computations initially been computed as subsequently adjusted), including the value of any underpaid excise tax, and any related interest and/or penalties due to the Internal Revenue Service (IRS). Such payment shall be made by the end of the Executive's taxable year next following the Executive's taxable year in which the Executive remits the applicable excise tax to the IRS.

Article 6. The Company's Payment Obligation

6.1 Payment Obligations Absolute. The Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the

Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement, except to the extent provided in Section 2.3(h) herein.

6.2 Contractual Rights to Benefits. This Agreement establishes and vests in the Executive a contractual right to the benefits to which he is entitled hereunder. However, nothing herein contained shall require or be deemed to require, or prohibit or be deemed to prohibit, the Company to segregate, earmark, or otherwise set aside any funds or other assets, in trust or otherwise, to provide for any payments to be made or required hereunder, except to the extent provided in Section 2.3(g) herein.

Article 7. Term of Agreement

This Agreement will commence on the Effective Date and shall continue in effect for three (3) full years. However, at the end of such three (3) year period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless either party delivers written notice six (6) months prior to the end of such term, or extended term, stating that the Agreement will not be extended. In such case, the Agreement will terminate at the end of the term, or extended term, then in progress.

However, in the event of a Change-in-Control of the Company, the term of this Agreement shall automatically be extended for two (2) years from the date of the Change-in-Control.

Article 8. Dispute Resolution

Any dispute or controversy between the parties arising under or in connection with this Agreement shall be settled by arbitration.

The arbitration proceeding shall be conducted before a panel of three (3) arbitrators sitting in a location selected by the Executive within fifty (50) miles from the location of the Executive's principal place of employment, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the award of the arbitrators in any court having competent jurisdiction.

All expenses of such litigation or arbitration, including the reasonable fees and expenses of the legal representative for the Executive, and necessary costs and disbursements incurred as a result of such dispute or legal proceeding, and any prejudgment interest, shall be borne by the Company.

Article 9. Successors

9.1 Successors to the Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) of all or a significant portion of the assets of the Company by agreement, in form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Regardless of whether such agreement is executed, this Agreement shall be binding upon any successor in accordance with the operation of law and such successor shall be deemed the "Company" for purposes of this Agreement.

9.2 Assignment by the Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's beneficiary designated under the Company's life insurance plan, or, if there is no such beneficiary, to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

Article 10. Miscellaneous

10.1 Employment Status. This Agreement is not, and nothing herein shall be deemed to create, an employment contract between the Executive and the Company or any of its subsidiaries. The Executive acknowledges that the rights of the Company remain wholly intact to change or reduce at any time and from time to time his compensation, title, responsibilities, location, and all other aspects of the employment relationship, or to discharge him prior to a Change-in-Control (subject to such discharge possibly being considered a Qualifying Termination pursuant to Section 2.2).

10.2 Entire Agreement. This Agreement contains the entire understanding of the Company and the Executive with respect to the subject matter hereof. In addition, the payments provided for under this Agreement in the event of the Executive's termination of employment shall be in lieu of any severance benefits payable under any severance plan, program, or policy of the Company to which he might otherwise be entitled.

10.3 Notices. All notices, requests, demands, and other communications hereunder shall be sufficient if in writing and shall be deemed to have been duly given if delivered by hand or if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, at its principal offices.

10.4 Execution in Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

10.5 Conflicting Agreements. This Agreement completely supersedes any and all prior change-in-control agreements or understandings, oral or written, entered into by and between the Company and the Executive, with respect to the subject matter hereof, and all amendments thereto, in their entirety. Further, the Executive hereby represents and warrants to the Company that his entering into this Agreement, and the obligations and duties undertaken by him hereunder, will not conflict with, constitute a breach of, or otherwise violate the terms of, any other employment or other agreement to which he is a party, except to the extent any such conflict, breach, or violation under any such agreement has been disclosed to the Board in writing in advance of the signing of this Agreement.

Notwithstanding any other provisions of this Agreement to the contrary, if there is any inconsistency between the terms and provisions of this Agreement and the terms and provisions of Company-sponsored compensation and welfare plans and programs, the Agreement's terms and provisions shall completely supersede and replace the conflicting terms of the Company-sponsored compensation and welfare plans and programs, where applicable.

10.6 Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

Notwithstanding any other provisions of this Agreement to the contrary, the Company shall have no obligation to make any payment to the Executive hereunder to the extent, but only to the extent, that such payment is prohibited by the terms of any final order of a federal or state court or regulatory agency of competent jurisdiction; provided, however, that such an order shall not affect, impair, or invalidate any provision of this Agreement not expressly subject to such order.

10.7 Modification. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive and by a member of the Board, as applicable, or by the respective parties' legal representatives or successors.

10.8 Applicable Law. To the extent not preempted by the laws of the United States, the laws of Delaware shall be the controlling law in all matters relating to this Agreement without giving effect to principles of conflicts of laws.

IN WITNESS WHEREOF, the parties have executed this Agreement on this ____ day of ____, 20__.

ATTEST

Federal Signal Corporation

By: _____,
Compensation and Benefits Committee of the Board of Directors

Executive



Jennifer L. Sherman
Senior VP, Human Resources, General Counsel & Secretary
1415 W. 22nd Street, Oak Brook, Illinois 60523-2004
Phone 630-954-2026
Fax 866-229-4459
jsherman@federalsignal.com
www.federalsignal.com

November 10, 2008

SENT VIA UPS AND E-MAIL TO: wgbarker@aol.com

Mr. Bill Barker
1612-A North Mohawk Street
Chicago, IL 60614

Dear Bill:

It is with great pleasure that we present you with the following offer of employment in the position of Senior Vice President, Chief Financial Officer, reporting to William Osborne, CEO, Federal Signal Corporation. We are looking forward to the addition of your expertise to our leadership team.

To follow please find the specific elements of this offer as they relate to compensation and benefits:

- 1) Base Salary: Your base salary will be \$325,000 per year paid semi-monthly. You will also be considered for a merit-based annual salary compensation change beginning in March 2009.
- 2) Management Incentive Bonus Plan: Starting in 2008, you will be eligible to participate in our bonus program in which your target annual cash incentive will be 60% of your base salary with the maximum set at 120% of your base salary. Your incentive compensation will be based on the year over year growth in Economic Value of the Corporation. This will be prorated based on your start date. Bonus payments are subject to the approval of the executive management and generally occur in February.

Short Term Incentive Bonus Plan: Starting in 2009 you will be eligible to participate in our bonus program in which your target annual cash incentive will be 60% of your base salary with the maximum set at 120% of your base salary. The terms of the proposal plan are attached. Bonus payments are subject to the approval of executive management and generally occur in February.

- 3) Car Allowance: You will receive a monthly car allowance in the amount of \$950, in accordance with company policies and procedures.
- 4) Long-Term Incentive: You will receive a stock option grant valued at \$25,000, subject to the Board of Director's approval. Under our stock option program you will vest on a graded scale over three years and benefit from any appreciation in price upon exercise.

In addition, you will receive a restricted stock grant of shares valued at \$25,000, also subject to the Board of Director's approval. Under our restricted stock program you vest at 100% after three years, receiving the shares when they vest.

Receipt of these shares is contingent upon your signing a non-compete agreement. You will be eligible for future annual Long-Term Incentives.
- 5) Vacation Time: Your vacation accrual is based on the calendar year (prorated for balance of 2008). You will receive 4 weeks of vacation annually starting in 2009.
- 6) Benefits: You will be eligible for the benefit coverage outlined on the Summary Sheet provided. Medical coverage begins on the first of the month after employment.

In addition, you will be eligible to participate in the non-qualified Savings Restoration Plan.
- 7) Severance: You will be eligible to participate in the Federal Signal Executive General Severance Plan as a Tier 1 Executive. A copy of this plan is attached for your review.
- 8) Change in Control: You will be eligible to enter into a Change in Control Agreement in the form attached hereto as Exhibit A which will be effective through December 4, 2008, or until the next meeting of the Compensation and Benefits Committee, whichever date is the later to occur. Upon the expiration of the Agreement, you will receive an amended and restated form of Change in Control Agreement, identical to the amended and restated Change in Control agreements which are provided for all other Tier 1 employees of the Company.

Should you decide to accept this offer of employment, your employment will be considered employment "at will". This means either you or the Company may choose to end the employment relationship at any time with or without cause. This offer is not, nor shall it be construed to be, a contract of employment between you and Federal Signal Corporation. This offer of employment is expressly contingent upon your successfully passing a drug and/or alcohol screen, our obtaining a favorable background check, and your signing a Confidentiality Agreement. Please contact Peg Senese at 630-954-2031 to make arrangements for these prerequisites.

Bill, I look forward to your joining the Federal Signal team. We hope you will accept this offer and if so, we would like you to start your new responsibilities on a mutually agreeable date.

If you accept this offer, please sign one of the copies of this letter and return it to me. If you have any questions about this offer, please call me at 630-954-2026.

Best regards,



Jennifer L. Sherman
Sr. Vice President, Human Resources, General Counsel and Secretary
Federal Signal Corporation

Enclosures:
Severance Plan
Benefits Summary
Change In Control
Short Term Incentive Bonus Plan

Acceptance:

I accept this offer as described above.

/s/ Bill Barker
Bill Barker

11/12/08
Date

FEDERAL SIGNAL CORPORATION
RELEASE AND SEVERANCE AGREEMENT

This Release and Severance Agreement (the "Agreement") will confirm the understanding of Federal Signal Corporation and Stephanie K. Kushner ("Employee") in connection with the termination of Employee's employment with Federal Signal Corporation (the "Company"). We have reached Agreement upon the following arrangements.

The effective date of Employee's separation from service (as defined in Section 409A of the Internal Revenue Code of 1986, as amended, and applicable regulations) with the Company without cause will be December 30, 2008 (the "Separation Date"). The Company agrees to pay Employee the following severance benefits ("Severance Benefits") upon her separation from service without "Cause" pursuant to the Company's Executive General Severance Plan: (1) the sum of \$541,920, which is an amount equal to the sum of (i) the Employee's Base Salary, and (ii) the Employee's target annual bonus; and (2) the sum of \$203,220, which is an amount equal to the Employee's unpaid prorated target annual bonus for the 2008 plan year; in each case, less any applicable taxes including federal employment withholding taxes that are payable in connection with this amount. In accordance with the Company's Executive General Severance Plan, these amounts shall be paid in a lump sum on or about January 7, 2009, assuming that Employee has executed and delivered to the Company this Agreement on December 30, 2008.

In addition, the Company agrees to pay on Employee's behalf up to \$17,500 in executive outplacement or executive coaching services to one or more firms chosen by Employee and acceptable to the Company. Employee understands that as a condition of receiving these Severance Benefits under the Company's Executive General Severance Plan, the Employee is required to sign the general waiver and release in the form included in this Agreement. No Severance Benefits will be paid to the Employee until the release contained herein becomes irrevocable in accordance with its terms. Employee further understands that any vacation pay or other wages due to Employee will be paid separately with appropriate employment taxes withheld and the receipt of such wages is in no way contingent upon the signing of this Agreement. Nothing herein shall change or have an effect on any wages, pension, retirement or other employee benefits Employee may be entitled to under any Company retirement or benefit programs. Any monies owed the Company by Employee may be deducted from the monies and the Severance Benefits, in accordance with applicable law. The Severance Benefits shall not be considered or counted as "compensation" for purposes of any of the Company's welfare or pension benefit plans which provide benefits based, in any part, on compensation.

The Company also agrees to continue any applicable welfare benefits of medical insurance, dental insurance and group term life insurance (life insurance continues for Employee only) that Employee receives for 18 months following the Separation Date at the same coverage level as were in effect as of the Employee's Separation Date at the rates charged by the Company under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended (COBRA) (the "COBRA Rate"). Pursuant to the terms of the Company's Executive General Severance Plan, the Company will reimburse you on a monthly basis for the difference between the COBRA Rate and the premium rate for these benefits as is currently in effect for all employees. Employee will receive notification from and shall make monthly COBRA premium payments to Hewitt Associates "Your Benefits Resource" in accordance with Hewitt's administrative procedures. If Employee fails to make COBRA payments,

Employee's COBRA coverage will be cancelled. Employee must complete all necessary paperwork within the prescribed time period in order to receive this benefit. Notwithstanding the foregoing, during the eighteen (18) months the Company continues the welfare benefits at the active employee rate, in the event the premium cost and/or level of coverage shall change for all employees of the Company, the cost and or coverage level, likewise, shall change in a corresponding manner for Employee, with a resultant change in reimbursement level under this paragraph. In addition, the continuation of these welfare benefits shall be discontinued prior to the end of the period described above if any required premium is not paid in full on time, the employee becomes covered under another group health plan, the employee becomes entitled to Medicare benefits (under Part A, Part B, or both), or the company ceases to provide any group health plan for its employees. Continuation may also be terminated for any reason the plan providing such coverage would terminate coverage of a participant or an eligible dependent.

The Company makes this Agreement to avoid the cost of defending any possible lawsuit. Employee acknowledges that by making this Agreement the Company does not admit that it has done anything wrong. Employee understands that she has a period of twenty one (21) days to review and consider this Agreement before signing it. She may use as much of this 21-day period as she wishes in making her decision. Employee further acknowledges that she may revoke the signed Agreement within seven (7) days after its signing. Any such revocation must be in writing and received by Jennifer Sherman in the Legal Department at Federal Signal Corporation in Oak Brook, Illinois within the seven (7) day period. Payment of the Severance Benefits described above will only be paid after this Agreement becomes binding which takes place when the revocation period runs out seven (7) days after the date of Employee's signature.

Employee is strongly encouraged to consult with an attorney before signing this Agreement, however, whether she does so or not is her decision. Employee acknowledges that she has been advised that she should be represented by an attorney throughout the negotiation of the terms of this Agreement.

As further consideration of the Severance Benefits described above, Employee agrees to the following terms and conditions:

1. General Release. Employee, on behalf of herself and her heirs, executors, administrators, attorneys and assigns, hereby waives, releases and forever discharges the Company and its subsidiaries, divisions and affiliates, whether direct or indirect, its and their joint ventures and joint venturers (including its and their respective directors, officers, employees, shareholders, partners and agents, past, present, and future), and each of its and their respective successors and assigns (hereinafter collectively referred to as "Releasees"), from any and all known or unknown actions, causes of action, claims or liabilities of any kind which have been or could be asserted against the Releasees arising out of or related to Employee's employment with and/or separation from employment with the Company and/or any of the other Releasees and/or any other occurrence up to and including the date that Employee signs this Agreement, including but not limited to:

- (a) claims, actions, causes of action or liabilities arising under Title VII of the Civil Rights Act, as amended, the Civil Rights Act of 1871, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, as amended ("ADEA"), the

Employee Retirement Income Security Act, as amended, the Rehabilitation Act, as amended, the Americans with Disabilities Act, the Family and Medical Leave Act (to the extent permitted by law), the Vietnam Era Veterans Readjustment Assistance Act, the Sarbanes-Oxley Act of 2002, and/or any other federal, state, municipal, or local employment discrimination statutes (including, but not limited to, claims based on age, sex, attainment of benefit plan rights, race, religion, national origin, marital status, sexual orientation, ancestry, harassment, parental status, handicap, disability, retaliation, and veteran status); and/or

- (b) claims, actions, causes of action or liabilities arising under any other federal, state, municipal, or local statute, law, ordinance or regulation; and/or
- (c) any other claim whatsoever including, but not limited to, claims for severance pay under any voluntary or involuntary severance/separation plan, policy or program maintained by the Releasees, claims for attorney's fees, claims based upon breach of contract, wrongful termination, defamation, intentional infliction of emotional distress, tort, personal injury, invasion of privacy, violation of public policy, negligence and/or any other common law, statutory or other claim whatsoever arising out of or relating to her employment with and/or separation from employment with the Company and/or any of the other Releasees.

Employee understands and agrees that she is releasing the Company from any and all claims by which she is giving up the opportunity to recover any compensation, damages, or any other form of relief in any proceeding brought by her or on her behalf. Notwithstanding the foregoing, this Agreement is not intended to operate as a waiver of any retirement or pension benefits that are vested, the eligibility and entitlement to which shall be governed by the terms of the applicable plan. Nor shall this Agreement operate to waive or bar any claim or right which — by express or unequivocal terms of law — may not under any circumstances be waived or barred. Moreover, this Agreement shall not operate to waive rights, causes of action or claims under the ADEA if those rights, causes of action or claims arise after the date Employee signs this Agreement. Nor shall this Agreement preclude Employee from challenging the validity of the Agreement under the ADEA.

2. Covenant Not to Sue. Except for those claims, causes of action or rights explicitly excluded from release in Paragraph 1 above, Employee agrees that she will never file or accept anything of value from a lawsuit concerning any claim, issue, or matter relating to or arising out of employment with the Company, the cessation of employment, the compensation or benefits payable in connection with employment or termination of employment, or any other interaction with the Company prior to the parties' execution of this Agreement. Should Employee violate any aspect of this Paragraph, Employee agrees: (a) that the lawsuit is null and void, and must be summarily withdrawn and/or dismissed; (b) to pay all costs, expenses, and damages incurred by the Company in responding to or as a result of any lawsuit brought by Employee that breaches this Agreement, including reasonable attorneys' fees; (c) to pay all costs and expenses incurred by the Company in seeking enforcement of this Agreement, including reasonable attorneys' fees; and (d) to return the Severance Benefits paid pursuant to this Agreement — save \$500 — within fourteen (14) days of written demand by the Company. In the event this reimbursement

provision is triggered, Employee agrees that the remaining provisions of this Agreement shall remain in full force and effect.

3. Further Release and Acknowledgment. To the extent permitted by law, Employee further waives her right to any monetary recovery should any federal, state, or local administrative agency pursue any claims on her behalf arising out of or related to her employment with and/or separation from employment with the Company and/or any of the other Releasees. Employee also acknowledges that she has not suffered any on-the-job injury for which she has not already filed a claim. Employee acknowledges and agrees that the Company's provision of the Severance Benefits to her and her signing of the Agreement does not in any way indicate that Employee has any viable claims against the Company or that the Company has or admits any liability to Employee whatsoever.

4. No Reinstatement. To the extent permitted by law, Employee further waives, releases, and discharges Releasees from any reinstatement rights which she has or could have.

5. Non-Disparagement, Confidentiality, Cooperation, Non-Competition and Non-Solicitation. Employee will not make any legally impermissible statements or representations that disparage, demean, or impugn the Company, including without limitation any legally impermissible statements impugning the personal or professional character of any current or former director, officer, employee or consultant for the Company. The Company will not make any legally impermissible statements or representations that disparage, demean, or impugn the Employee, including without limitation any legally impermissible statements impugning the personal or professional character of the Employee.

Employee agrees from and after the Separation Date to keep strictly confidential the existence and terms of this Agreement, and further agrees that she will not disclose them to any person or entity, other than to her immediate family, her attorney, and her financial advisor, or except as may be required by law.

Employee acknowledges that after her Separation Date, she shall not represent herself to be an employee of the Company nor take any action which may bind the Company with regard to any customer, supplier, vendor or any other party with whom Employee has had contact while performing her duties as an employee or consultant of the Company.

Employee further agrees that for a period of one (1) year following Employee's Separation Date, Employee will not, without the prior written consent of the Company, engage directly or indirectly (as an employee, consultant, independent contractor, officer, or in any other capacity) in any business or enterprise which is in competition with the Company or its successors or assigns. A business or enterprise will be deemed to be in competition if it is engaged in any significant business activity of the Company or its subsidiaries within the United States of America.

For a one (1) year period following the Separation Date, Employee further agrees that she will not, directly or indirectly, hire away or participate or assist in the hiring away of any person employed by the Company or its affiliates on the Separation Date and she will not solicit nor

encourage any person employed by the Company or its affiliates on or after the Separation Date to leave the employ of the Company or its affiliates.

Employee further agrees from and after the Separation Date to make herself available to the Company and its legal counsel to provide reasonable cooperation and assistance to the Company with respect to areas and matters in which Employee was involved during her employment, including any threatened or actual investigation, regulatory matter and/or litigation concerning the Company, and to provide to the Company, if requested, information and counsel relating to ongoing matters of interest to the Company. To the extent that the Company requests such cooperation and assistance of Employee, the Company will compensate Employee at the rate of \$250 per hour for the time spent by Employee in rendering such cooperation and assistance. The Company will take into consideration Employee's personal and business commitments, will give Employee as much advance notice as reasonably possible, and ask that Employee be available at such time or times as are reasonably convenient to Employee and the Company. The Company also agrees to reimburse Employee for the actual out-of-pocket expenses Employee incurs as a result of her complying with this provision, subject to Employee's submission to the Company of documentation substantiating such expenses as the Company may require and as is consistent with the documentation necessary and required for reimbursement of business expenses generally by the Company.

Proprietary information, confidential business information and trade secrets (hereinafter collectively "Confidential Information") which became known to Employee as an employee of the Company remains the property of the Company. Such Confidential Information includes, but is not limited to, materials, records, books, products, business plans, business proposals, software, personnel information and data of the Company and its affiliates and its customers, but excludes information which is generally known to the public or becomes known except through Employee's actions. Employee agrees from and after today that she will not at any time, directly or indirectly, disclose Confidential Information to any third party or otherwise use such Confidential Information for Employee's own benefit or the benefit of others. Also, Employee acknowledges that she remains bound by the terms and conditions of the applicable provisions of the Company's Code of Business Conduct.

6. Consequences of Breach of Non-Disparagement, Confidentiality, Cooperation, Non-Competition and Non-Solicitation Provisions. Employee acknowledges that the provisions of Paragraph 5 are reasonable and not unduly restrictive of her rights as an individual and warrants that as of the date Employee signs this Agreement, Employee has not breached any of the provisions of Paragraph 5. Employee further acknowledges that in the event that she breaches any of the provisions of Paragraph 5, such breach will result in immediate and irreparable harm to the business and goodwill of the Company and that damages, if any, and remedies at law for such breach would be inadequate. The Company shall be entitled to apply without bond for an injunction to restrain such breach and for such further relief as the courts may deem just and proper. In addition, the Company shall not be obligated to continue the availability or payment of Severance Benefits to Employee, and Employee shall be obligated to pay to the Company its costs and expenses in enforcing the Company's non-disparagement, confidentiality, cooperation, non-competition, non-solicitation provisions of this Agreement and the provisions of Paragraph 5 above (including court costs, expenses and reasonable legal fees).

7. Company Property/Expenses. Employee agrees to promptly return to the Company (as soon as practicable following the Separation Date) all Company property (except for Employee's Blackberry and lap top computer, which Employee shall retain for her own personal use), including, but not limited to, Company car, information technology equipment (except the Blackberry and lap top computer), documents and records and other physical or personal property of the Company in Employee's possession or control, and agrees not to keep, transfer or use copies or excerpts of the foregoing items. Employee agrees that all business expenses for which she is entitled to reimbursement are documented and submitted for approval on a timely basis and any final expenses are submitted within ten (10) days after the Separation Date.

8. Reservation of Rights to Indemnification and Director and Officer Liability Insurance for Actions Taken or Omitted while Employee was a Director or Executive Officer. Employee's right to indemnification to the fullest extent permitted by Delaware General Corporation Law and the Company's Certificate of Incorporation and By-Laws for expenses (including attorney's fees and disbursements), judgments, fines and amounts paid in settlement actually and reasonably incurred by Employee in connection with any proceeding arising by reason of acts taken or omissions to act occurring while Employee was an executive officer of the Company or an executive officer or director of any of the Company's subsidiaries, shall continue unabridged after the Separation Date. In addition, Employee shall be entitled to make claim under any director and officer liability insurance coverage that the Company may have available from time to time for actions or omissions to act by Employee while Employee was an executive officer of the Company or an executive officer or director of any of the Company's subsidiaries.

9. Time to Consider Agreement. Employee acknowledges that she has been given at least twenty-one (21) days to consider this Agreement thoroughly and she was encouraged to consult with her personal attorney at her own expense, if desired, before signing below. She further agrees that any changes made to this Agreement will not restart the running of the 21-day period referenced herein.

10. Time to Revoke Agreement. Employee understands that she may revoke this Agreement within seven (7) days after its signing and that any revocation must be made in writing and submitted within such seven day period to Jennifer Sherman, General Counsel, Federal Signal Corporation, 1415 West 22nd Avenue, Suite 1100, Oak Brook, IL 60523. Employee further understands that if she revokes this Agreement, she shall not receive the Severance Benefits.

11. Consideration. Employee also understands that the Severance Benefits which she will receive in exchange for signing and not later revoking this Agreement are in addition to anything of value to which he/she is already entitled.

12. RELEASE INCLUDES UNKNOWN CLAIMS. EMPLOYEE FURTHER UNDERSTANDS THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, EXCEPT FOR CLAIMS FOR INDEMNIFICATION UNDER PARAGRAPH 8 OF THIS AGREEMENT.

13. Severability. Employee acknowledges and agrees that if any provision of this Agreement is found, held or deemed by a court of competent jurisdiction to be void, unlawful or unenforceable under any applicable statute or controlling law, the remainder of this Agreement shall continue in full force and effect.

14. Governing Law. This Agreement is deemed made and entered into in the State of Illinois, and in all respects shall be interpreted, enforced and governed under applicable federal law and in the event reference shall be made to State law the internal laws of the State of Illinois shall apply, without reference to its conflict of law provisions. Any dispute under this Agreement shall be adjudicated by a court of competent jurisdiction in the State of Illinois. Notwithstanding the foregoing, in accordance with Article 6.2 of the Executive General Severance Plan dated October 2008 (the "Plan"), the Parties shall have the right and option (in lieu of litigation) to have any dispute or controversy arising under or in connection with the Plan settled by arbitration, subject to the limitations set forth in Article 6.2.

15. Knowing And Voluntary Waiver and Release. Employee further acknowledges and agrees that she has carefully read and fully understands all of the provisions of this Agreement and that she voluntarily enters into this Agreement by signing below. Employee is encouraged to consult with an attorney of her choice at her own expense prior to signing this Agreement.

16. General Matters. Employee acknowledges and agrees that in signing this Agreement she does not rely and has not relied on any representation or statement by the Company or by its employees, agents, representatives, or attorneys with regard to the subject matter, basis or effect of this Agreement.

The language of all parts of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. The provisions of this Agreement shall survive any termination of this Agreement when necessary to effect the intent and terms of this Agreement expressed herein.

No modification of any provision of this Agreement shall be effective unless made in writing and signed by Employee and a duly authorized senior executive of the Company. This Agreement shall not be assignable by Employee.

Stephanie K. Kushner

December 30, 2008

- 7 -

STATE OF)
ILLINOIS)
) ss.
COUNTY OF)

The undersigned, notary public in and for the above county and state, certifies that Stephanie K. Kushner, known to me to be the same person whose name is subscribed to the foregoing Release and Severance Agreement, appeared before me in person and acknowledged signing and delivering the instrument as her free and voluntary act, for the uses and purposes therein set forth.

Dated: December 30, 2008

Notary Public

Date Commission Expires: _____

**Federal Signal Corporation
2005 Executive Incentive Compensation Plan
Restricted Stock Award Agreement**

You have been selected to receive a grant of Restricted Stock pursuant to the Federal Signal Corporation 2005 Executive Incentive Compensation Plan (the "Plan"), as specified below:

Participant: _____

Date of Grant: _____

Number of Shares of Restricted Stock Granted: _____

Lapse of Restriction Dates: Restrictions placed on the Shares of Restricted Stock shall lapse on the date and in the amount listed below:

Date on Which Restrictions Lapse	Number of Shares for Which Restrictions Lapse	Cumulative Number of Shares for Which Restrictions Lapse
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This document constitutes part of the prospectus covering securities that have been registered under the Securities Act of 1933.

THIS AGREEMENT, effective as of the Date of Grant set forth above, represents the grant of Shares of Restricted Stock by Federal Signal Corporation, a Delaware corporation (the "Company"), to the Participant named above, pursuant to the provisions of the Plan.

The Plan provides a complete description of the terms and conditions governing the Restricted Stock. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Award Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Employment With the Company. Except as may otherwise be provided in Sections 5, 6 or 7, the Restricted Stock granted hereunder is granted on the condition that the Participant remains an Employee of the Company from the Date of Grant through (and including) each of the separate Lapse of Restriction Dates, as set forth above (each such time period is referred to herein as a "Period of Restriction").

This grant of Restricted Stock shall not confer any right to the Participant (or any other Participant) to be granted Restricted Stock or other Awards in the future under the Plan.

2. Certificate Legend. Each certificate representing Shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

“The sale or transfer of Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Federal Signal Corporation 2005 Executive Incentive Compensation Plan, and in the associated Award Agreement. A copy of this Plan and such Award Agreement may be obtained from Federal Signal Corporation.”

3. Removal of Restrictions. Except as may otherwise be provided herein and in the Plan, the Shares of Restricted Stock granted pursuant to this Award Agreement shall become freely transferable by the Participant on the date and in the amount set forth under the Lapse of Restriction Dates above, subject to applicable federal and state securities laws. Once Shares of Restricted Stock are no longer subject to any restrictions, the Participant shall be entitled to have the legend required by Section 2 of this Award Agreement removed from the applicable stock certificates.

4. Voting Rights and Dividends. During the Period of Restriction, the Participant may exercise full voting rights and shall accrue all dividends and other distributions paid with respect to the Shares of Restricted Stock while they are held. If any such dividends or distributions are paid in Shares, such Shares shall be subject to the same restrictions on transferability as are the Shares of Restricted Stock with respect to which they were paid.

5. Termination of Employment.

- (a) **By Death, or Disability.** In the event the employment of the Participant is terminated due to death, or Disability (as determined by the Committee) during the Periods of Restriction, the Periods of Restriction and the restrictions imposed on the Shares of Restricted Stock held by the Participant at the time of his or her death, or Disability shall immediately lapse with all such Shares becoming immediately transferable by the Participant or his or her estate, subject to applicable federal and state securities laws. For the purposes of this Award Agreement, “Disability” shall have the meaning ascribed to such term in the Participant’s governing long-term disability plan, or if no such plan exists, at the discretion of the Committee.
- (b) **Termination for Other Reasons.** Except as set forth in Sections 6 or 7 below, in the event of the Participant’s termination of employment with the Company for any reason, including retirement, but other than death, or Disability, during the Periods of Restriction, all Shares of Restricted Stock held by the Participant at the time of employment termination and still

subject to a Period of Restriction and other restrictions shall be forfeited by the Participant to the Company. The transfer of employment of the Participant between the Company and any affiliate or Subsidiary (or between affiliates and/or Subsidiaries) shall not be deemed a termination of employment for the purposes of this Award Agreement.

6. Change in Control. Notwithstanding anything to the contrary in this Award Agreement, in the event of a Change in Control of the Company (as that term is defined in the Company's Change in Control Policy) during the Periods of Restriction and prior to the Participant's termination of employment, the Periods of Restriction and restrictions imposed on the Shares of Restricted Stock shall immediately lapse, with all such Shares of Restricted Stock vesting and becoming freely transferable by the Participant, subject to applicable federal and state securities laws.

7. Acceleration of Vesting of Shares of Restricted Stock in the Event of Divestiture of Business Segment. In the event that the "Business Segment" (as that term is defined in this Section below) in which the Participant is primarily employed as of the "Divestiture Date" (as that term is defined in this Section below) is the subject of a "Divestiture of a Business Segment" (as that term is defined in this Section below), and such divestiture results in the termination of the Participant's employment with the Company and its subsidiaries for any reason, the Periods of Restriction and the restrictions imposed on the Shares of Restricted Stock subject to this Agreement shall immediately lapse, with all such Shares of Restricted Stock vesting and becoming freely transferable by the Participant, subject to applicable federal and state securities laws.

For purposes of this Agreement, the term "Business Segment" shall mean a business line which the Company treats as a separate business segment under the segment reporting rules under generally accepted accounting principles as used in the United States, which currently includes the following: Safety and Security Systems, Fire Rescue, Environmental Solutions and Tool. Likewise, the term "Divestiture Date" shall mean the date that a transaction constituting a Divestiture of a Business Segment is finally consummated.

For purposes of this Agreement, the term "Divestiture of a Business Segment" means the following:

- (a) When used with reference to the sale of stock or other securities of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, the sale, exchange, transfer, distribution or other disposition of the ownership, either beneficially or of record or both, by the Company or one of its subsidiaries to "Nonaffiliated Persons" (as that term is defined in this Section below) of 100% of either (a) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (b) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment;

- (b) When used with reference to the merger or consolidation of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, any such transaction that results in Nonaffiliated Persons owning, either beneficially or of record or both, 100% of either (a) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (b) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment; or
- (c) When used with reference to the sale of the assets of the Business Segment, the sale, exchange, transfer, liquidation, distribution or other disposition of all or substantially all of the assets of the Business Segment necessary or required to operate the Business Segment in the manner that the Business Segment had been operated prior to the Divestiture Date.

For purposes of this Agreement, the term “Nonaffiliated Persons” shall mean any persons or business entities which do not control, or which are not controlled by or under common control with, the Company.

8. Nontransferability. Unless otherwise determined by the Committee pursuant to the terms of the Plan, during the Periods of Restriction, Shares of Restricted Stock granted pursuant to this Award Agreement may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (a “Transfer”), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any Transfer, whether voluntary or involuntary, of Shares of Restricted Stock is made, or if any attachment, execution, garnishment, or lien shall be issued against or placed upon the Shares of Restricted Stock, the Participant’s right to such Shares of Restricted Stock shall be immediately forfeited by the Participant to the Company, and this Award Agreement shall lapse.

9. Recapitalization. In the event there is any change in the Company’s Shares through the declaration of stock dividends or through recapitalization resulting in stock splits or through merger, consolidation, exchange of Shares, or otherwise, the number and class of Shares of Restricted Stock subject to this Award Agreement may be equitably adjusted by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

10. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require the Participant or beneficiary to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant’s FICA obligation), domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Award Agreement. The Participant may elect, subject to any procedural rules adopted by the Committee, to satisfy the minimum statutory withholding tax requirement, in whole or in part, by having the Company withhold Shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to such minimum statutory withholding tax.

11. Other Tax Matters. The Participant shall review with his or her own tax advisors the federal, state, local and other tax consequences, including those in addition to any tax withholding obligations, of the investment in the Restricted Shares and the transactions contemplated by this Award Agreement. The Participant has the right to file an election under Section 83 of the Code. The filing of the 83(b) election is the responsibility of the Participant. The Participant must notify the Company of the filing on or prior to the day of making the filing.

12. Continuation of Employment. This Award Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate the Participant's employment at any time.

13. Beneficiary Designation. The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Award Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Secretary of the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

Beneficiary Designation (name, address, and relationship):

14. Entire Award; Modification

This Award Agreement and the Plan constitute the entire agreement between the parties with respect to the terms and supersede all prior or written or oral negotiations, commitments, representations and agreements with respect thereto. The terms and conditions set forth in this Award Agreement may only be modified or amended in writing, signed by both parties.

15. Severability

In the event any one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, such provision or provisions shall be automatically deemed amended, but only to the extent necessary to render such provision or provisions valid, legal and enforceable in such jurisdiction, and the validity, legality and enforceability of the remaining provisions of this Award Agreement shall not in any way be affected or impaired thereby.

16. Miscellaneous.

- (a) This Award Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the

Committee may adopt for administration of the Plan. The Committee shall have the right to impose such restrictions on any Shares acquired pursuant to this Award Agreement, as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under applicable federal and state tax law, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon the Participant.

- (b) The Committee may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any material way adversely affect the Participant's vested rights under this Award Agreement, without the written consent of the Participant.
- (c) The Participant agrees to take all steps necessary to comply with all applicable provisions of federal and state securities and tax laws in exercising his or her rights under this Award Agreement.
- (d) This Award Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
- (e) All obligations of the Company under the Plan and this Award Agreement, with respect to the Restricted Stock, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.
- (f) The Participant agrees to execute this agreement and return it to the address below within 45 days of receipt of this agreement or forfeit the awarded restricted stock shares.

Federal Signal Corporation

1415 W. 22nd Street

Oak Brook, Illinois 60521

- (g) To the extent not preempted by federal law, this Award Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties have caused this Award Agreement to be executed effective as of_____.

Federal Signal Corporation

By: _____

ATTEST:

Participant

7

**Federal Signal Corporation
2005 Executive Incentive Compensation Plan
Nonqualified Stock Option Award Agreement**

You have been selected to be a Participant in the Federal Signal Corporation 2005 Executive Incentive Compensation Plan (the "Plan"), as specified below:

Participant: _____
Date of Grant: _____
Date of Expiration: _____
Number of Option Shares: _____
Option Price: _____

**This document constitutes part of the prospectus covering
securities that have been registered under the Securities Act of 1933.**

THIS AWARD AGREEMENT, effective as of the Date of Grant set forth above, represents the grant of nonqualified stock options (the "Options") by Federal Signal Corporation, a Delaware corporation (the "Company"), to the Participant named above, pursuant to the provisions of the Plan.

The Plan provides a complete description of the terms and conditions governing the Options. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Award Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Grant of Stock Options. The Company hereby grants to the Participant the number of Options set forth above to purchase the number of shares of Company common stock ("Shares") set forth above, at the stated Option Price, which is one hundred percent (100%) of the Fair Market Value of a Share on the Date of Grant, in the manner and subject to the terms and conditions of the Plan and this Award Agreement. Subject to Section 11 herein, each Option shall be exercisable into one Share.

2. Exercise of Stock Options. Except as hereinafter provided, the Participant may exercise these Options at any time after the Date of Grant, and according to the vesting schedule set forth below, provided that no exercise may occur subsequent to the close of business on the Date of Expiration.

Date	Number of Options Which Become Exercisable	Cumulative Percentage of Options Which Are Exercisable
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

These Options may be exercised in whole or in part, but not for less than one hundred (100) Shares at any one time, unless fewer than one hundred (100) Shares then remain subject to the Options, and the Options are then being exercised as to all such remaining Shares.

3. Limitations on Exercise. The Participant must exercise all rights under this Award Agreement prior to the tenth anniversary of the Date of Grant (i.e., the Options will expire upon the tenth anniversary). The Participant may sell the Shares acquired via these Options at any time.

4. Termination of Employment by Death. In the event the employment of the Participant is terminated by reason of death, all outstanding Options not yet vested shall become immediately fully vested and, along with all previously vested Options, shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date of death, whichever period is shorter, by such person or persons as shall have been named as the Participant’s beneficiary, or by such persons that have acquired the Participant’s rights under the Options by will or by the laws of descent and distribution.

5. Termination of Employment by Disability. In the event the employment of the Participant is terminated by reason of Disability, all outstanding Options not yet vested shall become immediately fully vested and, along with all previously vested Options, shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date that the Committee determines the definition of Disability to have been satisfied, whichever period is shorter. For purposes of this Award Agreement, Disability shall have the meaning ascribed to such term in the Participant’s governing long-term disability plan, or if no such plan exists, at the discretion of the Committee.

6. Termination of Employment by Retirement. In the event the employment of the Participant is terminated by reason of retirement (as determined by the Committee), all outstanding Options previously vested shall remain exercisable at any time prior to their expiration date, or for three (3) years after the effective date of retirement, whichever period is shorter. All outstanding Options not yet vested shall be forfeited.

7. Termination of Employment for Other Reasons. If the employment of the Participant shall terminate for any reason other than the reasons set forth in Sections 4 through 6 or Section 9 herein, all previously vested Options shall remain exercisable for a period of three months from the effective date of termination. Except as set forth in Section 9, the portion of the Options not yet vested as of the date of termination shall be forfeited. The transfer of

employment of the Participant between the Company and any affiliate or Subsidiary (or between affiliates and/or Subsidiaries) shall not be deemed a termination of employment for purposes of this Award Agreement.

8. Change in Control. In the event of a Change in Control (as that term is defined in the Company's Change in Control Policy), the Participant's right to exercise these Options shall immediately vest one hundred percent (100%) as of the first date that the definition of Change in Control has been fulfilled, and shall remain as such for the remaining term of the Options.

9. Acceleration of Vesting of Options in the Event of Divestiture of Business Segment. In the event that the "Business Segment" (as that term is defined in this Section below) in which the Participant is primarily employed as of the "Divestiture Date" (as that term is defined in this Section below) is the subject of a "Divestiture of a Business Segment" (as that term is defined in this Section below), and such divestiture results in the termination of the Participant's employment with the Company and its subsidiaries for any reason, the Participant's right to exercise the Options subject to this Agreement shall immediately vest and the Options shall become immediately exercisable as of the Divestiture Date as to that portion of these Options that are not vested and exercisable as of such date. The Options shall remain exercisable as to all shares subject thereto for a period of three months after the Divestiture Date.

For purposes of this Agreement, the term "Business Segment" shall mean a business line which the Company treats as a separate business segment under the segment reporting rules under generally accepted accounting principles as used in the United States, which currently includes the following: Safety and Security Systems, Fire Rescue, Environmental Solutions and Tool. Likewise, the term "Divestiture Date" shall mean the date that a transaction constituting a Divestiture of a Business Segment is finally consummated.

For purposes of this Agreement, the term "Divestiture of a Business Segment" means the following:

- (a) When used with reference to the sale of stock or other securities of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, the sale, exchange, transfer, distribution or other disposition of the ownership, either beneficially or of record or both, by the Company or one of its subsidiaries to "Nonaffiliated Persons" (as that term is defined in this Section below) of 100% of either (a) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (b) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment;
- (b) When used with reference to the merger or consolidation of a Business Segment that is or becomes a separate corporation, limited liability

company, partnership or other separate business entity, any such transaction that results in Nonaffiliated Persons owning, either beneficially or of record or both, 100% of either (a) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (b) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment; or

- (c) When used with reference to the sale of the assets of the Business Segment, the sale, exchange, transfer, liquidation, distribution or other disposition of all or substantially all of the assets of the Business Segment necessary or required to operate the Business Segment in the manner that the Business Segment had been operated prior to the Divestiture Date.

For purposes of this Agreement, the term “Nonaffiliated Persons” shall mean any persons or business entities which do not control, or which are not controlled by or under common control with, the Company.

10. Restrictions on Transfer. Unless determined otherwise by the Committee pursuant to the terms of the Plan, these Options may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, these Options shall be exercisable during the Participant’s lifetime only by the Participant or the Participant’s legal representative.

11. Recapitalization. In the event there is any change in the Company’s Shares through the declaration of stock dividends or through recapitalization resulting in stock split-ups or through merger, consolidation, exchange of Shares, or otherwise, the Committee may, in its sole discretion, make such adjustments to these Options that it deems necessary in order to prevent dilution or enlargement of the Participant’s rights.

12. Procedure for Exercise of Options. These Options may be exercised by delivery of written notice to the Company at its executive offices, addressed to the attention of the corporate secretary. Such notice: (a) shall be signed by the Participant or his or her legal representative; (b) shall specify the number of Options being exercised and thus the number of full Shares then elected to be purchased with respect to the Options; and (c) shall be accompanied by payment in full of the Option Price of the Shares to be purchased, and the Participant’s copy of this Award Agreement.

The Option Price upon exercise of these Options shall be payable to the Company in full either: (a) in cash or its equivalent (acceptable cash equivalents shall be determined at the sole discretion of the Committee); or (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that, except as otherwise determined by the Committee, the Shares which are tendered must have been held by the Participant for at least six (6) months prior

to their tender to satisfy the Option Price or have been purchased on the open market); or (c) by a combination of (a) and (b).

Subject to the approval of the Committee, the Participant may be permitted to exercise pursuant to a “cashless exercise” procedure, as permitted under Federal Reserve Board’s Regulation T, subject to securities law restrictions, or by any other means which the Committee, in its sole discretion, determines to be consistent with the Plan’s purpose and applicable law.

The Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant’s request, Share certificates in an appropriate amount based upon the number of shares purchased under the Option. The Company shall maintain a record of all information pertaining to the Participant’s rights under this Award Agreement, including the number of Shares for which the Options are exercisable. If all of the Options granted pursuant to this Award Agreement have been exercised, this Award Agreement shall be returned to the Company and canceled.

13. Beneficiary Designation. The Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Award Agreement is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Secretary of the Company during the Participant’s lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant’s death shall be paid to the Participant’s estate.

Beneficiary Designation (name, address, and relationship):

14. Rights as a Stockholder. The Participant shall have no rights as a stockholder of the Company with respect to the Shares subject to this Award Agreement until such time as the option purchase price has been paid, and the Shares have been issued and delivered to him or her.

15. Continuation of Employment. This Award Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company’s right to terminate the Participant’s employment at any time.

16. Entire Award; Modification

This Award Agreement and the Plan constitutes the entire agreement between the parties with respect to the terms and supersede all prior or written or oral negotiations, commitments,

representations and agreements with respect thereto. The terms and conditions set forth in this Award Agreement may only be modified or amended in writing, signed by both parties.

17. Severability

In the event any one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect in any jurisdiction, such provision or provisions shall be automatically deemed amended, but only to the extent necessary to render such provision or provisions valid, legal and enforceable in such jurisdiction, and the validity, legality and enforceability of the remaining provisions of this Award Agreement shall not in any way be affected or impaired thereby.

18. Miscellaneous.

- (a) This Award Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. The Committee shall have the right to impose such restrictions on any Shares acquired pursuant to these Options, as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under applicable federal and state tax law, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon the Participant.

- (b) The Committee may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any material way adversely affect the Participant's vested rights under this Award Agreement, without the written consent of the Participant.
- (c) The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation), domestic or foreign, required by law to be withheld with respect to any exercise of the Participant's rights under this Award Agreement.

The Participant may elect, subject to any procedural rules adopted by the Committee, to satisfy the minimum statutory withholding requirement, in whole or in part, by having the Company withhold Shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to such minimum statutory withholding tax.

- (d) The Participant agrees to take all steps necessary to comply with all applicable provisions of federal and state securities and tax laws in exercising his or her rights under this Award Agreement.
- (e) This Award Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
- (f) All obligations of the Company under the Plan and this Award Agreement, with respect to these Options, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.
- (g) The Participant agrees to execute this agreement and return it to the address below within 45 days of receipt of this agreement or forfeit the awarded stock options.

Federal Signal Corporation
1415 W. 22nd Street
Oak Brook, Illinois 60521

- (h) To the extent not preempted by federal law, this Award Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties have caused this Award Agreement to be executed as of the Date of Grant.

Federal Signal Corporation

By: _____

ATTEST:

By: _____

Participant: _____

**Federal Signal Corporation
2005 Executive Incentive Compensation Plan
Performance Based Restricted Stock Unit — Award Agreement**

You have been selected to receive a grant of Performance Based Restricted Stock Units pursuant to the Federal Signal Corporation 2005 Executive Incentive Compensation Plan (the "Plan"), as specified below:

Employee: _____

Date of Grant: _____

Performance Based Restricted Stock Units Granted: _____

Performance Period: January 1, 2008 through December 31, 2010

This Award shall be subject to the terms and conditions prescribed in the Federal Signal Corporation 2005 Executive Incentive Compensation Plan and in the Federal Signal Corporation Performance Based Restricted Stock Unit Award Agreement No. 2008 attached hereto.

This document constitutes part of the prospectus covering securities that have been registered under the Securities Act of 1933.

IN WITNESS WHEREOF, the parties have caused this Award Agreement to be executed on this _____ day of _____.

FEDERAL SIGNAL CORPORATION



By: _____
"Employee"

**FEDERAL SIGNAL CORPORATION
PERFORMANCE BASED RESTRICTED STOCK UNIT
AWARD AGREEMENT NO. 2008**

The Company established the Federal Signal Corporation 2005 Executive Incentive Compensation Plan (the "Plan") pursuant to which options, stock appreciation rights, restricted stock and stock units and performance shares covering an aggregate of 4,000,000 shares of the Stock of the Company may be granted to employees and directors of the Company and its subsidiaries;

The Board of Directors of the Company, and the Administrator of the Plan appointed by the Board of Directors, has determined that the interests of the Company will be advanced by encouraging and enabling certain of its employees to own shares of the common stock of the Company, and that Employee is one of those employees;

NOW, THEREFORE, in consideration of services rendered and the mutual covenants herein contained, the parties agree as follows:

Section 1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

A. "Award" means the award provided for in Section 2.

B. "Board of Directors" means the Board of Directors of the Company.

C. "Change in Control" shall have the meaning ascribed to such term in the Company's Change in Control Policy.

D. "Date of Award" of Performance Based Restricted Stock Units means the date set forth on the Award instrument applicable those Units.

E. "Employee" means the individual shown as the recipient of an award of Performance Based Restricted Stock Units, as set forth on the Award instrument applicable those Units.

F. "Performance Based Restricted Stock Unit" means the obligation of the Company to transfer the number of shares of Stock to Employee prescribed in Section 2, at the time provided in Section 5 of this Agreement, provided such Performance Based Restricted Stock Unit is vested at such time.

G. "Performance Period" means the three consecutive calendar year period set forth in the Award instrument.

H. "Permanent Disability" means Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months.

I. "Stock" means the common stock of the Company.

J. "Subsidiary" means any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the relevant date, each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing fifty percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

K. "Vesting Date" means the date specified in Section 3.

Section 2. Award

Subject to the terms of this Agreement, the Company awarded to Employee the number of Performance Based Restricted Stock Units set forth on the Award instrument applicable those Units, effective as of the Date of Award set forth on such instrument.

A Performance Based Restricted Stock Unit Award entitles the Employee to receive a whole number of shares of Stock equal to a percentage, from zero to two hundred percent, based on the Total Shareholder Return during the Performance Period, of the number of Performance Based Restricted Stock Units that are subject to the Award, as described in this Section.

If the Company's Peer Percentile Rank is less than 25%, the Employee shall be entitled to receive no shares with respect to the Performance Based Restricted Stock Units subject to the Award.

If the Company's Peer Percentile Rank is at least 25% but less than 50%, the Employee shall be entitled to receive shares equal to 25% percent of the Performance Based Restricted Stock Units subject to the Award, plus three additional percent of the Performance Based Restricted Stock Units subject to the Award for each whole percent of the Company's Peer Percentile Rank above 25% (for a total of 100% if the Company's Peer Percentile Rank is 50%).

If the Company's Peer Percentile Rank is at least 50% but less than 75%, the Employee shall be entitled to receive shares equal to 100% percent of the Performance Based Restricted Stock Units subject to the Award, plus two additional percent of the Performance Based Restricted Stock Units subject to the Award for each whole percent of the Company's Peer Percentile Rank above 50% (for a total of 150% if the Company's Peer Percentile Rank is 75%).

If the Company's Peer Percentile Rank is at least 75% but less than 90%, the Employee shall be entitled to receive shares equal to 150% percent of the Performance Based Restricted Stock Units subject to the Award, plus three and one-third additional percent of the Performance Based Restricted Stock Units subject to the Award for each whole percent of the Company's

Peer Percentile Rank above 75% (rounded up to the nearest whole percent) (for a total of 200% if the Company's Peer Percentile Rank is 90% or more).

If the Company's Peer Percentile Rank is 90% or more, the Employee shall be entitled to receive 200% percent of the Performance Based Restricted Stock Units subject to the Award.

For example, if the Company's Peer Percentile Rank is 40%, the Employee shall be entitled to receive shares equal to 70% of the Performance Based Restricted Stock Units subject to the Award; and if the Company's Peer Percentile Rank is 60%, the Employee shall be entitled to receive shares equal to 120% of the Performance Based Restricted Stock Units subject to the Award.

The Company's Peer Percentile Rank shall be determined by dividing the number of corporations in the Peer Group with a lower Total Shareholder Return ("TSR") than the Company's TSR, by thirty (the total number of corporations in the Peer Group) (rounded up to the nearest whole percent), where:

- (a) The Peer Group of corporations is attached as Exhibit A;
- (b) TSR of a corporation means the sum of its Change in Stock Price plus dividends paid by the corporation during the Performance Period, divided by its Beginning Stock Price;
- (c) Change in Stock Price means the difference between the Ending Stock Price and the Beginning Stock Price;
- (d) Beginning Stock Price means the closing price of the shares of the corporation on the last business day immediately preceding the first day of the Performance Period; and
- (e) Ending Stock Price means the closing price of the shares of the corporation on the last business day of the Performance Period.

For example, if the TSR of the Company was higher than the TSR of twenty of the thirty corporations in the Peer Group, its Peer Percentile Rank would be 67%, and Employee would be entitled to receive shares equal to 134% of the number of Performance Based Restricted Stock Units subject to the Award.

This grant of Performance Based Restricted Stock Units shall not confer any right to the Employee (or any other Employee) to be granted Performance Based Restricted Stock Units or other Awards in the future under the Plan.

Section 3. *Bookkeeping Account*

The Company shall record the number of Performance Based Restricted Stock Units granted hereunder to a bookkeeping account for Employee (the "Performance Based Restricted Stock Unit Account"). Employee's Performance Based Restricted Stock Unit Account shall be

debited by the number of Performance Based Restricted Stock Units, if any, forfeited in accordance with Section 4 and by the number of Performance Based Restricted Stock Units with respect to which shares of Stock were transferred to Employee in accordance with Section 5.

Section 4. *Vesting*

Subject to the accelerated vesting provisions provided below, the Performance Based Restricted Stock Units subject to the Award shall vest on the last day of the Performance Period, if Employee remains employed by the Company or its Subsidiaries through such date.

If, during the Performance Period, the Employee dies or terminates employment on account of his Permanent Disability, the Performance Based Restricted Stock Units subject to the Award shall be fully vested immediately.

The Performance Based Restricted Stock Units subject to the Award also shall be fully vested upon the occurrence of a Change in Control during the Performance Period or upon the occurrence of the event(s) described in Section 4.1 below.

In the event of the termination of employment of Employee with the Company and its Subsidiaries for any other reason before the end of the Performance Period, all Performance Based Restricted Stock Units that are not vested at the time of such termination of employment normally shall be forfeited.

Section 4.1 *Acceleration of Vesting of Shares in the Event of Divestiture of Business Segment*

In the event that the "Business Segment" (as that term is defined in this Section below) in which the Employee is primarily employed as of the "Divestiture Date" (as that term is defined in this Section below) is the subject of a "Divestiture of a Business Segment" (as that term is defined in this Section below), and such divestiture results in the termination of the Employee's employment with the Company and its subsidiaries for any reason, the Performance Based Restricted Stock Units subject to the Award shall be fully vested.

For purposes of this Agreement, the term "Business Segment" shall mean a business line which the Company treats as a separate business segment under the segment reporting rules under generally accepted accounting principles as used in the United States, which currently includes the following: Safety and Security Systems, Fire Rescue, Environmental Solutions and Tool. Likewise, the term "Divestiture Date" shall mean the date that a transaction constituting a Divestiture of a Business Segment is finally consummated.

For purposes of this Agreement, the term "Divestiture of a Business Segment" means the following:

- (a) When used with reference to the sale of stock or other securities of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, the sale,

exchange, transfer, distribution or other disposition of the ownership, either beneficially or of record or both, by the Company or one of its subsidiaries to "Nonaffiliated Persons" (as that term is defined in this Section below) of 100% of either (i) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (ii) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment;

- (b) When used with reference to the merger or consolidation of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, any such transaction that results in Nonaffiliated Persons owning, either beneficially or of record or both, 100% of either (i) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (ii) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment; or
- (c) When used with reference to the sale of the assets of the Business Segment, the sale, exchange, transfer, liquidation, distribution or other disposition of all or substantially all of the assets of the Business Segment necessary or required to operate the Business Segment in the manner that the Business Segment had been operated prior to the Divestiture Date.

Section 5. *Distribution of Shares*

Subject to the provisions below (including a pro rata reduction in the number of shares payable in the event of an early termination of employment or Change in Control), the number of shares of Stock earned in accordance with Section 2, determined as of the end of the Performance Period, with respect to Performance Based Restricted Stock Units that become vested in accordance with Section 3, shall become distributable as of the end of the Performance Period (regardless of whether the shares vest earlier).

If, during the Performance Period, the Employee dies or terminates employment on account of Permanent Disability, the number of shares of Stock that otherwise would be earned in accordance with Section 2 shall be prorated based on the number of days during the Performance Period that the Employee remained employed. Such number of shares of Stock shall become distributable as of the end of the Performance Period (regardless of whether the shares vest earlier).

If a Change in Control occurs during the Performance Period, notwithstanding anything in this Agreement to the contrary, a number of shares equal to 100% percent of the Performance Based Restricted Stock Units subject to the Award prorated based on the number of days during the Performance Period before the date of the Change in Control shall become distributable on the date of the Change in Control.

Such shares shall be distributed as soon as administratively feasible after the date prescribed above; but no later than two and one-half months after the end of the calendar year in which the specified date occurs.

Section 6. *Shareholder Rights*

Employee shall not have any of the rights of a shareholder of the Company with respect to Performance Based Restricted Stock Units, such as the right to vote or the right to dividends.

Section 7. *Death Benefits*

Shares payable on account of death of an Employee during the Performance Period shall be transferred to the Employee's Beneficiary or Beneficiaries as soon as practical after the end of the Performance Period (regardless of whether the shares vest earlier), but no later than two and one-half months after the end of the calendar year in which the Performance Period ends.

Employee may designate a Beneficiary or Beneficiaries (contingently, consecutively, or successively) of such death benefit and, from time to time, may change his or her designated Beneficiary. A Beneficiary may be a trust. A beneficiary designation shall be made in writing in a form prescribed by the Company and delivered to the Company while the Participant is alive. If there is no designated Beneficiary surviving at the death of a Participant, payment of any death benefit of the Participant shall be made to the persons and in the proportions which any death benefit under the Federal Signal Corporation Employees' Profit Sharing and Savings Plan is or would be payable.

Section 8. *Units Non-Transferable*

Performance Based Restricted Stock Units awarded hereunder shall not be transferable by Employee. Except as may be required by the federal income tax withholding provisions of the Code or by the tax laws of any State, the interests of Employee and his Beneficiaries under this Agreement are not subject to the claims of their creditors and may not be voluntarily or involuntarily sold, transferred, alienated, assigned, pledged, anticipated, or encumbered. Any attempt by Employee or a Beneficiary to sell, transfer, alienate, assign, pledge, anticipate, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void.

Section 9. *Adjustment in Certain Events*

If there is any change in the Stock by reason of stock dividends, split-ups, mergers, consolidations, reorganizations, combinations or exchanges of shares or the like, the number of Performance Based Restricted Stock Units credited to Employee's Performance Based Restricted Stock Unit Account shall be adjusted appropriately so that the number of Performance Based Restricted Stock Units credited to Employee's Performance Based Restricted Stock Unit Account after such an event shall equal the number of shares of Stock a shareholder would own after such an event if the shareholder, at the time such an event occurred, had owned shares of Stock equal to the number of Performance Based Restricted

Stock Units credited to Employee's Performance Based Restricted Stock Unit Account immediately before such an event.

Section 10. *Tax Withholding*

The Company shall not be obligated to transfer any shares of Stock until Employee pays to the Company or a Subsidiary in cash, or any other form of property, including Stock, acceptable to the Company, the amount required to be withheld from the wages of Employee with respect to such shares. Employee may elect to have such withholding satisfied by a reduction of the number of shares otherwise transferable under this Agreement at such time, such reduction to be calculated based on the closing market price of the Stock on the day Employee gives written notice of such election to the Company.

Section 11. *Source of Payment*

Shares of Stock transferable to Employee, or his Beneficiary, under this Agreement may be either Treasury shares, authorized but unissued shares, or any combination of such stock. The Company shall have no duties to segregate or set aside any assets to secure Employee's right to receive shares of Stock under this Agreement. Employee shall not have any rights with respect to transfer of shares of Stock under this Agreement other than the unsecured right to receive shares of Stock from the Company.

Section 12. *Continuation of Employment*

This Award Agreement shall not confer upon the Employee any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate the Employee's employment at any time.

Section 13. *Amendment*

This Agreement may be amended by mutual consent of the parties hereto by written agreement.

Section 14. *Governing Law*

This Agreement shall be construed and administered in accordance with the laws of the State of Illinois.

**FEDERAL SIGNAL CORPORATION
PERFORMANCE BASED RESTRICTED STOCK UNIT**

BENEFICIARY DESIGNATION

Employee: _____ Social Security No.: _____

Address: _____ Date of Birth: _____

Employee hereby designates the following individual(s) or entity(ies) as his or her beneficiary(ies) pursuant to Federal Signal Corporation 2006 Equity Incentive Plan (Insert Name, Social Security Number, Relationship, Date of Birth and Address of Individuals and/or fully identify any trust beneficiary by the Name of the Trust, Date of Execution of the Trust, the Trustee's Name, the address of the trust, and the employer identification number of the trust):

Primary Beneficiary(ies)

Contingent Beneficiary(ies)

The Participant hereby reserves the right to change this Beneficiary Designation, and any such change shall be effective when the Participant has executed a new or amended Beneficiary Designation form, and the receipt of such form has been acknowledged by the Corporation, all in such manner as specified by the Corporation from time to time, or on a future date specified by any such new or amended Beneficiary Designation form.

IN WITNESS WHEREAS, the Participant has executed this Beneficiary Designation on the date designated below.

Date: _____, _____

Signature of Employee

Received: _____
FEDERAL SIGNAL CORPORATION

Date: _____, _____ By: _____

EXHIBIT A
TSR Peer Group

A.O. Smith Corporation
Ametek, Inc.
BorgWarner Inc.
Briggs & Stratton Corporation
Caterpillar Inc.
Cooper Industries, Inc.
Cummins, Inc.
Deere & Company
Dover Corporation
Eaton Corporation
Emerson Electric Co.
Honeywell International Inc.
Hubbell Incorporated
Illinois Tool Works Inc.
Ingersoll-Rand Company
Johnson Controls, Inc.
L-3 Communications Corporation
Motorola, Inc.
Oshkosh Truck Corporation
PACCAR Inc.
Parker Hannifin Corporation
Raytheon Company
Sauer-Danfoss Inc.
Teleflex Incorporated
Tennant Company
Thomas & Betts Corporation
The Timken Company
Valmont Industries, Inc.
Woodward Governor Company
Worthington Industries, Inc.

**Federal Signal Corporation
2005 Executive Incentive Compensation Plan
Restricted Stock Unit — Award Agreement**

You have been selected to receive a grant of Restricted Stock Units pursuant to the Federal Signal Corporation 2005 Executive Incentive Compensation Plan (the “Plan”), as specified below:

Participant: _____

Date of Grant: _____

Number of Restricted Stock Units Granted:

This Award shall be subject to the terms and conditions prescribed in the Federal Signal Corporation 2005 Executive Incentive Compensation Plan and in the Federal Signal Corporation Restricted Stock Unit Award Agreement No. 2008 attached hereto.

This document constitutes part of the prospectus covering securities that have been registered under the Securities Act of 1933.

IN WITNESS WHEREOF, the parties have caused this Award Agreement to be executed on this _____ day of _____.

FEDERAL SIGNAL CORPORATION

By: _____

Title: _____

By: _____
“Company”

“Participant”

**FEDERAL SIGNAL CORPORATION
RESTRICTED STOCK UNIT
AWARD AGREEMENT NO. 2008**

Federal Signal Corporation (the "Company") established the Federal Signal Corporation 2005 Executive Incentive Compensation Plan (the "Plan") pursuant to which options, stock appreciation rights, restricted stock and stock units and performance shares covering an aggregate of 4,000,000 shares of the Stock of the Company may be granted to Participants and directors of the Company and its subsidiaries;

The Board of Directors of the Company, and the Administrator of the Plan appointed by the Board of Directors, has determined that the interests of the Company will be advanced by encouraging and enabling certain of its employees to own shares of the common stock of the Company, and that Participant is one of those employees;

NOW, THEREFORE, in consideration of services rendered and the mutual covenants herein contained, the parties agree as follows:

Section 1. *Definitions*

As used in this Agreement, the following terms shall have the following meanings:

- A. "Award" means the award provided for in Section 2.
- B. "Board of Directors" means the Board of Directors of the Company.
- C. "Change in Control" shall have the meaning ascribed to that term in the Company's Change in Control Policy.
- D. "Date of Award" of Restricted Stock Units means the date set forth on the Award instrument applicable those Units.
- E. "Participant" means the individual shown as the recipient of an award of Restricted Stock Units, as set forth on the Award instrument applicable those Units.
- F. "Permanent Disability" means Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months.
- G. "Restricted Stock Unit" means the obligation of the Company to transfer one share of Stock to Participant at the time provided in Section 6 of this Agreement, provided such Restricted Stock Unit is vested at such time.
- H. "Stock" means the common stock of the Company.
- I. "Subsidiary" means any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the relevant date, each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing fifty

percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

J. "Vesting Date" means the date prescribed in Section 4.

Section 2. *Award*

Subject to the terms of this Agreement, the Company awarded to Participant the number of Restricted Stock Units set forth on the Award instrument applicable those Units, effective as of the Date of Award set forth on such instrument.

This grant of Restricted Stock Units shall not confer any right to the Participant (or any other Participant) to be granted Restricted Stock Units or other Awards in the future under the Plan.

Section 3. *Bookkeeping Account*

The Company shall record the number of Restricted Stock Units granted hereunder to a bookkeeping account for Participant (the "Restricted Stock Unit Account"). Participant's Restricted Stock Unit Account shall be debited by the number of Restricted Stock Units, if any, forfeited in accordance with Section 4 and by the number of shares of Stock transferred to Participant in accordance with Section 6 with respect to such Restricted Stock Units. Participant's Restricted Stock Units also shall be adjusted from time to time for stock dividend, stock splits and other such transactions in accordance with Section 10.

Section 4. *Vesting*

Subject to the accelerated vesting provisions provided below, the Restricted Stock Units shall vest on the third anniversary of the Date of Award, if Participant remains employed by the Company or its Subsidiaries through such date.

In the event Participant dies while employed, or terminates employment on account of his Permanent Disability before the third anniversary of the Date of Award, all of the Restricted Stock Units granted pursuant to Section 2 shall be fully vested immediately. Restricted Stock Units also shall be fully vested upon the occurrence of a Change in Control.

In the event of the termination of employment of Participant with the Company and its Subsidiaries for any other reason before the third anniversary of the Date of Award, all Restricted Stock Units that are not vested at the time of such termination of employment normally shall be forfeited.

Section 5. *Acceleration of Vesting in the Event of Divestiture of Business Segment*

In the event that the "Business Segment" (as that term is defined in this Section below) in which the Participant is primarily employed as of the "Divestiture Date" (as that term is defined in this Section below) is the subject of a "Divestiture of a Business Segment" (as that term is defined in this Section below), and such divestiture results in the termination of the Participant's

employment with the Company and its subsidiaries for any reason, the Restricted Stock Units shall be fully vested.

For purposes of this Agreement, the term "Business Segment" shall mean a business line which the Company treats as a separate business segment under the segment reporting rules under generally accepted accounting principles as used in the United States, which currently includes the following: Safety and Security Systems, Fire Rescue, Environmental Solutions and Tool. Likewise, the term "Divestiture Date" shall mean the date that a transaction constituting a Divestiture of a Business Segment is finally consummated.

For purposes of this Agreement, the term "Divestiture of a Business Segment" means the following:

- (a) When used with reference to the sale of stock or other securities of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, the sale, exchange, transfer, distribution or other disposition of the ownership, either beneficially or of record or both, by the Company or one of its subsidiaries to "Nonaffiliated Persons" (as that term is defined in this Section below) of 100% of either (i) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (ii) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment;
- (b) When used with reference to the merger or consolidation of a Business Segment that is or becomes a separate corporation, limited liability company, partnership or other separate business entity, any such transaction that results in Nonaffiliated Persons owning, either beneficially or of record or both, 100% of either (i) the then-outstanding common stock (or the equivalent equity interests) of the Business Segment or (ii) the combined voting power of the then-outstanding voting securities of the Business Segment entitled to vote generally in the election of the board of directors or the equivalent governing body of the Business Segment; or
- (c) When used with reference to the sale of the assets of the Business Segment, the sale, exchange, transfer, liquidation, distribution or other disposition of all or substantially all of the assets of the Business Segment necessary or required to operate the Business Segment in the manner that the Business Segment had been operated prior to the Divestiture Date.

For purposes of this Agreement, the term "Nonaffiliated Persons" shall mean any persons or business entities which do not control, or which are not controlled by or under common control with, the Company.

Section 6. *Distribution of Shares*

Subject to the provisions below, shares of Stock equal to the number of Restricted Stock Units credited to the Restricted Stock Unit Account of Participant shall become distributable on the Vesting Date prescribed above.

Such shares shall be distributed as soon as administratively feasible after the date prescribed above; but no later two and one-half months after the end of the calendar year in which the specified date occurs.

Section 7. *Shareholder Rights*

Participant shall not have any of the rights of a shareholder of the Company with respect to Restricted Stock Units, such as the right to vote or the right to dividends.

Section 8. *Death Benefits*

In the event of the death of Participant, as soon as practical after the death of Participant, the Company shall transfer shares equal in number to the vested Restricted Stock Units, if any, credited to Participant's Restricted Stock Unit Account to Participant's Beneficiary or Beneficiaries; but no later than two and one-half months after the end of the calendar year in which the death of the Participant occurs.

Participant may designate a Beneficiary or Beneficiaries (contingently, consecutively, or successively) of such death benefit and, from time to time, may change his or her designated Beneficiary. A Beneficiary may be a trust. A beneficiary designation shall be made in writing in a form prescribed by the Company and delivered to the Company while the Participant is alive. If there is no designated Beneficiary surviving at the death of a Participant, payment of any death benefit of the Participant shall be made to the persons and in the proportions which any death benefit under the Federal Signal Corporation Participants' Profit Sharing and Savings Plan is or would be payable.

Section 9. *Units Non-Transferable*

Restricted Stock Units awarded hereunder shall not be transferable by Participant. Except as may be required by the federal income tax withholding provisions of the Code or by the tax laws of any State or foreign sovereign, the interests of Participant and his Beneficiaries under this Agreement are not subject to the claims of their creditors and may not be voluntarily or involuntarily sold, transferred, alienated, assigned, pledged, anticipated, or encumbered. Any attempt by Participant or a Beneficiary to sell, transfer, alienate, assign, pledge, anticipate, encumber, charge or otherwise dispose of any right to benefits payable hereunder shall be void.

Section 10. *Adjustment in Certain Events*

If there is any change in the Stock by reason of stock dividends, split-ups, mergers, consolidations, reorganizations, combinations or exchanges of shares or the like, the number of Restricted Stock Units credited to Participant's Restricted Stock Unit Account shall be adjusted appropriately so that the number of Restricted Stock Units credited to Participant's Restricted Stock Unit Account after such an event shall equal the number of shares of Stock a shareholder would own after such an event if the shareholder, at the time such an event occurred, had owned

shares of Stock equal to the number of Restricted Stock Units credited to Participant's Restricted Stock Unit Account immediately before such an event.

Section 11. *Tax Withholding*

The Company shall not be obligated to transfer any shares of Stock until Participant pays to the Company or a Subsidiary in cash, or any other form of property, including Stock, acceptable to the Company, the amount required to be withheld from the wages of Participant with respect to such shares. Participant may elect to have such withholding satisfied by a reduction of the number of shares otherwise transferable under this Agreement at such time, such reduction to be calculated based on the closing market price of the Stock on the day Participant gives written notice of such election to the Company.

Section 12. *Source of Payment*

Shares of Stock transferable to Participant, or his Beneficiary, under this Agreement may be either Treasury shares, authorized but unissued shares, or any combination of such stock. The Company shall have no duties to segregate or set aside any assets to secure Participant's right to receive shares of Stock under this Agreement. Participant shall not have any rights with respect to transfer of shares of Stock under this Agreement other than the unsecured right to receive shares of Stock from the Company.

Section 13. *Continuation of Employment*

This Award Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate the Participant's employment at any time.

Section 14. *Amendment*

This Agreement may be amended by mutual consent of the parties hereto by written agreement.

Section 15. *Governing Law*

This Agreement shall be construed and administered in accordance with the laws of the State of Illinois.

**FEDERAL SIGNAL CORPORATION
RESTRICTED STOCK UNIT
BENEFICIARY DESIGNATION**

Participant: _____ Social Security No.: _____

Address: _____ Date of Birth: _____

Participant hereby designates the following individual(s) or entity(ies) as his or her beneficiary(ies) pursuant to Federal Signal Corporation 2005 Equity Incentive Plan (Insert Name, Social Security Number, Relationship, Date of Birth and Address of Individuals and/or fully identify any trust beneficiary by the Name of the Trust, Date of Execution of the Trust, the Trustee's Name, the address of the trust, and the employer identification number of the trust):

Primary Beneficiary(ies)

Contingent Beneficiary(ies)

The Participant hereby reserves the right to change this Beneficiary Designation, and any such change shall be effective when the Participant has executed a new or amended Beneficiary Designation form, and the receipt of such form has been acknowledged by the Corporation, all in such manner as specified by the Corporation from time to time, or on a future date specified by any such new or amended Beneficiary Designation form.

IN WITNESS WHEREAS, the Participant has executed this Beneficiary Designation on the date designated below.

Date: _____, _____
Signature of Participant

Received: FEDERAL SIGNAL CORPORATION

Date: _____, _____ By: _____

FIRST AMENDMENT
OF THE
FEDERAL SIGNAL CORPORATION SAVINGS RESTORATION PLAN

WHEREAS, Federal Signal Corporation (the "Company") maintains the Federal Signal Corporation Savings Restoration Plan (the "Plan") for the benefit of certain of its employees; and

WHEREAS, the Plan provides in Section 12 for the amendment of the Plan by the Benefits Planning Committee; and

WHEREAS, the Company has agreed to provide for a notional contribution to the Plan for William H. Osborne ("Osborne") in the amount of \$200,000 and in the same amount of \$200,000 on each anniversary of Osborne's employment date for the next nine years provided he is employed by the Company on such anniversary date; and

WHEREAS, it is deemed advisable and in the best interest of the Company that the following amendment to the Plan be adopted, to reflect the notional contribution for Osborne as described above;

NOW, THEREFORE, the Plan is hereby amended, effective as of September 15, 2008, by adding the following new Supplement B to the Plan, immediately following Supplement A thereof, in the form attached hereto.

* * *

[signatures follow on next page]

IN WITNESS WHEREOF, this Amendment has been executed by the Benefits Planning Committee on behalf of the Company, this _____ day of _____, 2008.

FEDERAL SIGNAL CORPORATION
BENEFITS PLANNING COMMITTEE

Interim President and Chief Executive Officer,
James E. Goodwin

Sr. Vice President and Chief Financial Officer,
Stephanie K. Kushner

Sr. Vice President and General Counsel,
Jennifer L. Sherman

Vice President and Controller,
David E. Janek

Vice President—Human Resources, SSG,
Guy T. Wernet

Vice President—Human Resources, ESG,
Julie A. Cook

SUPPLEMENT B

Special Contributions for William H. Osborne

B-1. Special Contributions. Beginning in Plan Year 2008 and for each of the nine Plan years thereafter, the Company shall make a Special Contribution to the Company Contribution Account of William H. Osborne ("Osborne") under this Plan in the amount of \$200,000 for 2008, and an additional \$200,000 per year for the next nine years beginning in 2009 and ending in 2017. Such Special Contributions shall be made in the manner determined by the Committee and on the anniversary of the date of Osborne's employment with the Company (September 15, 2008), and each Plan Year's Special Contribution shall be made to the Plan only in the event that Osborne is employed on the anniversary of his date of hire; i.e., September 15 of the applicable Plan Year, as President and Chief Executive Officer of Federal Signal Corporation.

B-2. Vesting of Special Contributions. Each Special Contribution shall be vested over a three-year period at the rate of one-third of the applicable amount in each year as of the anniversary date of Osborne's first date of employment with the Company, so that each Special Contribution shall be 33-1/3% vested on September 15 of the year following the year of contribution, 66-2/3% vested on September 15 of the second year following the year of contribution, and 100% vested on September 15 of the third year following the year of contribution.

B-3. Other Provisions of the Plan Applicable. All other provisions of the Plan are applicable to Special Contributions made under this Supplement B.

SECOND AMENDMENT
TO
FEDERAL SIGNAL CORPORATION
SAVINGS RESTORATION PLAN

WHEREAS, Federal Signal Corporation (the “Company”) maintains the Federal Signal Corporation Savings Restoration Plan (the “Plan”); and

WHEREAS, amendment of the Plan now is considered desirable in order to update the Plan to conform various Plan provisions to the final regulations under Section 409A of the Internal Revenue Code;

NOW, THEREFORE, IT IS RESOLVED that, pursuant to the power reserved to the Benefits Planning Committee under Section 12 of the Plan, the Plan is hereby amended in the following particulars, all effective as of January 1, 2007:

1. By substituting the phrase “Federal Signal Corporation Savings Restoration Plan” for the phrase “Federal Signal Corporation 401(k) Savings Restoration Plan” where the latter phrase appears in the first sentence of subsection 1.1 of the Plan

2. By substituting the following for the last two sentences of subsection 1.1 of the Plan:

“The Plan is designed to comply with the American Jobs Creation Act of 2004, as amended (the ‘Jobs Act’), section 409A of the Code, and final Treasury Regulations issued thereunder, effective January 1, 2009. Prior to January 1, 2009, it is intended that the Plan be interpreted according to a good faith interpretation of the Jobs Act and section 409A of the Code, and consistent with published guidance thereunder, including, without limitation, IRS Notice 2005-1 and the proposed and final Treasury Regulations under section 409A of the Code. Treatment of amounts deferred under the Plan pursuant to and in

accordance with any transition rules provided under all IRS published guidance and other applicable authorities in connection with the Jobs Act or section 409A of the Code, shall be expressly authorized hereunder and shall be administered in accordance with procedures established by the Company. In the event of any inconsistency between the terms of the Plan and the Jobs Act or section 409A of the Code, the terms of the Jobs Act and section 409A of the Code shall prevail and govern.”

3. By inserting the phrase “while the Employee is an Eligible Individual” immediately after the parenthetical phrase “(the ‘Qualified RSP Plan’)” where the latter phrase appears in subsection 2.10 of the Plan.

4. By inserting a comma and the phrase “all as determined within the meaning of Code Section 409A and the regulations thereunder” immediately before the period at the end of the last sentence of subsection 2.12 of the Plan.

5. By inserting a comma and the phrase “all as determined within the meaning of Code Section 409A and the regulations thereunder” immediately before the period at the end of subsection 2.16 of the Plan.

6. By adding the following sentence to the end of subsection 2.21 of the Plan:

“By becoming a Participant and making deferrals under this Plan, each Participant agrees to be bound by the provisions of the Plan and the determinations of the Company and the Committee hereunder.”

7. By substituting the following for the text of subsection 2.25 of the Plan:

“Termination Date’ means, with respect to an Employee Participant, the date on which the Participant has a separation from service (within the meaning of Section 409A of the Code and the regulations, notices and other guidance thereunder, including death) with the Employers, the Company and any subsidiary or affiliate of the Company, and, with respect to a non-employee Board member Participant, the date on which the Board member resigns, is removed or otherwise terminates service on the Board (including death), all as determined by the Committee. The date that an Employee’s performance of services for all the

Employers is reduced to a level of less than 20% of the average level of services performed in the preceding 36-month period, shall be considered a Termination Date, and the performance of services at a level of 50% or more of the average level of services performed in the preceding 36-month period shall not be considered a Termination Date.”

8. By substituting the following for the first paragraph of subsection 3.1 of the Plan:

“For each Plan Year commencing on or after 2007, each Employee of an Employer whose Compensation is at a level such that he is likely to be, on a sustained basis (as determined by the Committee), subject to the limitations on Compensation that can be taken into account under the Qualified RSP Plan, as described in Section 4 below, shall be an Eligible Individual eligible to participate in the Plan while he is determined by the Committee to satisfy the criteria described above by making a deferral election pursuant to Section 4. An Employee who first becomes an Eligible Individual during a Plan Year shall only be permitted to become a Participant in the Plan as of the January 1 following the date he becomes an Eligible Individual. A list of all potential Eligible Individuals shall be presented to the Committee annually for approval.”

9. By substituting the phrase “credited to the Participant’s Accounts due to the Participant having no further eligible Compensation after the end of the Plan Year Quarter” for the phrase “credited to the Participant’s Accounts after the end of the Plan Year Quarter” where the latter phrase appears in the first sentence of subsection 3.2 of the Plan.

10. By substituting the following for the last two sentences of subsection 9.1 of the Plan that precede subparagraph 9.1(a) thereof:

“Notwithstanding the foregoing, in the event of the Participant’s death, the Participant’s total Account balances shall be distributed in the form of a lump sum to the Participant’s Beneficiary as determined under subsection 9.4, within 90 days of the date of the Participant’s death (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Beneficiary, the payment will be made as soon as administratively practicable for the Committee to make such payment). A Participant’s

total Pre-2007 Plan Account shall be paid to him in the form of a single lump sum (or, if applicable, in the form of installments pursuant to his election made prior to January 1, 2005 with respect to such Pre-2007 Plan Account), which lump sum or installments shall be paid or commence within the 90-day period following his Termination Date (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Committee to make such payment), or such later date as shall be required under subsection 9.2.”

11. By substituting the following for the first two sentences of subparagraph 9.1(b) of the Plan:

“The first installment payment shall generally be within the 90-day period beginning January 1 following the calendar year in which occurs the Participant’s Termination Date (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Committee to make such payment), or such later date as shall be required under subsection 9.2. Succeeding payments shall be made within the 90-day period beginning January 1 of each succeeding calendar year, (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Committee to make such payment).”

12. By substituting the following for the text of subparagraph 9.1(c) of the Plan:

“Participants who have elected payment in installments may make a subsequent election to elect payment of that amount in the form of a lump sum, if payment of installments with respect to that year’s Compensation Deferrals has not yet commenced. Such election must be made in accordance with procedures established by the Committee, and any such election must be made no later than 12 calendar months prior to the originally elected payment date of the first installment, and shall not take effect until the Participant has completed 12 months of employment with the Employer following the date of such election change. The new payment date for the installment with respect to which such election is

made must be deferred to the later of: (i) five years from the date such payment would otherwise have been made, or (ii) the last payment date of the last installment with respect to that year's deferrals. Participants who have elected payment in installments may make a subsequent election to change the number of such installment payments so long as no acceleration of distribution payments occurs, if payment of installments with respect to that year's Compensation Deferrals has not yet commenced. Such election must be made in accordance with procedures established by the Committee, and any such election must be made no later than 12 calendar months prior to the originally elected payment date of the first installment, and shall not take effect until the Participant has completed 12 months of employment with the Employer following the date of such election change. The new payment date for any installment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been made. In the event payment has been elected by the Participant in the form of installments, each installment payment shall be considered a separately identifiable payment. In the event payment has been elected by the Participant in the form of a lump sum (or in the event payment shall be made to the Participant in the form of a lump sum under the terms of the Plan in the absence of or in lieu of the Participant's election), then the lump sum form shall be deemed to be a separately identifiable form of payment, and the Participant may make a subsequent deferral election to elect payment of that amount in the form of installments in accordance with the procedures described above for changing installment payment elections. Participants will be permitted to make such a change only once with respect to any year's Compensation Deferrals."

13. By substituting the phrase "the date that is within the 90-day period beginning with the date that is six months after the Participant's Termination Date" for the phrase "the date that is not less than six months after the Participant's Termination Date" where the latter phrase appears in subsection 9.2 of the Plan.

14. By substituting the phrase “the applicable dollar amount under Section 402(g) of the Code” for the number “\$10,000” where the latter number appears in subsection 9.3 of the Plan.

15. By substituting the following for the text of subsection 9.5 of the Plan:

“If a former Participant is rehired by an Employer, the Employer or any affiliate or subsidiary of the Employer described in Section 414(b) and (c) of the Code, regardless of whether he is rehired as an Eligible Individual, any payments being made to such Participant hereunder by virtue of his previous Termination Date shall continue to be made to him without regard to such rehire.”

* * *

IN WITNESS WHEREOF, this Amendment has been executed by the Benefits Planning Committee on behalf of the Company, this _____ day of November, 2008.

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FEDERAL SIGNAL CORPORATION
BENEFITS PLANNING COMMITTEE

President and Chief Executive Officer,
William H. Osborne

Sr. Vice President and Chief Financial Officer,
Stephanie K. Kushner

Sr. VP—HR, General Counsel and Secretary,
Jennifer L. Sherman

Vice President—Human Resources, SSG,
Guy T. Wernet

Vice President—Human Resources, ESG,
Julie A. Cook

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THIRD AMENDMENT
TO
FEDERAL SIGNAL CORPORATION
SAVINGS RESTORATION PLAN

WHEREAS, Federal Signal Corporation (the "Company") maintains the Federal Signal Corporation Savings Restoration Plan (the "Plan"); and

WHEREAS, amendment of the Plan now is considered desirable in order to reflect the change to the matching contribution under the Plan to zero percent (0%) effective for pay periods ending after December 31, 2008;

NOW, THEREFORE, IT IS RESOLVED that, pursuant to the power reserved to the Benefits Planning Committee under Section 12 of the Plan, the Plan is hereby amended in the following particulars, all effective as of December 31, 2008:

1. By substituting the phrase "equal to a percentage (as determined by the Committee from time to time, which may be zero percent) of the amount of the Participant's Compensation" for the phrase "equal to 50% of 6% of the amount of the Participant's Compensation" where the latter phrase appears in the second sentence of subsection 4.2 of the Plan.

2. By adding the following sentence at the end of the first paragraph of subsection 4.2 of the Plan:

"Effective for pay periods ending after December 31, 2008, the Matching Contribution shall be equal to zero percent (0%) of the amount of the Participant's Compensation."

* * *

IN WITNESS WHEREOF, this Amendment has been executed by the Benefits Planning Committee on behalf of the Company, this _____ day of December, 2008.

FEDERAL SIGNAL CORPORATION
BENEFITS PLANNING COMMITTEE

President and Chief Executive Officer,
William H. Osborne

Sr. Vice President and Chief Financial Officer,
William G. Barker, III

Sr. VP, HR, General Counsel and Secretary,
Jennifer L. Sherman

Vice President, Human Resources, SSG,
Guy T. Wernet

Vice President, Human Resources, ESG,
Julie A. Cook

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EXHIBIT 21

NAME	JURISDICTION OF INCORPORATION
Bronto Skylift Holding OY	Finland
Bronto Skylift Oy Ab	Finland
Elgin Sweeper Company	Delaware
E-ONE Canada Corp.	Nova Scotia, Canada
Federal APD Incorporated	Michigan
Federal Signal Credit Corporation	Delaware
Federal Signal Environmental Products China (HK) Ltd	Hong Kong
Federal Signal of Europe B.V.	Netherlands
Federal Signal Safety Products (Shanghai) Co. Ltd.	China
Federal Signal Tool (Asia Pacific) Ltd.	Hong Kong
Federal Signal Tool (Dongguan) Company Ltd.	China
Federal Signal U.K. Holdings, Ltd.	United Kingdom
Federal Signal VAMA, S.A.	Spain
Guzzler Manufacturing, Inc.	Alabama
FS Depot, Inc.	Wisconsin
FS Depot ULC.	Alberta, Canada
IEES B.V.	Netherlands
Jetstream of Houston, Inc.	Delaware
Jetstream of Houston, LLP	Texas
Pauluhn Electric Mfg. Co. Inc.	New York
Pauluhn Electric Manufacturing, LLP	Texas
Pauluhn Inc.	Alberta, Canada
P.C.S. Company	Michigan
PIPS Technology Inc.	Tennessee
PIPS Technology Limited	United Kingdom
Ravo BV	Netherlands
Ravo Italia SRL	Italy
Ravo Kommunalfahrzfrage GmbH	Germany
Vactor Manufacturing, Inc.	Illinois
Victor Industrial Equipment PTY Ltd.	South Africa
Victor Products Limited	United Kingdom
Victor Products USA Incorporated	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-14251, 33-89509, 333-81798, 333-127234 and 333-104629) pertaining to the Stock Option Plan and Employee Savings and Investment Plans of Federal Signal Corporation and to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-71886, 333-76372 and 333-98993) of Federal Signal Corporation and in the related Prospectuses of our reports dated February 27, 2009, with respect to the consolidated financial statements and schedule of Federal Signal Corporation and the effectiveness of internal control over financial reporting of Federal Signal Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

Ernst & Young LLP
Chicago, Illinois
February 27, 2009

CEO Certification Under Section 302 of the Sarbanes-Oxley Act

I, William H. Osborne, certify that:

1. I have reviewed this annual report Form 10-K of Federal Signal Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period in which this report is being prepared;
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 27, 2009

/s/ William H. Osborne
William H. Osborne
President and Chief Executive Officer

CFO Certification under Section 302 of the Sarbanes-Oxley Act

I, William G. Barker, certify that:

1. I have reviewed this annual report Form 10-K of Federal Signal Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period in which this report is being prepared;
 - d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 27, 2009

/s/ William G. Barker

William G. Barker
Senior Vice President and Chief Financial Officer

CEO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act

I, William H. Osborne, Interim President and Interim Chief Executive Officer and Director of Federal Signal Corporation (“the Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 USC. Section 1350, that:

- (1) The Annual report of Form 10-K of the Company for the year ended December 31, 2008 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 USC. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2009

/s/ William H. Osborne
William H. Osborne
President and Chief Executive Officer

CFO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act

I, William G. Barker, Senior Vice President and Chief Financial Officer of Federal Signal Corporation (“the Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 USC. Section 1350, that:

- (3) The Annual report of Form 10-K of the Company for the year ended December 31, 2008 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 USC. 78m or 78o(d)); and
- (4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2009

/s/ William G. Barker

William G. Barker
Senior Vice President and Chief Financial Officer

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