

MINE SAFETY APPLIANCES CO  
Form DEF 14A  
March 30, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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**Mine Safety Appliances Company**

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

MINE SAFETY APPLIANCES COMPANY n 1000 CRANBERRY WOODS DRIVE, CRANBERRY TOWNSHIP,  
PENNSYLVANIA 16066 n PHONE (724) 776-8600

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

TO THE HOLDERS OF COMMON STOCK OF

MINE SAFETY APPLIANCES COMPANY:

Notice is hereby given that the Annual Meeting of Shareholders of Mine Safety Appliances Company will be held on Wednesday, May 11, 2011 at 9:00 A.M., local Pittsburgh time, at the Company's Corporate Center, 1000 Cranberry Woods Drive, Cranberry Township, Pennsylvania 16066 (**please note new time and location this year**) for the purpose of considering and acting upon the following:

- (1) *Election of Directors for 2014:* The election of three directors for a term of three years;
- (2) *Management Equity Plan Approval:* Approval of Adoption of the Company's Amended and Restated 2008 Management Equity Incentive Plan;
- (3) *Selection of Independent Registered Public Accounting Firm:* The selection of the independent registered public accounting firm for the year ending December 31, 2011;
- (4) *Say on Pay:* To provide an advisory (non-binding) vote on the executive compensation of the Company's named executive officers;
- (5) *Say on Pay Frequency Vote:* To provide an advisory (non-binding) vote on the frequency of the advisory vote on executive compensation.

and such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only the holders of Common Stock of the Company of record on the books of the Company at the close of business on February 15, 2011 are entitled to notice of and to vote at the meeting and any adjournment thereof.

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You are cordially invited to attend the meeting. Whether or not you expect to attend the meeting, please execute and date the accompanying form of proxy and return it in the enclosed self-addressed, stamped envelope at your earliest convenience. If you attend the meeting, you may, if you wish, withdraw your proxy and vote your shares in person.

By Order of the Board of Directors,

DOUGLAS K. McCLAIN

*Secretary*

March 30, 2011

March 30, 2011

**MINE SAFETY APPLIANCES COMPANY**

**PROXY STATEMENT**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 11, 2011**

**The 2011 Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2010 are also available at [www.msanet.com/proxymaterials](http://www.msanet.com/proxymaterials).**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Mine Safety Appliances Company (the Company) of proxies in the accompanying form to be voted at the Annual Meeting of Shareholders of the Company to be held on Wednesday, May 11, 2011, and at any and all adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. If a proxy in the accompanying form is duly executed and returned, the shares of Common Stock represented thereby will be voted and, where a specification is made by the shareholder, will be voted in accordance with such specification. A shareholder giving the accompanying proxy has the power to revoke it at any time prior to its exercise upon written notice given to the Secretary of the Company.

The mailing address of the principal executive offices of the Company is 1000 Cranberry Woods Drive, Cranberry Township, PA 16066.

**VOTING SECURITIES AND RECORD DATE**

As of February 15, 2011, the record date for the Annual Meeting, 36,522,881 shares of Common Stock were issued and outstanding, not including 1,357,469 shares held in the Company's Stock Compensation Trust. The shares held in the Stock Compensation Trust are not considered outstanding for accounting purposes but are treated as outstanding for certain purposes, including voting at the Annual Meeting. See Stock Ownership Beneficial Ownership of Management.

Only holders of Common Stock of the Company of record on the books of the Company at the close of business on February 15, 2011 are entitled to notice of and to vote at the Annual Meeting and at any adjournment thereof. Such holders are entitled to one vote for each share held and do not have cumulative voting rights with respect to the election of directors. Holders of outstanding shares of the Company's 4/2% Cumulative Preferred Stock are not entitled to vote at the meeting.

See Stock Ownership for information with respect to share ownership by the directors and executive officers of the Company and the beneficial owners of 5% or more of the Company's Common Stock.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

At the Annual Meeting, three directors will be elected to serve until the Annual Meeting in 2014. Ms. Diane M. Pearse and Messrs. L. Edward Shaw, Jr. and William M. Lambert were nominated by the Board of Directors for election in the Class of 2014. **The Board of Directors and its Nominating and Corporate Governance Committee recommend a vote FOR the election of the nominees, each of whom has consented to be named as a nominee and to serve if elected.** Properly executed proxies timely received in the accompanying form will be voted for the election of the nominees named below, unless otherwise directed thereon, or for a substitute nominee designated by the Nominating and Corporate Governance Committee in the event a nominee named becomes unavailable for election.

The following table sets forth certain information about the nominees, all of whom are currently members of the Board, and about the other directors whose terms of office will continue after the Annual Meeting.

Name	Principal Occupation and any Position with the Company;	Age	Director Since
	Other Reporting Company Directorships		
<b>Nominees for terms expiring in 2014</b>			
Diane M. Pearse	Senior Vice President of Finance and Operations for Redbox Automated Retail, LLC (a fully automated DVD rental company) since October 2010 and Senior Vice President of Finance of Redbox from May 2010 to October 2010. Prior to joining Redbox in May 2010, Ms. Pearse was Chief Financial Officer of Crate and Barrel (a home furnishings retailer). As the Senior Vice President of Finance and Operations for a large consumer company, in addition to her prior financial management experience with a major international retail company, Ms. Pearse brings to the Company's board expertise related to the financial aspects and risks of operating a multinational company.	53	2004
L. Edward Shaw, Jr.	Private investor and corporate director; Mr. Shaw retired as Senior Managing Director of Breeden Capital Management LLC (investment management and multi-disciplinary professional services firm) in July 2010; currently a Director and Chairman of the Compensation Committees of HealthSouth Corporation and H&R Block, Inc. As a former senior officer of three publicly traded multinational financial institutions and a former partner of a major New York law firm, Mr. Shaw brings to the Company's board expertise in the legal and financial aspects and risks of operating a multinational company.	66	1998
William M. Lambert	President and Chief Executive Officer of the Company. As the Company's CEO, Mr. Lambert brings to the Company's board extensive experience in the Company's business with particular expertise in product development, marketing, finance and the global safety products industry.	52	2007
<b>Continuing Directors with terms expiring in 2012</b>			
Thomas B. Hotopp	Retired (2003); formerly President of the Company. As the former President of the Company, Mr. Hotopp brings to the Company's board extensive experience in the Company's business with particular expertise in the Company's North American operations, markets, customers and competitors.	69	1998
John T. Ryan III	Chairman of the Board; Retired (2008); formerly Chief Executive Officer of the Company. As the former CEO of the Company, Mr. Ryan brings to the Company's board extensive experience in the Company's business with particular expertise in international markets and the global safety products industry.	67	1981



Name	Principal Occupation and any	Age	Director Since
	Position with the Company;		
	Other Reporting Company Directorships		
<b>Continuing Directors with terms expiring in 2012</b>			
Thomas H. Witmer	Retired (1998); formerly President and Chief Executive Officer, Medrad, Inc. (manufacturer of medical devices). As the former CEO of a publicly traded multinational company, Mr. Witmer brings to the Company's board specific expertise in global engineering, product design and marketing in international markets.	68	1997
<b>Continuing Directors with terms expiring in 2013</b>			
Robert A. Bruggeworth	President and Chief Executive Officer, RF Micro Devices, Inc. (high-performance radio systems and applications that drive mobile communications); Director of RF Micro Devices, Inc. As the CEO of a publicly traded multinational corporation, Mr. Bruggeworth brings to the Company's board specific expertise in global business, manufacturing, marketing and material sourcing for high technology products.	49	2007
James A. Cederna	Owner and President, Cederna International, Inc. (executive coaching). As the former Chairman and CEO of a publicly traded multinational company, Mr. Cederna brings to the Company's board specific expertise in global business, manufacturing and international markets.	60	2002
John C. Unkovic	Partner and General Counsel, Reed Smith LLP (full service law firm). As a long time partner and General Counsel of a multinational law firm, Mr. Unkovic brings to the Company's board the ability to identify and address the many legal aspects and risks of operating a multinational company.	67	2002

Mr. Lambert has been President and Chief Executive Officer of the Company since May 2008. From May 2007 to May 2008 he was President and Chief Operating Officer and prior thereto he was a Vice President of the Company and President of MSA North America. Except as described in the table above, each other director has engaged in the principal occupation indicated in the above table for at least the past five years. Mr. Shaw is the brother-in-law of Mr. Ryan.

#### Director Independence

The Board of Directors has determined that each of directors Bruggeworth, Cederna, Hotopp, Pearse, Unkovic and Witmer is an independent director. An independent director is a director who has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. At present, given his prior service as Chief Executive Officer, Mr. Ryan III is not considered an independent director under the New York Stock Exchange guidelines. Under the NYSE guidelines, Mr. Ryan III is eligible to be considered to be independent on July 1, 2011, three years following his retirement from the Company. At that time Mr. Shaw, who is Mr. Ryan's brother-in-law, could also be considered an independent director. The independent directors of the Board have considered this matter and have determined that Mr. Ryan III and Mr. Shaw will be independent directors effective July 1, 2011.

In making its independence determinations, the Board reviewed the director's individual circumstances, the corporate governance rules of the New York Stock Exchange and the Board's independence standards. These standards are available in the Investor Relations section of the Company's internet website at [www.MSAnet.com](http://www.MSAnet.com). They are summarized below:

*Disqualifying Relationships*

The following relationships are considered to be material relationships that would impair a director's independence:

If a director is an employee or has an immediate family member who is an executive officer of the Company, the director is not independent until three years after the end of the employment relationship.

If a director or an immediate family member receives more than \$100,000 per year in direct compensation from the Company, the director is not independent until three years after the director or family member ceases to receive such compensation. Disqualifying compensation does not include director and committee fees, pension or deferred compensation for prior service or compensation received by an immediate family member for service as a non-executive officer employee.

If a director or an immediate family member is employed by or affiliated with a present or former internal or external auditor of the Company, the director is not independent until three years after the end of the affiliation or the employment or auditing relationship. Employment of an immediate family member in a non-professional capacity does not disqualify a director.

If a director or an immediate family member is an executive officer of another company, and any of the Company's present executives serves on that company's compensation committee, the director is not independent until three years after the end of such employment or service.

If a director is an employee or an immediate family member is an executive officer of a company that makes payments to or receives payments from the Company for property or services, and the amount of such payments in a fiscal year exceeds the greater of \$1 million or 2% of the other company's consolidated gross revenue, the director is not independent until three years thereafter.

*Non-Disqualifying Relationships*

The following relationships are not considered to be material relationships that would impair a director's independence:

A director is an executive officer of another company that is indebted to the Company, or to which the Company is indebted, in an amount less than 5% of the other company's total consolidated assets;

A director is an executive officer of another company in which the Company owns a common stock interest less than 5% of the other company's total shareholders' equity;

A director serves as an executive officer of a charitable organization, and the Company's discretionary contributions to the organization are less than 2% of the organization's annual revenue; or

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A director is an executive officer of another company that owns a common stock interest in the Company.

### *Other Relationships*

The Board will annually review commercial and charitable relationships of directors. If a relationship is not one of the non-disqualifying relationships described above, the determination of whether the relationship is material or not, and therefore whether the director is independent or not, is made by the directors who satisfy the independence guidelines set forth under the two preceding captions.

For example, if a director is the executive officer of a charitable organization, and the Company's discretionary contributions to the organization are more than 2% of that organization's annual revenue, the independent directors will determine, after considering all of the relevant circumstances, whether the relationship is material, and therefore whether or not the director should be considered independent. The Company will explain in its proxy statement the basis for any Board determination that a relationship is not material, despite the fact that it does not meet one of the safe-harbors under Non-Disqualifying Relationships above.

Mr. Unkovic is a partner and General Counsel of Reed Smith LLP, which provides legal services to the Company. In 2010, the amount of payments made by the Company to Reed Smith did not exceed the greater of \$1,000,000 or 2% of the consolidated gross revenue of Reed Smith. The Board has determined that Mr. Unkovic's personal gain from the Company's relationship with Reed Smith does not affect his ability to act independently and, accordingly, is not material.

### **Board Committees**

The Board of Directors has established an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, a Finance Committee and certain other committees.

The Audit Committee presently consists of directors Bruggeworth, Cederna, Pearse (Chair) and Witmer, each for a term expiring at the 2011 organizational meeting of the Board of Directors. The Audit Committee, which met seven times during 2010, assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and financial reporting process. The Committee selects and recommends annually to the Board and the shareholders the independent registered public accounting firm to audit the Company's financial statements, approves in advance all audit and non-audit services performed by the independent registered public accounting firm, reviews the plans, findings and recommendations of the independent registered public accounting firm, and reviews and evaluates the performance of the independent registered public accounting firm, their independence and their fees. The Committee reviews and discusses with management and the independent registered public accounting firm the Company's financial statements and reports, its internal and disclosure controls and matters relating to the Company's internal control structure, its Code of Business Conduct and Ethics and legal and regulatory compliance. The Board of Directors has determined that Director Pearse is an audit committee financial expert, as defined by the rules of the Securities and Exchange Commission.

The Compensation Committee presently consists of directors Bruggeworth, Hotopp, Unkovic and Witmer (Chair), each for a term expiring at the 2011 organizational meeting of the Board. The Compensation Committee, which met four times in 2010, reviews and recommends (to the independent directors for approval) the annual goals, performance and compensation of the Company's chief executive officer, reviews and approves the compensation of all other executive officers and other key executives, monitors the effectiveness of all other employee benefit offerings, manages the Company's overall compensation strategy and compensation plans, assesses any risk inherent in these plans and attempts to ensure that such risk is not excessive and is acceptable to the Company and employs, compensates and oversees the Company's external compensation consultant and assures its independence. The Compensation Committee also administers the Company's 2008 Management Equity Incentive Plan and predecessor equity plans (collectively, the Management Equity Plans).

The Nominating and Corporate Governance Committee presently consists of directors Cederna, Hotopp (Chair) and Unkovic, each for a term expiring at the 2011 organizational meeting of the Board. The Committee, which met two times in 2010, reviews and makes recommendations to the Board regarding the composition and structure of the Board, criteria and qualifications for Board membership, director compensation and evaluation of current directors and potential candidates for director. It is also responsible for establishing and monitoring policies and procedures concerning corporate governance. Further information concerning the Nominating and Corporate Governance Committee and its procedures appears below.



The Finance Committee, which was established in May 2009, presently consists of directors Cederna, Pearse, Ryan III and Shaw (Chair), each for a term expiring at the 2011 organization meeting of the Board. The Committee, which met two times in 2010, reviews and makes recommendations to the Board regarding the Company's capital structure, dividend policy, financing activities, funding of the Company's employee benefit plan, and liquidity management.

### **Corporate Governance Matters**

The Board of Directors has adopted Corporate Governance Guidelines which cover a wide range of subjects, such as the role of the Board and its responsibilities, Board composition, operations and Committees, director compensation, Board and management evaluation and succession planning, director orientation and training and communications with the Board. The Corporate Governance Guidelines, as well as the Charters of the Board's Audit, Compensation, Nominating and Corporate Governance and Finance Committees and the Company's Code of Business Conduct and Ethics for directors, officers and employees, are available in the Investor Relations section of the Company's internet website at [www.MSAnet.com](http://www.MSAnet.com). Such material will also be furnished without charge to any shareholder upon written request to the Corporate Secretary at the Company's address appearing on page one.

While the fundamental criterion for selecting prospective directors is the ability to contribute to the well-being of the Company and its shareholders, the Board also considers diversity of race, gender and national origin to be an important factor that is weighed with other criteria such as having good judgment, integrity and a commitment to the mission of the Company when recommending prospective directors for the Company. Other criteria include skills and experience needed by the Board, commitment and any other factor considered relevant by the Nominating and Corporate Governance Committee and/or the Board. The Committee may prioritize the criteria depending on the current needs of the Board and the Company.

The Board has separated the position of Chairman of the Board and Chief Executive Officer. The current Chairman is Mr. Ryan III. Mr. Ryan III was Chairman and Chief Executive Officer of the Company from October 1991 until he retired as Chief Executive Officer in May 2008. He remained an employee of the Company until July 1, 2008. At present, given his prior service as Chief Executive Officer, Mr. Ryan III is not considered an independent director under the New York Stock Exchange guidelines. As discussed above under Director Independence, Mr. Ryan III will become an independent director on July 1, 2011. When Mr. Ryan III retired as Chief Executive Officer, the independent directors considered whether to appoint him as Chairman. This consideration took into account the reasons why some companies have decided to have an independent non-executive chairman and/or an independent lead director. The independent directors of the Board have determined that given the composition of the Board, the diligent independence traditionally exercised by the Board, the transparency of the Company's operations and other relevant considerations including the culture of the company, the Company does not need to have an independent chairman or independent lead director. Moreover, as a long time executive of the Company, and substantial shareholder, Mr. Ryan's service as chairman facilitates his ability to represent the Company externally and internally as appropriate. The Chairman position is evaluated annually, as is the performance of the incumbent, and this evaluation includes consideration of whether it is advisable to have an independent Chairman or independent lead director.

The Board also maintains an active structure of independent director leadership which performs many of the functions of an independent lead director. In furtherance of this, the Corporate Governance Guidelines provide that it is the Company's practice for the non-management directors to meet at each Board meeting in executive session, with no members of management present. The non-management directors include, in addition to the independent directors, any other director who is not a current officer of the Company. In addition, the independent directors hold at least one executive session per year.

A chairperson for the executive sessions for non-management directors is selected annually from the non-management directors. A chairperson for the executive session for independent directors is selected annually



from the independent directors. A chairperson who serves in that role may not be the chairperson of the executive sessions again until at least two years have passed since he or she last held the position. From May 2010, Ms. Pearse served as chairperson of the executive sessions of the non-management directors and for the sessions with the independent directors. Effective July 1, 2011, when Mr. Ryan III and Mr. Shaw become independent directors, the Company will only need to hold meetings of independent directors (all directors except Mr. Lambert). A chairperson for such meetings of independent directors will be chosen at the first such meeting in 2011. The audit, compensation and nominating and corporate governance committees are also each led by an independent director.

The Board of Directors met nine times during 2010. All directors attended at least 75% of the combined total of the meetings of the Board and of all committees on which they served. Directors are expected to attend the Annual Meeting of Shareholders. Eight directors attended last year's annual meeting.

### **Risk Oversight**

The Board as a whole exercises oversight of the Company's strategic risks and other risks identified through the Company's enterprise risk management program. Strategic risks are identified in the course of the Board's review and approval of the Company's plans and there is regular monitoring of the Company's performance against the strategic objectives including customer satisfaction metrics as well as periodic review of the activities of competitors. The Board also has oversight of the enterprise risk management program which is managed by the chief financial officer. The chief financial officer requires all senior managers to identify possible risks under their areas of responsibility each quarter. An enterprise risk management team led by the Company's Director of Internal Audit then identifies and considers appropriate mitigation elements to each risk for the purpose of estimating the likelihood and impact of each risk, and develops risk contingency plans as appropriate. This analysis is reviewed with the full Board annually and input from the Board is considered in the analysis.

In addition to the Board oversight described above, each committee has various risks that it oversees. For example, the Audit Committee is responsible for reviewing the Company's risk management policies and procedures, as well as its major financial risk exposures, and the processes management has established to monitor and control such exposures. The Compensation Committee monitors risk inherent in the Company's compensation policies and practices and those related to the recruitment and retention of employees. The Nominating and Corporate Governance Committee monitors risks related to Board performance and the Company's governance practices.

The Compensation Committee has evaluated the risks arising from the Company's compensation policies and practices for its employees, including review of examinations by Towers Watson and Pay Governance LLC of the compensation philosophy, design, governance and administration of compensation policies and practices provided to MSA's executives, and information developed by management regarding programs provided to other non-executive employees. Based on this, the committee concluded again in December 2010 that the risks arising from the Company's compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

### **Vote Required**

In the election of directors for terms expiring in 2014, the three candidates receiving the highest numbers of votes cast by the holders of Common Stock voting in person or by proxy will be elected as directors. A proxy vote indicated as withheld from a nominee will not be cast for such nominee but will be counted in determining whether a quorum exists for the meeting.



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The Company's Restated Articles require that any shareholder intending to nominate a candidate for election as a director must give written notice, containing specified information, to the Secretary of the Company

not later than 90 days in advance of the meeting at which the election is to be held. No such notices were received with respect to the 2011 Annual Meeting. Therefore, only the nominees named above will be eligible for election at the meeting.

## PROPOSAL NO. 2

### APPROVAL OF THE ADOPTION OF THE MINE SAFETY APPLIANCES COMPANY

#### AMENDED AND RESTATED 2008 MANAGEMENT EQUITY INCENTIVE PLAN

The Company's 2008 Management Equity Incentive Plan (the "Plan") was originally adopted by the Company's Board of Directors on February 28, 2008, and approved by the Company's shareholders on May 13, 2008. Upon recommendation of the Compensation Committee (the "Committee"), the Company's Board of Directors adopted amendments to the Plan on February 25, 2011, subject to shareholder approval.

The principal features of the Plan are summarized below. The description of the Plan provided below includes the amendments to the Plan. The summary is qualified in its entirety by the full text of the amended and restated Plan, which is set forth as Exhibit A to this Proxy Statement. The principal amendment is an increase of 2,000,000 in the total number of shares of common stock reserved for issuance as awards under the Plan. In addition, the amended Plan does not generally provide for automatic vesting of awards upon a change in control. Instead, the amended Plan utilizes the more conservative "double-trigger" vesting, under which awards vest only if the participant's employment is terminated following a change in control. The Plan was also amended to increase individual per employee limits with respect to performance-based compensation, and additional performance criteria were added to the Plan to further increase flexibility with respect to grants of performance-based compensation and to permit the alignment of compensation with performance.

The affirmative vote of the shareholders on or prior to February 24, 2012 is required for approval of the amendments to the Plan. If the Company's shareholders do not approve the amendments to the Plan as proposed in this Proxy Statement, the Plan will remain in effect without including the amendments. Accordingly, if the shareholders of the Company do not approve the amendments, there will be no increase in the number of shares available under the Plan or in the per employee limits, and no addition of performance criteria. Consequently, employees will not be able to receive certain performance-based compensation under the amended Plan if shareholder approval is not obtained.

**The Board of Directors recommends that shareholders vote FOR approval of the Amended and Restated 2008 Management Equity Incentive Plan.** Such approval will ensure the Company's continuing ability to provide a flexible range of compensation awards, including performance-based compensation awards, under the Plan. An increase in the number of shares available for future grants is necessary to permit the Plan to continue to operate as intended. The additional amendments further expand the Company's flexibility with respect to performance-based compensation and conform the Plan to current market practice and regulation. Unless otherwise specified thereon, proxies received in the accompanying form will be voted in favor of approval of the Plan.

#### General

The purpose of the Plan is to benefit the Company's shareholders by

encouraging high levels of performance by individuals whose performance is a key element in the Company's continued success by rewarding the creation of shareholder value, and

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enabling the Company to recruit, reward, retain and motivate employees to work as a team to achieve the Company's goals.

Employees of the Company or any subsidiary which has more than half of its voting power beneficially owned by the Company are eligible to receive awards under the Plan. The Committee (as described in

Administration, below) will determine which employees will be participants, the types of awards to be made to participants and the terms, conditions and limitations applicable to the awards. It is expected that approximately 280 employees will be eligible to participate in the Plan.

The maximum aggregate number of shares for which awards may be granted under the Plan is limited to the remaining shares of the Company's common stock, without par value (the Common Stock) available for grant immediately prior to your approval of the amendments plus an additional 2,000,000 shares of Common Stock, as provided in the amendments subject to adjustment for stock splits, dividends and similar events. Common Stock which is subject to any unexercised or undistributed portion of any terminated, expired, exchanged or forfeited award (or awards settled in cash in lieu of Common Stock) will become available for grant pursuant to new awards. However, shares delivered or withheld in satisfaction of the exercise price of an award or any tax withholding will not become available for grant pursuant to new awards. Stock appreciation rights to be settled in shares of the Company's common stock are counted in full against the number of shares available for award under the Plan regardless of the number of shares issued upon settlement of the stock appreciation right. The Committee may make such additional rules for determining the number of shares of Common Stock granted under the Plan as it deems necessary or appropriate. The Common Stock which may be issued pursuant to an award under the Plan may be treasury shares or authorized but unissued shares or Common Stock acquired, subsequently or in anticipation of the transaction, in the open market or otherwise to satisfy the requirements of the Plan, or any combination of such shares.

The Plan provides for the grant of incentive stock options (ISOs), as defined in Section 422 of the Code, and options which do not qualify as ISOs, known as nonqualified stock options (NSOs, and, together with ISOs, options). Options granted under the Plan may be accompanied by stock appreciation rights (Tandem SARs), and stock appreciation rights may be granted alone (Stand Alone SARs, and, together with Tandem SARs, SARs). Performance awards (Performance Awards) may also be granted under the Plan, which Performance Awards may be contingent on the performance of the Company, a subsidiary, any branch, department, business unit or portion thereof or a participant, or any combination thereof. The Plan also provides for the granting of restricted stock and other awards. All of the foregoing grants are sometimes referred to herein as awards, and the recipient of any award or grant is sometimes referred to herein as a grantee. The participants in the Plan will consist of those employees of the Company and its subsidiaries who are designated as grantees by the Committee administering the Plan, as described below.

The number of shares available under the Plan, any outstanding awards and individual per-employee limits are automatically adjusted in the event of stock dividends and similar events. In the event the shares of Common Stock have been affected in such a way that an adjustment of outstanding awards is appropriate in order to prevent the dilution or enlargement of rights under the awards (including, without limitation, any extraordinary dividend or other distribution (whether in cash or in kind), recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event), the Committee will make appropriate equitable adjustments, which may include, without limitation, adjustments to any or all of the number and kind of shares of stock (or other securities) which may thereafter be issued in connection with such outstanding awards and adjustments to any exercise price specified in the outstanding awards and will also make appropriate equitable adjustments to the number and kind of shares of stock (or other securities) authorized by, or to be granted under, the Plan.

Awards are subject to forfeiture and recoupment pursuant to the Company's recoupment policy or if a Plan participant engages in misconduct or violation of any Company policy, and incentive-based compensation otherwise payable or paid to current or former executive officers is forfeited and/or repaid to the Company as may be required pursuant to applicable regulatory requirements.

No awards may be granted under the Plan after February 24, 2021 and no Performance Awards may be granted under the Plan subsequent to the Company's annual meeting of stockholders in 2016.

## Administration

The Plan will be administered by the Compensation Committee (the Committee), consisting of not less than two members of the Board. Each member of the committee must be an outside director as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), a non-employee director as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act) and an independent director under the rules of any stock exchange on which the Common Stock may be listed and under any other applicable regulatory requirements.

A majority of the members of the Committee will constitute a quorum. The vote of a majority of a quorum (or the unanimous written consent of the Committee members) will constitute action by the Committee. The Committee will periodically determine the participants in the Plan and the nature, amount, pricing, timing, and other terms of awards to be made to such individuals. The Committee has the power to interpret and administer the Plan. All questions of interpretation with respect to the Plan, the number of shares of Common Stock or other securities, stock appreciation rights, or units granted, and the terms of any agreements evidencing such awards will be determined by the Committee, and its determination will be final and conclusive upon all parties in interest. In the event of any conflict between an award agreement and the Plan, the terms of the Plan govern. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver such instruments and documents, to do all such ministerial acts and things, and to take all such other ministerial steps deemed necessary, advisable or convenient for the effective administration of the Plan in accordance with its terms and purpose.

## Stock Options

Options which may be granted by the Committee represent a right to purchase a specified number of shares of Common Stock at a specified price during such period of time as the Committee determines. The exercise price per share of Common Stock of any option will be no less than the fair market value per share of the Common Stock subject to the option on the date the option is granted. Fair market value, for purposes of the Plan, is the closing price per share of the Company's Common Stock on the New York Stock Exchange for the date as of which fair market value is to be determined. On March 17, 2011 the fair market value of a share of the Company's Common Stock was \$32.85. The maximum number of shares of Common Stock for which options and SARs can be granted to any one employee under the Plan may not exceed 150,000 shares per calendar year.

An option may be exercised, in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. At the discretion of the Committee, the exercise price of the option may be paid in cash, by the tender of Common Stock already owned by the participant for more than six months, by cash forwarded through a broker or other agent sponsored exercise or financing program, through a combination of the foregoing, or through such other means as the Committee determines are consistent with the Plan's purpose and applicable law. No fractional shares will be issued or accepted.

For ISOs, the aggregate fair market value (determined on the date of grant) of the shares with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year under all plans of the corporation employing such employee, any parent or subsidiary corporation of such corporation and any predecessor corporation of any such corporation will not exceed \$100,000.

Subject to the foregoing and the other provisions of the Plan, stock options granted under the Plan may be exercised at such times and in such amounts and be subject to such restrictions and other terms and conditions, if any, as determined in its discretion by the Committee.

### **Stock Appreciation Rights**

An SAR is a right to receive, upon surrender of the right, an amount payable in cash and/or shares of Common Stock under such terms and conditions as the Committee determines. An SAR may be granted in tandem with part or all of (or in addition to, or completely independent of) an option or any other award under the Plan. An SAR issued in tandem with a stock option may only be granted at the time of grant of the related option. The amount payable in cash and/or shares of Common Stock with respect to each SAR will be equal in value to a percentage (including up to a maximum of 100%) of the amount by which the fair market value per share of Common Stock on the exercise date exceeds the fair market value per share of Common Stock on the date of grant of the SAR. The applicable percentage will be established by the Committee. The exercise price of any SAR will be no less than the fair market value per share of the Common Stock subject to the SAR on the date the SAR is granted. The agreement evidencing the award may state whether the amount payable is to be paid wholly in cash, wholly in shares of Common Stock or partly in each. If the award agreement does not state the manner of payment, the Committee will determine the manner of payment at the time of payment. The amount payable in shares of Common Stock, if any, is determined with reference to the fair market value per share of Common Stock on the date of exercise. Tandem SARs are exercisable only to the extent that the options to which they relate are exercisable. Upon exercise of the Tandem SAR, and to the extent of such exercise, the participant's underlying option will automatically terminate. Similarly, upon the exercise of the tandem option, and to the extent of such exercise, the participant's related SAR will automatically terminate.

### **Repricing Prohibited**

The Plan prohibits repricing of options, SARs or other purchase rights without further shareholder approval. Repricing means the grant of a new option or SAR in return for the cancellation, exchange or forfeiture of an award that has a higher grant price than the new award, the amendment of an outstanding award to reduce the grant price, the cancellation or repurchase of an option or SAR at a time when grant price is greater than the fair market value of the Common Stock or any action that would be treated, for accounting purposes, as a repricing. The grant of a substitute award under the anti-dilution and adjustment provisions explained under General, above, is not a repricing.

### **Other Terms of Options and SARs**

No dividend equivalents may be granted in connection with any option or SAR. The term of any option or SAR may not exceed ten years from the date of grant.

Unless otherwise provided in a grantee's award agreement, the following provisions of this paragraph will apply in the case of a grantee whose employment is terminated. If the employment of a grantee is terminated for reasons other than resignation by a grantee without the consent of the Company, termination for cause, retirement, disability or death, all outstanding options and SARs held by the grantee immediately prior to termination of employment will be exercisable by the grantee (but only to the extent exercisable immediately prior to termination of employment) at any time prior to the expiration date of the option or SAR or within one year following the date of termination, whichever is the shorter period.

Following the death of a grantee during employment, all outstanding options or SARs of the grantee will be exercisable (whether or not so exercisable immediately prior to the death of the grantee) by the person entitled to do so under the Will of the grantee, or, if the grantee fails to make testamentary disposition of the option or SAR or dies intestate, by the legal representative of the grantee, at any time prior to the expiration date of the option or SAR or within five years after the date of death of the grantee, whichever is the shorter period. Following the death of a grantee after ceasing employment and within a period following termination of employment during which an option or SAR remains exercisable, all outstanding options or SARs of the grantee will be exercisable (but only to the extent exercisable immediately prior to the death of the grantee) by the person entitled to do so under the Will of the grantee or, if the grantee shall fail to make testamentary disposition of the option or

SAR or

dies intestate, by the legal representative of the grantee, at any time prior to the expiration date of the option or SAR or within five years after the date of death of the grantee, whichever is the shorter period.

If the grantee retires or ceases employment due to disability under the terms of the Plan, all outstanding options and SARs will be exercisable (whether or not so exercisable immediately prior to the termination of employment of the grantee) at any time prior to expiration date of the option or SAR or within five years following the date of termination, whichever is the shorter period. If a grantee resigns without the consent of the Company, all outstanding options and SARs will be exercisable (but only to the extent exercisable immediately prior to the termination of employment) at any time prior to the expiration date of the option or SAR or within 30 days of the date of termination, whichever is the shorter period. If the employment of a grantee is terminated by the Company for cause, all outstanding options and SARs held by the grantee will terminate as of the date of termination of employment.

### **Restricted Stock**

Restricted stock is Common Stock that is issued to a participant and is subject to such terms, conditions and restrictions as the Committee deems appropriate, which may include, but are not limited to, restrictions upon the sale, assignment, transfer or other disposition of the restricted stock and the requirement of forfeiture of the restricted stock upon termination of employment or service under certain specified conditions, including the failure to achieve performance conditions. The restriction period applicable to restricted stock must, in the case of a time-based restriction, be not less than three years, with no more frequent than ratable vesting over such period or, in the case of a performance-based restriction period, be not less than one year. The Committee may provide for the lapse of any such term or condition or waive any term or condition based on such factors or criteria as the Committee may determine, provided that the Committee will not accelerate the vesting of, or waive the restrictions with respect to, restricted stock except in the case of death, disability, retirement, involuntary termination other than for cause, or change in control. Subject to such restrictions as the Committee may impose, the participant will have, with respect to awards of restricted stock, all of the rights of a shareholder of the Company, including the right to vote the restricted stock and the right to receive any dividends on such stock.

Unless otherwise provided in an award agreement, if the grantee of restricted stock ceases to be an employee for any reason, any outstanding shares of restricted stock held by the grantee will vest or be forfeited according to the following provisions:

- (i) If a grantee ceases to be an employee by reason of retirement, disability or death, any shares of restricted stock held by the grantee at the time of retirement will immediately vest; and
- (ii) If a grantee ceases to be an employee for any reason other than retirement, disability or death, any shares of restricted stock held by the grantee at the time of termination of employment will be immediately forfeited.

### **Performance Awards**

Performance Awards may be granted under the Plan from time to time based on such terms and conditions as the Committee deems appropriate, consistent with the terms and purposes of the Plan. Performance Awards are awards the payment or vesting of which is contingent upon the achievement of specified levels of performance under specified Performance Criteria during a Performance Period by the Company, a subsidiary or subsidiaries, a branch, department, business unit or other portion thereof or the participant individually, and/or upon a comparison of such performance with the performance of a peer group of corporations, prior Performance Periods or other measure selected or defined by the Committee at the time the Performance Award is granted. Performance Awards may be in the form of performance units, performance shares and such other forms of Performance Awards as the Committee determines. The maximum amount that





may be paid in cash or in fair market value of Common Stock or other securities under all Performance Awards under the Plan paid to any one participant during a calendar year cannot exceed \$5,000,000, in the case of Performance Awards paid in cash or property (other than Shares) and 150,000 shares, in the case of Performance Awards paid in Shares. In the case of multi-year Performance Periods, the amount which is earned in any one calendar year is the amount paid for the Performance Period divided by the number of calendar years in the period. In applying this limit, the amount of cash and the number of Shares earned by a Participant is measured as of the close of the applicable calendar year which ends the Performance Period, regardless of the fact that certification by the Committee and actual payment to the Participant may occur in a subsequent calendar year or years.

The Performance Criteria to be used in determining whether a Performance Award has been earned, the level of achievement of such Performance Criteria necessary for the Performance Award to be earned in whole or in part, and the Performance Period over which such performance will be measured will be determined by the Committee at the time a Performance Award is granted. Such Performance Criteria will be one or more preestablished objective measures of performance during the Performance Period by the Company, a subsidiary or subsidiaries, any branch, department, business unit or other portion thereof or the participant individually. Performance Criteria may be based on:

earnings per share

return on equity, assets or investment

sales

gross profits

expenses

stock price

total shareholder return

costs

net income

operating margin

revenue from operations

income from operations as a percent of capital employed

income from operations

cash flow

market share

earnings (including EBITDA and EBIT)

operating cash flow

operating cash flow as a percent of capital employed

economic value added

gross margin

workforce diversity

number of accounts

workers compensation claims

budgeted amounts

turnover rate

inventory, inventory turns or obsolete inventory.

The Committee may in its discretion also determine to use other objective performance measures as Performance Criteria.

Unless otherwise provided in an award agreement, the following provisions apply if the recipient of a Performance Award ceases to be an employee for any reason prior to payment of the Performance Award:

(i) If a grantee ceases to be an employee by reason of retirement, disability or death, the employee will be entitled to a pro-rata portion of the Performance Award based upon the number of whole and partial months of employment during the Performance Period, contingent upon achievement of the performance goals and subject to any negative discretion retained by the Committee; and

(ii) If a grantee ceases to be an employee for any reason other than retirement, disability or death, any Performance Award shall be immediately forfeited.

#### **Effect of Change in Control**

Notwithstanding any other provision of the Plan to the contrary, and unless the award agreement otherwise provides, in the event the employment of a Plan participant is terminated by the Company and its affiliates without cause within two years following the occurrence of a Change in Control of the Company (as defined in Section 17(g) of the Plan), (i) all options and Stand-Alone SARs which are then outstanding will become fully vested and exercisable and (ii) all restrictions with respect to shares of restricted stock which are then outstanding will lapse, and such shares will be fully vested and nonforfeitable. Notwithstanding any other provision of the Plan to the contrary, and unless the award agreement provides otherwise, if a Change in Control of the Company occurs prior to the end of the Performance Period, with respect to all Performance Awards which are then outstanding, all uncompleted Performance Periods will be deemed to have been completed, the target level of performance set forth with respect to each Performance Criterion under such Performance Awards will be deemed to have been attained and a pro rata portion (based on the ratio of (a) the number of full and partial months which have elapsed from the beginning of the Performance Period through the Change in Control to (b) the number of months originally contained in the Performance Period) of each such Performance Award will become payable to the participant, with the remainder of the Performance Award being cancelled for no value. Further, after a Change in Control, no administrative power given the Committee can be used to affect detrimentally the rights of any grantee with respect to any award which is outstanding immediately prior to the Change in Control.

#### **Transferability**

The Plan provides that the agreement evidencing an award must contain a provision stating that the relevant award cannot be assigned, pledged or otherwise transferred except by Will or by the laws of descent and distribution and that during the lifetime of a participant the award can be exercised only by such participant or by the participant's guardian or legal representative. However, in the Committee's discretion, an award agreement may expressly provide for specifically limited transferability, other than for value, of awards other than ISOs.

**Possible Anti-Takeover Effect**

The provisions of the Plan providing for the acceleration of the exercise date of stock options and SARs and the lapse of restrictions applicable to restricted stock upon the occurrence of a Change in Control, and the deemed achievement of Performance Criteria following a Change in Control may be considered as having an anti-takeover effect.

**Amendment and Termination**

The Board may at any time amend, suspend or terminate the Plan. The Committee may at any time alter or amend any or all award agreements under the Plan to the extent permitted by law. However, no such action by the Board or by the Committee may impair the rights of participants under outstanding awards without the consent of the participants affected thereby. Further, the Board may not amend the Plan without the approval of the Company's shareholders to the extent such approval is required by law, agreement or the rules of any exchange upon which the Common Stock is listed.

**Payment of Taxes**

The Plan provides that the agreement evidencing an award must contain a provision requiring the withholding of applicable taxes required by law from all amounts paid to the participant in satisfaction of an award. In the case of an award paid in cash, the withholding obligation will be satisfied by withholding the applicable amount and paying the net amount in cash to the participant. In the case of awards paid in shares of Common Stock or other securities of the Company, (i) a participant may satisfy the withholding obligation by paying the amount of any taxes in cash, or (ii) with the approval of the Committee (or, in case of deduction, by the unilateral action of the Committee), shares of Common Stock or other securities may be deducted by the Company from the payment or delivered to the Company by the participant to satisfy the obligation in full or in part, as long as such withholding or delivery of shares of Common Stock or other securities does not violate any applicable laws, rules or regulations of federal, state or local authorities or Company policies. The number of shares or other securities to be deducted or delivered will be determined by reference to the fair market value of such shares or securities on the applicable date.

**New Plan Benefits**

The actual amount of awards to be received by or allocated to participants or groups under the Plan is not determinable in advance because the selection of participants who receive awards under the Plan, and the size and type of awards to such individuals and groups are generally determined by the Committee in its discretion.

**Equity Compensation Plans**

The following table sets forth information as of December 31, 2010 concerning common stock issuable under the Company's equity compensation plans.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> (a)	<b>Weighted average exercise price of outstanding options, warrants and rights</b> (b)	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> (c)

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Equity compensation plans approved by security holders	1,749,003	\$	29.74	932,161*
Equity compensation plans not approved by security holders	None			None
<b>Total</b>	<b>1,749,003</b>	<b>\$</b>	<b>29.74</b>	<b>932,161</b>

\* Includes 660,832 shares available for issuance under the 2008 Management Equity Incentive Plan and 271,329 shares available for issuance under the 2008 Non-Employee Directors Equity Incentive Plan.

## **Federal Income Tax Consequences**

The following is a brief summary of the principal Federal income tax consequences of the grant and exercise of awards under present law.

***Incentive Stock Options.*** An optionee will not recognize any taxable income for Federal income tax purposes upon receipt of an incentive stock option or, generally, at the time of exercise of an incentive stock option. The exercise of an incentive stock option generally will result in an increase in an optionee's taxable income for alternative minimum tax purposes.

If an optionee exercises an incentive stock option and does not dispose of the shares received in a subsequent disqualifying disposition (generally, a sale, gift or other transfer within two years after the date of grant of the incentive stock option or within one year after the shares are transferred to the optionee), upon disposition of the shares any amount realized in excess of the optionee's tax basis in the shares disposed of will be treated as a long-term capital gain, and any loss will be treated as a long-term capital loss. In the event of a disqualifying disposition, the difference between the fair market value of the shares received on the date of exercise and the option price (limited, in the case of a taxable sale or exchange, to the excess of the amount realized upon disposition over the optionee's tax basis in the shares) will be treated as compensation received by the optionee in the year of disposition. Any additional gain will be taxable as a capital gain and any loss as a capital loss, which will be long-term or short-term depending on whether the shares were held for more than one year. Under proposed regulations, special rules apply in determining the compensation income recognized upon a disqualifying disposition if the option price of the incentive stock option is paid with shares of the Company's Common Stock. If shares of the Company's Common Stock received upon the prior exercise of an incentive stock option are transferred to the Company in payment of the option price of an incentive stock option within either of the periods referred to above, the transfer will be considered a disqualifying disposition of the shares transferred, but, under proposed regulations, only compensation income determined as stated above, and no capital gain or loss, will be recognized.

Neither the Company nor any of its subsidiaries will be entitled to a deduction with respect to shares received by an optionee upon exercise of an incentive stock option and not disposed of in a disqualifying disposition. Except as described in Other Tax Matters below, if an amount is treated as compensation received by an optionee because of a disqualifying disposition, the Company or one of its subsidiaries generally will be entitled to a corresponding deduction in the same amount for compensation paid.

***Nonstatutory Stock Options.*** An optionee will not recognize any taxable income for Federal income tax purposes upon receipt of a nonstatutory stock option. Upon the exercise of a nonstatutory stock option the amount by which the fair market value of the shares received, determined as of the date of exercise, exceeds the option price will be treated as compensation received by the optionee in the year of exercise. If the option price of a nonstatutory stock option is paid in whole or in part with shares of the Company's Common Stock, no income, gain or loss will be recognized by the optionee on the receipt of shares equal in value on the date of exercise to the shares delivered in payment of the option price. The fair market value of the remainder of the shares received upon exercise of the nonstatutory stock option, determined as of the date of exercise, less the amount of cash, if any, paid upon exercise will be treated as compensation income received by the optionee on the date of exercise of the stock option.

Except as described in Other Tax Matters below, the Company or one of its subsidiaries generally will be entitled to a deduction for compensation paid in the same amount treated as compensation received by the optionee.

***Stock Appreciation Rights.*** An awardee will not recognize any taxable income for Federal income tax purposes upon receipt of stock appreciation rights. The value of any Common Stock or cash received in payment





of stock appreciation rights will be treated as compensation received by the awardee in the year in which the awardee receives the Common Stock or cash. The Company generally will be entitled to a corresponding deduction in the same amount for compensation paid.

**Restricted Stock.** An awardee of restricted stock will not recognize any taxable income for Federal income tax purposes in the year of the award, provided the shares are subject to restrictions (that is, they are nontransferable and subject to a substantial risk of forfeiture). However, an awardee may elect under Section 83(b) of the Code to recognize compensation income in the year of the award in an amount equal to the fair market value of the shares on the date of the award, determined without regard to the restrictions. If the awardee does not make a Section 83(b) election, the fair market value of the shares on the date the restrictions lapse will be treated as compensation income to the awardee and will be taxable in the year the restrictions lapse. Except as described in **Other Tax Matters** below, the Company or one of its subsidiaries generally will be entitled to a deduction for compensation paid in the same amount treated as compensation income to the awardee.

**Other Tax Matters.** The exercise by an awardee of a stock option or stock appreciation right, the lapse of restrictions on restricted stock or the achievement or fulfillment of performance awards following the occurrence of a Change in Control, in certain circumstances, may result in (i) a 20% Federal excise tax (in addition to Federal income tax) to the awardee on certain payments of the Company's Common Stock or cash resulting from such exercise or deemed achievement or fulfillment of performance awards or, in the case of restricted stock on all or a portion of the fair market value of the shares on the date the restrictions lapse and (ii) the loss of a compensation deduction which would otherwise be allowable to the Company or one of its subsidiaries as explained above. The Company and its subsidiaries may lose a compensation deduction, which would otherwise be allowable, for all or a part of compensation paid in the form of (i) restricted stock or (ii) performance awards based on performance criteria other than those specified in the Plan, if, as of the close of the tax year, the employee is the Chief Executive Officer of the Company (or acts in that capacity) or is another covered employee as defined under the Code (other than the Chief Executive Officer), if the total compensation paid to such employee exceeds \$1,000,000.

#### **Vote Required for Approval**

Pursuant to the Company's Bylaws, approval of the adoption of the Plan requires the affirmative vote of a majority of the votes which the holders of Common Stock present and voting in person or by proxy (excluding abstentions) are entitled to cast on the proposal, with a quorum of a majority of the outstanding shares of Common Stock being present or represented at the Annual Meeting.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### Executive Summary

The primary goal of the Company is to increase shareholder value over the long-term. We believe that this is best accomplished by achieving our Mission that men and women may work in safety and that they, their families and their communities may live in health throughout the world ; continually improving our financial performance; and maintaining a productive and motivated work force. The role of our management and Board of Directors is to develop and implement effective long-range strategic plans and annual operating plans to achieve these goals. Compensation programs and performance-based incentives are designed to target the median market compensation for executive compensation when these plans are met, above median compensation when they are exceeded, and below median compensation when they are not.

The Committee has developed executive compensation programs that are comprised of three parts: salary; performance-related annual incentives; and equity grants which are also largely performance related. In setting the performance metrics for the annual incentive for 2010 the Committee recognized that MSA would have to continue navigating a challenging economic environment with significant cost reductions, investments in restructuring worldwide and strategic investments in new product development. Reflecting economic and market projections, the 2010 net income performance metric for the 2010 annual incentive plan was set at a level below the 2009 net income results. The 2010 plan was designed to position the Company to enter 2011 in a stronger strategic and competitive position for the years ahead. We believe we have accomplished that plan in 2010.

Specifically, the Company was able to exceed its financial goals (despite transaction costs of the General Monitors acquisition) for 2010 and most of its strategic and productivity goals for the year. The Company had several key areas of focus in 2010 including:

financial performance,

European transformation, and

worldwide productivity and restructuring goals.

The related performance metrics were return on net assets ( RONA ), operating profits, consolidated net income and customer satisfaction. As a result of the positive performance attained in these key areas, our Named Executive Officers earned cash incentive awards under our annual incentive program ranging between 119% and 199% of target.

To emphasize the importance of pay-for-performance in our compensation philosophy and our Company's culture, the Company's incentive arrangements are based on the achievement of specific performance goals that support our business strategy. Our annual incentive program focuses on achieving key performance metrics such as those mentioned above. Our long-term incentive program features stock options, time vesting restricted stock and performance stock units. Stock options reward for increases in our stock price while our performance stock unit program rewards for both RONA performance relative to our peer group and increases in stock price. Restricted shares vest after three years of continued employment, providing the Company with valuable retention benefits and alignment with shareholders rewards for increases in stock

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price. Many of our outstanding executive stock options granted prior to 2009 remain underwater (that is, without intrinsic value at this time because the current share value of the Company is lower than the option exercise price). Grants made in 2009 and in 2010 have now increased in value but remain unvested thereby providing the Company with important retention benefits. Vested shares are subject to the Company's stock ownership and retention policy which requires each executive to own shares whose value equals a multiple of the executive's

base salary, plus additional retention for awards after these stock ownership levels are reached. All of these programs are benchmarked annually against the 50<sup>th</sup> percentile of the MSA peer group and market surveys of 1,000 general industry companies.

During 2010, the Committee comprehensively re-assessed the design and administration of all executive compensation programs to ensure that those programs meet our performance requirements, deliver on our Core Principles (below), and do not promote unnecessary risk-taking. The Committee also re-evaluated and strengthened policies such as stock ownership and retention requirements, and compensation recoupment. In addition, long-term incentive vesting provisions and capped incentive awards serve to mitigate risk. As a result, the Committee concluded that the Company's compensation programs effectively accomplish their intended goals, and do not promote unwanted risk taking that could be detrimental to the Company.

Other notable elements of our compensation programs are:

the CEO's annual incentive plan's compliance with IRC Section 162(m) preserving tax deductibility and providing the shareholders with the opportunity to vote on the plan;

our recoupment policy which provides the Committee the discretion to recoup incentive compensation paid based on performance that was later restated or determined to have been calculated erroneously regardless of any culpability; and,

change in control severance benefits that are payable upon the occurrence of both a qualified change in control of the Company and termination of the executive. The company does not pay excise taxes or gross-ups for any compensation related to changes in control or IRC Section 280(g).

#### **Objectives of the Executive Compensation Program**

The objectives of MSA's executive compensation programs, which cover not only the five officers named in the Summary Compensation Table ( "Named Officers" ), but all officers of the Company, are to improve shareholder value over the long-term by attracting, retaining and motivating superior executive talent who will drive robust financial and operational performance and enable the Company to achieve its goals. Our program is guided by a philosophy that strives to align target compensation at the middle (50<sup>th</sup> percentile) of the market for each element, including salary, performance-based cash and equity incentives and benefits, yet provides an above-market compensation opportunity for (a) performance exceeding annual budget and peer group return on net asset norms, and (b) executive retirement plans so as to motivate long-term performance and improvement, commitment, retention and loyalty, including support for the Company's mission, values and our strong corporate ethics. We believe this philosophy will enable the Company to attract and retain superior executive talent by providing the opportunity to work in a highly ethical, growing and team-oriented Company.

The design of our compensation programs is driven by the following Core Principles which support our objectives:

<b>Core Principles</b>	<b>Objectives</b>
Executive compensation should be aligned to the achievement of corporate goals and objectives and provide line of sight to annual and long-term corporate strategies without promoting unacceptable levels of risk to the Company.	Improve shareholder value
A significant portion of an executive's compensation should be performance-based and should hold executives accountable for the achievement of corporate objectives and increases in shareholder value.	Improve shareholder value
The compensation program should promote an ownership culture through the use of stock-based compensation and ownership guidelines that define expected levels of ownership in MSA's stock.	Improve shareholder value
The compensation program should reward for each executive's individual performance and unique responsibilities while assuring a fair and competitive approach.	Attract, retain and motivate superior talent
The compensation program should recognize and reward an executive's loyalty and tenure with the company by providing financial security following retirement.	Attract, retain and motivate superior talent

### **Overview of the Executive Compensation Program**

Our executive compensation program contains both cash and stock-based components designed to meet specific objectives of the Committee. The Committee considers both annual and long-term Company goals and strives to develop incentives that motivate executives to achieve these goals. Cash payments are provided through an executive's base salary and a performance-based annual incentive. Company stock is provided through the use of stock options, non-performance based time-vesting restricted stock and, beginning in 2009, performance stock units. The Committee has chosen to align its cash incentive program with the achievement of annual internal financial and strategic goals and its stock program with the accomplishment of return on net asset performance relative to peers, and, of course, long-term stock price appreciation.

Executives participate in a retirement plan that provides for post-employment financial security and some executives are provided with a limited number of perquisites (e.g. company car, financial counseling, club memberships, etc.) that the Committee believes serve a business purpose, are common in the market and are of modest cost to the Company. Executives also participate in a severance plan that provides certain benefits to executives should their jobs be terminated following a change in control of the Company. The specific rationale for why the Committee has chosen to provide each element of compensation is as follows:

**Base salary:** provides a fixed level of compensation upon which an executive can usually rely, regardless of how the Company performs. Enables the Company to successfully compete for talent.

**Annual cash incentive:** provides a means of rewarding executives with an annual cash payment based on the achievement of annual Company, business unit and individual performance goals. The amount of a payout, if earned, can vary significantly based on actual performance relative to annual goals established by the Board. This plan does not provide a guaranteed payout.



**Stock option grants:** provides a means of linking an executive's compensation to the increase in stock price above that at the time of grant. Stock options align a portion of an executive's compensation to increases in shareholder value—a long-term goal of the Company.

**Time-vesting restricted stock:** provides valuable retention benefits to the Company by facilitating the accumulation of Company shares by executives and promoting an ownership culture. Restricted stock also aligns a portion of an executive's compensation to increases in shareholder value—a long-term goal of the Company. For international executives, restricted stock units may be substituted.

**Performance stock units:** provides a means of linking an executive's compensation to long-term key performance metrics such as the Company's return on net assets performance as compared to our peer group, while also aligning this portion of an executive's compensation to increases in shareholder value.

**Retirement benefits:** provides financial security following retirement; rewards loyalty and tenure with the Company.

**Change in control severance protection:** allows executives to remain financially indifferent when considering opportunities for the Company that could benefit shareholders yet would otherwise negatively impact an executive's employment status.

**Perquisites:** maximizes the efficient use of an executive's time, meets competitive practices and/or serves to strengthen relationships with customers and suppliers.

The Committee believes that all of these components, taken as a whole, provide an attractive compensation package that aligns with the Company's annual and long-term goals and enables the Company to attract, retain and motivate superior executive talent. As a means of mitigating risk, the Committee has adopted policies such as share ownership and retention guidelines, which require executives to maintain a certain level of ownership of MSA stock, and a compensation recoupment policy that provides the Committee with the ability to recoup certain awards previously paid or earned based on financial results that were later restated downward, and discretionary authority held by the Committee which allows modification of any payouts from any plan.

**Performance-Based Incentives.** The Committee believes that a significant portion of an executive's compensation should be delivered through performance-based incentive compensation components. The Committee has identified meaningful financial and shareholder performance objectives that align with the business, are measurable, and are used by management on a day-to-day basis to pursue its business strategy. The Committee has chosen the following measures for use in the Company's incentive arrangements that support and align with the Company's business strategy:

Performance Measure	Annual Cash	Long-Term	Rationale for Use
	Incentive Plan	Incentive Plan	
Stock Price		X	Indicator of shareholder value creation
Return on Net Assets	X	X	Promotes the efficient use of capital over the short- and long-term



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Net Income	X	Encourages bottom-line profitability
Operating Profit	X	Encourages operating profitability
Gross Profit Margin	X	Promotes process efficiency
Customer Satisfaction Index	X	Non-financial leading indicator of future success

In summary, the Committee believes that the best way to reward shareholders over the long term is to combine a program of executive cash incentives based on annual financial performance goals with stock options and performance based stock awards, the value of which is based on increases in the Company's stock price and, in part, on performance versus long term financial performance metrics.

The Company's incentive plans (annual and long-term) are targeted to reward executives at the middle (50th percentile) of the market for achieving expected or targeted performance levels. For example, our annual incentive plan is designed to pay above the targeted level and, therefore, above the middle of the market if the Company's performance exceeds our goals and expectations, subject to a cap upon maximum performance. If the Company's performance falls below our goals and expectations, the annual incentive plan is designed to pay below the targeted level. If actual performance falls below a certain threshold level, our annual incentive plan is designed to pay nothing. This variable aspect of our annual incentive arrangement is also present in our long-term performance stock unit plan. For instance, we use stock options in our long term incentive plan such that if the stock price falls below the exercise price they are of no value to the executive. Many of our outstanding executive stock options granted prior to 2009 remain underwater. Grants made in 2009 and in 2010 have now increased in value but remain unvested thereby providing the Company with important retention benefits.

The following table shows the allocation of performance-based versus fixed compensation components for our Named Officers at targeted levels in 2010:

**PERCENT OF COMPENSATION AT RISK**

<u>Executive Officer</u>	<u>Performance- Based (1)</u>	<u>Fixed (2)</u>
William M. Lambert	61.9%	38.1%
Dennis L. Zeitler	52.8%	47.2%
Rob Cañizares	52.7%	47.3%
Joseph A. Bigler	50.8%	49.2%
Ronald N. Herring, Jr.	47.2%	52.8%

- (1) Includes the target value of 2010 non-equity incentive award, the grant date fair value of performance stock units at target and the grant date fair value of stock options granted in February 2010.
- (2) Includes base salary earned in 2010 plus the grant date fair value of time-vesting restricted stock granted in February 2010. Time-vesting restricted stock is included in the fixed column because there are no performance conditions to its vesting (other than continued employment), but unlike base salary, the ultimate value of restricted stock is inherently performance based.

**Determination of Executive Compensation Amounts**

*Compensation Oversight Process.* The Committee has responsibility for the oversight and decision making regarding executive compensation except for the CEO which is approved by the independent directors as described below. The Committee has engaged an outside compensation consultant, Towers Watson (formerly Towers Perrin), to provide assistance and guidance on compensation issues. The consultant provides management and the Committee with relevant information pertaining to market compensation levels, alternative compensation plan design, market trends and best practices. Effective September 8, 2010, the Committee's consultant transitioned to a new firm, Pay Governance LLC, which provides only executive compensation consulting services to the Committee and is therefore considered to be independent by the Committee. At its meetings, the Committee regularly holds executive sessions, which exclude management and, subject to the Committee's desire, may include its independent consultant. Management assists in the coordination and preparation of the meeting agenda and materials for each meeting, which are reviewed and approved by the Committee Chairman. Meeting materials are mailed to Committee members for review

approximately one week in advance of each meeting. The Committee met four times in 2010.

For Chief Executive Officer compensation, the Committee develops proposals and presents them to the independent directors for their approval. Compensation decisions regarding all other executive officers are approved by the Committee. The Committee considers the recommendations of the Chief Executive Officer when making compensation decisions regarding all other executive officers.

*Setting Compensation Levels.* The Committee reviews data related to compensation levels and programs of other companies prior to making its decisions. The Committee engages its consultant to perform a comprehensive assessment of compensation levels provided to executives among a peer group of companies. These companies are selected based on the following criteria:

Annual revenues that range from approximately half to double (approximately \$500 million to \$2 billion in 2010) our annual revenues

Manufacturing process representing various industry sectors

Global operations and customer base

For 2010, the peer group consisted of the following 21 companies:

Albany International Corp.

Brady Corp.

Bucyrus International Inc.

Ceradyne Inc.

Checkpoint Systems Inc.

CLARCOR Inc.

ESCO Technologies Inc.

Federal Signal Corp.

Gentex Corp.

IDEX Corporation

Invacare Corp.

Mathews International Corp.

Mettler-Toledo International Inc.

Moog Inc.

Nordson Corp.

PerkinElmer Inc.

Robbins & Myers Inc.

Roper Industries Inc.

Simpson Manufacturing Co. Inc.

Standex International Corp.

STERIS Corp.

The Committee re-assesses the peer group composition annually and may periodically make changes, usually by adding companies that may better meet our selection criteria or by removing companies that may have experienced change, such as acquisition, or no longer fit our selection criteria. In 2010, the Committee, through its consultant, conducted a review of the peer companies which resulted in the removal of Varian Inc. due to it being purchased.

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The consultant conducts an annual analysis of the most recent proxy disclosures for the peer group companies in order to understand the compensation ranges for base salary, and the annual and long-term incentives provided to the peer group named executive officers. In addition, regression analysis is applied to data from compensation surveys conducted by Towers Watson and Mercer HR Consulting, representing nearly one thousand (1,000) general industry companies. The Committee believes that the combination of these comprehensive data sources allows it to understand the market compensation ranges for both the Named Officers and positions below the Named Officers based on the duties and responsibilities of each position and to determine the level of compensation needed to target the middle (50<sup>th</sup> percentile) of the market.

The market compensation data is further used to develop a market compensation structure which includes salary grades with midpoints. Each executive is assigned to a salary grade where the midpoint of the grade approximates the median (50<sup>th</sup> percentile) of the market salary level for the position. Each salary grade has a salary range around the midpoint and has a corresponding annual and long-term incentive award opportunity that also aligns with the middle (50<sup>th</sup> percentile) of the market. In assigning an executive to a salary grade, the Committee also considers internal factors that may, in a limited number of instances, impact the grade assignment of an executive.

In addition to the market data, the Committee considers other factors when making compensation decisions, such as:

Individual and Company performance

Experience in the position

Current compensation relative to midpoint

Prior-year compensation adjustments

An assessment of these factors could result in actual compensation being positioned modestly above or below the desired middle (50<sup>th</sup> percentile) of the market positioning. The Committee does not consider amounts earned from prior performance-based compensation, such as prior bonus awards or realized or unrealized stock option gains, in its decisions to increase or decrease compensation for the following year. The Committee believes that this would not be in the best interest of retaining and motivating executives.

In order to assess the impact of its executive compensation decisions, the Committee reviews a summary report or tally sheet of total compensation provided to each executive. The tally sheet includes the total dollar value of annual compensation, including salary, annual and long-term incentive awards, annual increase in retirement accruals and the value of other benefits and perquisites. The tally sheet also provides the Committee information pertaining to equity ownership, future retirement benefits, and benefits the Company is required to provide to each executive under various termination scenarios. The Committee's review of the tally sheet information has become an integral part of its decision making process each year.

### **Elements of Executive Compensation**

*Fixed Cash Base Salary.* The Company provides executives with a base salary in order to attract and retain executive talent and to provide a dependable means of funding daily living expenses. Base salary is designed to be competitive with other organizations and is sensitive to the skill level, responsibility and experience of the executive. Base salary for each executive is determined through our external benchmarking process and an internal comparison to other executives at the Company to ensure internal equity. Base salary levels are targeted to the middle (50<sup>th</sup> percentile) of the market, although the Committee considers base salary levels that fall within plus or minus 10% of the market median to be competitive.

As part of the Company's cost reduction initiatives in 2009, the Committee approved a salary reduction initiative which included the temporary reduction of officer base salary levels by 20% for our CEO and 12% for all other officers effective June 1, 2009 through December 31, 2009. Base salary levels were restored to their original level as of January 1, 2010.

In most years, base salary adjustments are considered and are affected by each executive's individual performance assessment based on a rigorous performance management process called PMP. This individual process details an executive's annual accomplishments compared to performance expectations established at the outset of each year, and also assesses the individual's behaviors used to achieve the performance level. The CEO develops and recommends to the Committee annual base salary adjustments for each executive primarily by evaluating individual performance using the PMP process.

The Committee performs a similar comprehensive evaluation of the CEO's performance against pre-determined strategic goals previously approved by the independent directors of the Board, and determines his recommended annual base salary increase based on the outcome of this evaluation. This salary recommendation is then also approved by the independent directors. At its February 2010 meeting, the Committee approved salary increases ranging from 1% to 3.6% for the NEOs. Following these adjustments, salary levels were positioned as follows relative to the market median targeted level: Mr. Lambert 12% below median, Mr. Zeitler 1% above

median, Mr. Canizares 10% above median, Mr. Bigler 3% above median, Mr. Herring 5% below median. Salary grade midpoints for these individuals are within 3% of the market median except for Mr. Bigler, whose midpoint is 10% above the median targeted level.

*Performance-Based Annual Cash Incentive.* The Company provides executives with an annual cash incentive based on (a) the MSA Non-CEO Executive Incentive Plan (NCEIP), which directly rewards the accomplishment of key corporate and/or geographical or business unit performance goals and (b) the CEO Annual Incentive Award Plan (AIAP) which has been approved by shareholders and is administered within the requirements necessary to retain the tax deductibility of his annual incentive award under Section 162(m) of the Internal Revenue Code. Additionally, each executive, including the CEO, is eligible for a program known as the Enhanced Bonus that rewards participants for exceeding the Company's budgeted consolidated net income before extraordinary items. Under the Enhanced Bonus feature, annual incentive awards earned under the NCEIP or AIAP, which are each limited to a maximum payout of 150% of target, may be increased from 0% to 50% if the Company's consolidated net income, before extraordinary items, exceeds the target. The enhancement is interpolated at performance levels between target and 125% of target. For each 1% increase in actual consolidated net income above target and before extraordinary items, earned awards under the NCEIP and AIAP may be increased by 2%. For example, at performance of 105% of target, the incentive is increased by 10%. The incentive is increased by 50% if the Company exceeds the target by 25% or more resulting in a total bonus opportunity of 225% of target should performance achieve or exceed maximum levels for all metrics. The Committee believes that the increased performance leverage that the Enhanced Bonus is designed to provide is in the best interests of our shareholders by motivating our senior management to exceed bottom line profitability targets in addition to important Company and business unit performance metrics.

Under the NCEIP and AIAP, the target-at-budget incentive opportunity for each named executive officer is aligned with the executive's salary grade level and the middle (50<sup>th</sup> percentile) of the market as determined through our external benchmarking process, although the Committee considers target incentive opportunities between plus or minus 5 percentage points of the market median to be competitive. In 2010, target annual incentive opportunities for each named executive officer fell within plus or minus 5 percentage points of market median target annual incentive opportunity of each position, except for our Chief Executive Officer, whose target annual incentive opportunity was 15 percentage points below the market median.

The following table shows the percent of salary midpoint and dollar amount of incentive that would be earned if actual performance was equal to the budgeted performance.

**2010 TARGET CASH INCENTIVE AWARD**

<u>Executive</u>	<u>Percent of Salary Midpoint (1)</u>	<u>NCEIP/AIAP Target Award (2)</u>
William M. Lambert	80%	\$ 539,840
Dennis L. Zeitler	55%	\$ 198,990
Rob Cañizares	55%	\$ 198,990
Joseph A. Bigler	50%	\$ 164,500
Ronald N. Herring, Jr.	45%	\$ 134,595

- (1) Percent of salary midpoint is the percent multiplied by the executive's salary grade midpoint during 2010 to calculate the target award. Midpoints for several officers changed during the year. The target awards shown above reflect midpoints as of the end of 2010.
- (2) Target award is the amount that would be paid to the executive assuming all Company and individual performance goals are met per that executive's performance metrics.



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Actual NCEIP award payments are based primarily on the achievement of a variety of Company financial goals, but also have a discretionary personal performance factor applied based on the accomplishment of an

executive's individual goals. An executive's individual performance goals are a mix of objective, subjective and strategically-oriented goals within the executive's control or to which he or she contributes in a meaningful way.

When making his recommendations, the CEO rates each executive's accomplishments relative to these goals and may increase or decrease the calculated NCEIP bonus amount by up to 20%. In most years, executives accomplish near the at-target level of the majority of their individual goals.

Actual AIAP award payments for the CEO are based 50% on achievement of consolidated net income before extraordinary items, as defined by generally accepted accounting principles, and 50% on achievement of consolidated net income and return on net assets both relative to the pre-determined goals established and approved by the Committee. The Committee also recommends for Board approval individual strategic goals for the CEO. The independent directors of the Committee may use their discretion to reduce the size of the CEO's calculated award based on his performance relative to his individual goals, but may not increase it. This is necessary to retain its deductibility under Internal Revenue Code Section 162(m).

Payout opportunities under the NCEIP and AIAP plans can range from 50% of an executive's target opportunity for performance at a minimum threshold performance level to 150% of an executive's target opportunity for performance at maximum levels. In addition to these opportunities, the Enhanced Bonus feature may add up to 50% to the calculated NCEIP or AIAP award depending on the level of consolidated net income performance above target. The maximum award opportunity under all plans combined is 225% of target for each executive including the CEO, whose opportunity is capped at \$2,000,000 according to the AIAP. Actual awards paid for 2010 performance are included in the *Summary Compensation Table* on page 34 under the column *Non-Equity Incentive Plan Compensation*. Award opportunities for each Named Officer under the combined plans for 2010 at threshold, target and maximum are included in the *Grants of Plan-Based Awards* table on page 35 under the columns *Estimated Possible Payouts Under Non-Equity Incentive Plan Awards*.

In 2010, pre-established performance measures and goals were approved by the Committee at its February meeting. For the Chief Executive Officer and the other Named Officers, the Committee and in the case of the CEO, independent Directors, approved the following performance targets:

**PERFORMANCE TARGETS FOR ANNUAL CASH INCENTIVE**

**President and Chief Executive Officer William M. Lambert**

(Dollars in millions)

Performance Measure	Weighting	2010 Actual Performance	Pre-Established 2010 Annual Incentive Goals		
			Threshold	Target	Maximum
Consolidated Return on Net Assets	50%	11.9%	8.3%	11.9%	15.5%
Consolidated Net Income before extraordinary items	50%	\$ 38.1	\$ 25.1	\$ 35.8	\$ 46.5

**Senior Vice President, Chief Financial Officer and Treasurer Dennis L. Zeitler**

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(Dollars in millions)

Performance  Measure	Weighting	2010 Actual Performance	Pre-Established 2010 Annual Incentive Goals		
			Threshold	Target	Maximum
Consolidated Return on Net Assets <sup>1</sup>	50%	14.0%	8.3%	11.9%	15.5%
Consolidated Net Income before extraordinary items <sup>1</sup>	50%	\$ 44.4	\$ 25.1	\$ 35.8	\$ 46.5

**Executive Vice President; President, MSA International Rob Cañizares**

(Dollars in millions)

Performance Measure	Weighting	2010 Actual Performance	Pre-Established 2010 Annual Incentive Goals		
			Threshold	Target	Maximum
Consolidated Return on Net Assets <sup>1</sup>	50%	14.0%	8.3%	11.9%	15.5%
International Total Segment Operating Income					