

FUEL TECH, INC.
Form PRE 14A
March 16, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Fuel Tech, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:

FUEL TECH, INC.
27601 Bella Vista Parkway
Warrenville, Illinois 60555

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be Held May 19, 2011**

To the Stockholders of Fuel Tech, Inc.:

The annual meeting of stockholders of Fuel Tech, Inc., a Delaware corporation (Fuel Tech), will be held Thursday, May 19, 2011, at 10:00 a.m. local time at the offices of Fuel Tech, Inc., 27601 Bella Vista Parkway, Warrenville, Illinois 60555 (Annual Meeting), to consider and vote on the following items, each of which is explained in the attached proxy statement (Proxy Statement). We have enclosed a proxy card or a voting instruction form for your use in voting.

1. To elect seven directors;
2. To approve a program permitting the exchange of certain options for restricted stock units;
3. To ratify the appointment of McGladrey & Pullen, LLP as Fuel Tech's independent registered public accounting firm;
4. To conduct an advisory vote on executive compensation;
5. To conduct an advisory vote on the frequency of the executive compensation advisory vote; and
6. To transact any other business that may properly come before the meeting or at any adjournment thereof.

Only stockholders of record at the close of business on March 23, 2011 are entitled to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available before the meeting for examination by any stockholder, for any purpose relevant to the meeting, during ordinary business hours at 27601 Bella Vista Parkway, Warrenville, Illinois 60555. That list will also be available for inspection at the Annual Meeting.

Fuel Tech's Annual Report on Form 10-K for the year ended December 31, 2010 is enclosed with this Notice of Annual Meeting and Proxy Statement.

FUEL TECH, INC.

Albert G. Grigonis
Secretary

[], 2011

IMPORTANT

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your shares at your earliest convenience. An addressed envelope for which no postage is required if mailed in the United States is enclosed if you wish to vote by mail. Submitting your proxy now will not prevent you from voting your shares at the Annual Meeting if you desire to do so, as your proxy is revocable at your option.

For Internet or telephone voting, please refer to the instructions on the proxy card or voting instruction form.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Annual Meeting to be Held on May 19, 2011. Fuel Tech's Proxy Statement and Annual Report to Stockholders are available at: <http://bnymellon.mobular.net/bnymellon/ftek>.

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This Proxy Statement contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and reflect Fuel Tech's current expectations regarding future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. Fuel Tech has tried to identify forward-looking statements by using words such as anticipate, believe, plan, expect, estimate, intend, will, and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements are based on information currently available to Fuel Tech and are subject to various risks, uncertainties, and other factors, including, but not limited to, those discussed in Fuel Tech's Annual Report on Form 10-K in Item 1A under the caption Risk Factors, which could cause Fuel Tech's actual growth, results of operations, financial condition, cash flows, performance and business prospects and opportunities to differ materially from those expressed in, or implied by, these statements. Fuel Tech undertakes no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances or for any other reason. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those detailed in Fuel Tech's filings with the Securities and Exchange Commission.

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FUEL TECH, INC.

Proxy Statement

FUEL TECH ANNUAL MEETING

The Meeting

The Board of Directors of Fuel Tech, Inc., a Delaware corporation (Fuel Tech), is soliciting your votes on the enclosed form of proxy. The proxy is for use in voting your Fuel Tech shares at the 2011 annual meeting of stockholders (Annual Meeting). Any one of the persons you appoint on the form of proxy will be your representative to vote your shares at the Annual Meeting according to your instructions. The Annual Meeting will be at the offices of Fuel Tech, 27601 Bella Vista Parkway, Warrenville, Illinois 60555 on Thursday, May 19, 2011, at 10:00 a.m. local time. The proxy may also be used at an adjournment of the Annual Meeting.

Shares Eligible to Vote; Quorum

The record date for the Annual Meeting is March 23, 2011. You may vote at the Annual Meeting in person or by a proxy, but only if you were a stockholder of Fuel Tech common stock (Common Stock) at the close of business on the record date. At the record date, according to the records of BNY Mellon Shareowner Services, LLC (BNY Mellon), Fuel Tech's transfer agent, Fuel Tech had [] shares of Common Stock outstanding, which represents the total number of shares of Common Stock that stockholders may vote at the Annual Meeting. You may cast one vote for each share you hold. You may also vote via telephone or the Internet according to the instructions on the proxy card or the voting instruction form enclosed. Stockholders who execute proxies retain the right to revoke them at any time before the shares are voted by proxy at the Annual Meeting. You may revoke a proxy by delivering a signed statement to Fuel Tech's Corporate Secretary at or prior to the Annual Meeting or by timely executing and delivering, by mail, Internet, telephone, or in person at the Annual Meeting, another proxy dated as of a later date.

The quorum for the Annual Meeting, *i.e.*, the number of shares of Common Stock that must be present in order to have a legally constituted meeting of stockholders, is one-third of the number of shares of Common Stock entitled to vote, or [] shares of Common Stock.

The Form of Proxy; Revocability; Voting

You may appoint a proxy, or representative, at the Annual Meeting other than the persons named in Fuel Tech's enclosed form of proxy. If you do wish to appoint some other person, who need not be a stockholder, you may do so by completing another form of proxy for use at the Annual Meeting. Completed forms of proxy should be mailed promptly to BNY Mellon in the enclosed return envelope.

You may revoke your proxy at any time before it is voted, including at the Annual Meeting. If you sign and send a proxy to BNY Mellon, or send a proxy by the Internet or telephonically, and do not revoke it, the proxy holders will vote the shares of Common Stock it represents at the Annual Meeting in accordance with your instructions. Abstentions and broker non-votes are counted as present in determining whether there is a quorum, but are not counted in the calculation of the vote. If the proxy is signed and returned without specifying choices, the shares of Common Stock will be voted in favor of each item on the agenda in accordance with the recommendations of the Board.

Proxy Solicitation; Distribution

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Directors and executive officers of Fuel Tech may solicit stockholders' proxies by mail, telephone or facsimile. Fuel Tech will bear the cost of proxy solicitation, if any.

Fuel Tech first distributed this Proxy Statement and the accompanying Annual Report to Stockholders on or about [], 2011.

Table of Contents**AGENDA ITEM NO. 1 ELECTION OF DIRECTORS*****The Nominees***

We are asking you to vote for the election of seven nominees as directors of Fuel Tech. Two director seats are vacant. The nominees were recommended by the Compensation and Nominating Committee of the Board. The term of office of each director is until the next annual meeting or until a successor is duly elected or if before then a director resigns, retires or is removed by the stockholders. The nominees are Douglas G. Bailey, Miguel Espinosa, Charles W. Grinnell, Thomas L. Jones, John D. Morrow, Thomas S. Shaw, Jr., and Delbert L. Williamson. The Board of Directors, through its Compensation and Nominating Committee, is engaged in a search to fill the two vacant director seats.

In the opinion of the Board, Messrs. Espinosa, Jones, Morrow, Shaw and Williamson satisfy the independence requirements of NASD Rule 5605(a)(2). Detail concerning directors' compensation is set out below under the captions Executive Compensation and Directors Compensation. The following table sets forth certain additional information with respect to the nominees.

Name	Age	Director Since
Douglas G. Bailey	61	1998
Miguel Espinosa	70	2002
Charles W. Grinnell	74	1989
Thomas L. Jones	59	2005
John D. Morrow	87	2004
Thomas S. Shaw, Jr.	63	2001
Delbert L. Williamson	72	2008

Each of the nominees identified above, all of whom are currently serving on the Board, are the nominees of the full Board for election as directors at the Annual Meeting, and were recommended unanimously by the Compensation and Nominating Committee. Biographical information, including qualifications, regarding each of the nominees is set forth below.

Availability

The nominees have all consented to stand for election and to serve, if elected. Should one or more of these nominees become unavailable or decline to accept election, votes will be cast for a substitute nominee, if any, designated by the Board on recommendation of the Compensation and Nominating Committee. If no substitute nominee is designated prior to the Annual Meeting, the individuals named as proxies on the enclosed proxy card will exercise their discretion in voting the shares of Common Stock that they represent. That discretion may also include reducing the size of the Board and not electing a substitute.

Plurality Voting

A motion will be made at the Annual Meeting for the election as directors of the seven nominees. Under Delaware law and Fuel Tech's By-Laws, a vote for a plurality of the shares of Common Stock voting is required for the election of directors. Under plurality voting, directors who receive the most for votes are elected; there is no against option, and votes that are withheld or simply not cast are disregarded in the count. If a nominee receives a plurality of votes but does not, however, receive a majority of votes, that fact will be considered by the Compensation and Nominating

Committee in any future decision on nominations.

The affirmative vote of a plurality of the votes cast is required for the election of directors. The Board recommends a vote *FOR* each of the nominees.

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DIRECTORS AND EXECUTIVE OFFICERS OF FUEL TECH

Biographical information is presented below concerning Fuel Tech's directors and the Named Executive Officers (or NEOs) as described below. Information as to other executive officers of Fuel Tech is provided in Item 10 of Fuel Tech's Form 10-K for the fiscal year ended December 31, 2010.

Directors

Douglas G. Bailey has been President and Chief Executive Officer of Fuel Tech since April, 2010, Chairman of the Board of Fuel Tech since January, 2010, director of Fuel Tech since April 1998 and was Deputy Chairman from 2002 through December, 2009. He also previously served as an employee of Fuel Tech from January 1, 2004 through December 31, 2009. Mr. Bailey, who is the son of Ralph E. Bailey, has been the President of American Bailey Corporation (ABC), a closely held private equity firm, since 1984 and its Chief Executive Officer (CEO) since 1996.

Mr. D.G. Bailey, as President and Chief Executive Officer of Fuel Tech, has management responsibility for the strategic, operational and management performance of the Company. His responsibility for running Fuel Tech, with both U.S. and international operations, gives Mr. D.G. Bailey front-line exposure to many of the issues facing U.S. public companies, particularly on the strategic, operational, financial, human resource, corporate governance, and compliance fronts. Mr. D.G. Bailey's ongoing experience informs his judgment and participation as a member of Fuel Tech's Board. His early career began as an engineer with Foster-Miller, Inc. and at Corning, Inc., in a variety of manufacturing and marketing positions. During his subsequent business career, following the founding of ABC, Mr. D.G. Bailey, in addition to being ABC's CEO, served as the CEO of a number of its affiliated companies, including Kokomo Spring Company, Inc., DieselCast France, SA, and Atlantis Components, Inc., bringing to the Fuel Tech Board management ability at senior and executive management levels in a variety of industrial markets. Over the span of 30 years, Mr. D.G. Bailey has provided board service to a number of other companies including, since 2001, serving as a director and chairman of the compensation committee for Endocyte, Inc., a public biotechnology company, and previous service on the audit committee and as chairman of the compensation committee for Atlantis Components, Inc., which gives him a broad based understanding of the role of a board of directors and its committees, and positions him well to serve as Fuel Tech's Chairman of the Board.

Ralph E. Bailey has been a director and Chairman Emeritus of the Fuel Tech Board since January 1, 2010 and was Executive Chairman of Fuel Tech from June, 2006 through December, 2009, and previously a director, Chairman and Chief Executive Officer of Fuel Tech from April, 1998 through June, 2006. He has been a director and Chairman of ABC since 1984. Mr. Bailey is the former Chairman and Chief Executive Officer of Conoco Inc., an energy company, and a former Vice Chairman of E.I. du Pont de Nemours & Co., a chemical company.

Mr. R.E. Bailey has extensive executive management experience in running both private and public companies large and small. Mr. R.E. Bailey has served Fuel Tech in both executive management and Board positions since 1998. In addition to the executive and board positions mentioned above, the insights Mr. R.E. Bailey brings to the Fuel Tech Board in its deliberations is further augmented by the range of knowledge he acquired through his past experiences in both executive management and board positions for other privately or publicly owned companies during his business career including, as director and Executive Vice President of Operations Peabody Coal Co.; Chairman and CEO Consolidation Coal Company (Consol Energy); and various terms as a director for Abex Corporation, General Signal Corporation, I.C. Industries, J.P. Morgan, the Rowan Companies, and the Williams Company.

Miguel Espinosa has been a director of Fuel Tech since 2002, and has been President and Chief Executive Officer of The Riverview Group, LLC, a financial consulting company, since 2001. He is a retired Treasurer of Conoco Inc. He has been a member of the Board of Directors of the Electric Reliability Council of Texas since 2003, serving as Vice

Chair of the Finance and Audit Committee and as a member of its Nominating Committee.

Miguel Espinosa brings to the Board senior and executive management finance operations experience acquired over a 35 year career with Conoco Inc., a Fortune 25 integrated petroleum company with worldwide operations. His career there covered a span of different assignments in Conoco's U.S. and international operations with ever increasing responsibilities including as Treasurer for European Operations, Assistant Treasurer, and, ultimately, as

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Treasurer for that company. These senior and executive management positions provided Mr. Espinosa experience in a variety of U.S. and international business operation contexts including dealing with accounting principles and financial reporting rules and regulations, evaluating financial results, and raising in excess of \$10 billion in capital while also maintaining operational responsibility for a large number of financial professionals worldwide. The depth and breadth of Mr. Espinosa's experiential exposure to complex financial and accounting matters makes him a skilled advisor for Fuel Tech's Board. In addition, Mr. Espinosa brings corporate governance skills beyond the finance area through his service for the Board of Directors of the Electric Reliability Council of Texas as Vice Chair of its Finance and Audit Committee and as a member of its Nominating Committee.

Charles W. Grinnell has been a director of Fuel Tech since September, 1989. Prior to his retirement on January 31, 2009, Mr. Grinnell served as Vice President, Legal Affairs of Fuel Tech from December, 2008, and as Vice President, General Counsel and Corporate Secretary of Fuel Tech since 1986. Mr. Grinnell, who practices tax and business law in Stamford, Connecticut, was also a director and Vice President, General Counsel and Corporate Secretary of Clean Diesel Technologies, Inc., a specialty chemical and energy technology company from 1994 until October, 2010.

Mr. Grinnell brings to the Board 44 years of corporate experience for both private and public, and small to large energy and energy technology companies in the tax and legal aspects of finance, accounting rules and conventions, commercial transactions, merger and acquisition activities, corporate governance, executive compensation, human resource matters, intellectual property licensing, environmental regulation, and litigation, all of which experience informs his judgment and participation as a Fuel Tech director. In addition, Mr. Grinnell has been associated with Fuel Tech since 1986. This association provides an institutional memory which is advantageous to the directors as a group.

Thomas L. Jones has been a director of Fuel Tech since 2005, and has been a Managing Director of Alvarez & Marsal Holdings LLC, a global performance improvement, turnaround management and business consulting firm, since October, 2008; previously he had been Managing Director of Trinsum Group since September, 2006; a Senior Advisor at Credit Suisse First Boston since 2003 and Managing Director in the Telecommunications Group of that company since 2000. Prior to those positions, Mr. Jones had been a Managing Director at Salomon Smith Barney and J.P. Morgan & Co., Inc.

Mr. Jones brings to the Fuel Tech Board over 30 years of experience in investment banking and mergers and acquisitions. He began his career in 1977 in corporate finance and throughout his career in his various positions and assignments had responsibilities related to a variety of industries including high tech, telecommunications, media and aerospace defense. Mr. Jones' positions have provided him with knowledge in dealing with complex financial and operational issues, accounting, financial reporting rules and regulations, and evaluating financial results and performance/risk business models pertaining to a number of business firms both in the U.S. and abroad. This experience makes Mr. Jones a valued advisor to Fuel Tech's Board as it considers various strategies and operational issues related to growing the Company.

John D. Morrow has been a director of Fuel Tech since June, 2004, and formerly a director of a predecessor Fuel Tech entity that was merged into Fuel Tech in 2006, from 1985 to 1987. Mr. Morrow retired in 1983 as Chief Financial Officer and a director of Conoco Inc.

During his 35 year tenure with Conoco, culminating in his service there as Conoco's Group Senior Vice President, Chief Financial Officer and as a member of its board of directors, Mr. Morrow demonstrated leadership capability and knowledge of complex financial and operational issues facing a large organization and, as such, brings to Fuel Tech's Board an understanding of global business operations and financial strategy for a large business concern in challenging environments. In addition, his former service as a member of the board of directors for other chemical or energy related companies such as Vista Chemical Company, Union Texas Petroleum and Eastern American Energy provides Mr. Morrow insight pertaining to corporate governance matters.

Thomas S. Shaw, Jr. has been a director of Fuel Tech since 2001. In September, 2010 Mr. Shaw was elected to serve as Vice Chairman and as a member of the compensation committee of the Board of Trustees of Wilmington University; in addition to continuing as a Trustee, Treasurer and Chairman of the Finance and Audit Committee of Wilmington University. In June, 2010 he was appointed to the Delaware Board of Pension Trustees for a term of four

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years. Mr. Shaw retired in September, 2007 from his position as Executive Vice President and Chief Operating Officer of Pepco Holdings, Inc.

With 36 years of managerial experience in the utility industry with Pepco Holdings, Inc. and two of its predecessor companies Delmarva Power and Conectiv, Mr. Shaw brings to the Fuel Tech Board demonstrated managerial experience at senior and executive levels that includes over 30 years of responsibility for the management, operation, maintenance, engineering and construction of fossil fueled electricity generating plants and their related equipment. He held a variety of positions with the Pepco companies including Power Plant Engineer, Plant Superintendent/Manager, General Manager of Production, Vice President of Production, and President and Chief Operating Officer. Mr. Shaw's experiential base provides Fuel Tech's Board with a broad based viewpoint from a utility customer perspective. In addition, during the last 17 years of his career, Mr. Shaw was also responsible for the management and oversight of numerous unregulated, non-utility businesses, including serving as the initial President of Conectiv Energy, the power generation and trading subsidiary of Pepco Holdings, Inc. This business experience has provided Mr. Shaw insights into the operational requirements of a large company and more specifically, a utility, in an array of areas including finance, commercial transactions, corporate governance, executive compensation, human resource matters, merger and acquisition activities, and environmental regulations, all of which makes him a skilled advisor to the Fuel Tech Board.

Delbert L. Williamson has been a director of Fuel Tech since 2008. Mr. Williamson retired in 2004 as President, Global Commercial Operations, GE Energy, Inc. (GE Energy). Prior thereto he held a number of executive positions at General Electric Company (GE), his employer for 45 years.

During his career with GE, Mr. Williamson held numerous marketing, sales, strategy development and senior general management and executive positions in that company's Energy Infrastructure, Specialty Materials, and International operations. As President, Commercial Operations of GE Energy, Mr. Williamson was responsible for an organization of 1900 employees worldwide with an annual revenue budget of \$25 billion whose business focused on the construction and services associated with power generation equipment projects ranging from nuclear, fossil, solar to wind. As an officer of GE, Mr. Williamson dealt directly with executives throughout the global energy industry and the international banking community, and the governments of many countries including the U.S. government, People's Republic of China, India, Russia and Saudi Arabia related to GE projects. With his knowledge of complex business issues facing global power generation companies and his understanding of what makes energy-related businesses work effectively and efficiently in domestic and international markets, Mr. Williamson provides valuable judgment and participation to Fuel Tech's Board.

Named Executive Officers

Douglas G. Bailey See director entry above.

Stephen P. Brady, 54, has been Senior Vice President, FUEL CHEM Sales since January, 2009; previously, he had been Senior Vice President, Sales and Marketing since April 2006; Senior Vice President, Fuel Chem since January 2002; and Vice President, Fuel Chem since February 1998.

David S. Collins, 46, has been Senior Vice President, Chief Financial Officer and Treasurer of Fuel Tech since July 13, 2010. From 2006 to 2010 Mr. Collins was Audit Partner with Grant Thornton LLP, and from 2005 to 2006 was Audit Partner with Larson, Allen, Weishair & Co., LLP.

William E. Cummings, Jr., 54, has been Senior Vice President, APC Sales since January, 2009; previously he had been Vice President, Sales since April 2006; Vice President, Air Pollution Control Sales since May 2000; Director, Utility Sales since April 1998; and Director, Eastern Region since 1994.

John P. Graham, 45, prior to his resignation from Fuel Tech effective March 5, 2010, was Senior Vice President, Chief Financial Officer and Treasurer of Fuel Tech since June 2008 after joining Fuel Tech as Senior Vice President in April 2008; previously, he had been employed as Chief Financial Officer of Hub International Limited, a North American insurance brokerage, and as Senior Vice President of Finance, Treasurer and Assistant Secretary of Career Education Corporation from 2002 through 2006.

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John F. Norris Jr., 61, prior to his retirement from Fuel Tech effective May 20, 2010, was an employee, serving as Executive Advisor, and also a director of Fuel Tech from April 1, 2010 through May 20, 2010, and, prior to his resignation from such offices on April 1, 2010, was the President and Chief Executive Officer of Fuel Tech since June, 2006. Previously, Mr. Norris had been President and Chief Executive Officer of Fuel Tech, Inc., an operating subsidiary of Fuel Tech, since February, 2006; a private consultant to clients in energy related industries, including Fuel Tech, since 2003; Senior Vice President, Operations and Technical Services of American Electric Power from 1999 until 2003; President and Chief Operating Officer of the American Bureau of Shipping Group during 1999; and he was associated with Duke Energy Corporation from 1982 until 1999 in positions from Assistant Engineer to Senior Vice President, Chairman and Chief Executive Officer of Duke Energy Global Asset Development.

Robert E. Puissant, 58, has been Executive Vice President, Marketing and Sales since August, 2009; previously he was President of We Enable LLC from July 2008; Executive Vice President, Strategy & Business Development for School Specialty Inc. since 2003 to 2008; and Senior Vice President, Customer Analysis and Planning and Senior Vice President, Marketing and Strategic Planning at Wisconsin Energy Corporation since 1998.

Except as noted above, there are no family relationships between any of the directors or executive officers.

PRINCIPAL STOCKHOLDERS AND STOCK OWNERSHIP OF MANAGEMENT

The following table sets forth information regarding the beneficial ownership of Common Stock known to Fuel Tech as of March 10, 2011 by (i) each person known to own beneficially more than five percent of the outstanding Common Stock; (ii) each director or nominee of Fuel Tech; (iii) each of Fuel Tech's Named Executive Officers; and (iv) all directors and all officers as a group.

Name and Address(1)	No. of Shares	Percentage(2)
<i>Beneficial Owners</i>		
Invesco Ltd. and related group(3)	1,324,624	5.47%
<i>Directors and Named Executive Officers</i>		
Douglas G. Bailey(4)(5)	1,467,434	6.03%
Ralph E. Bailey(4)(6)	4,632,925	19.04%
David S. Collins		
Stephen P. Brady(4)	157,480	*
William E. Cummings(4)	56,500	*
Miguel Espinosa(4)	97,000	*
Charles W. Grinnell(4)	89,004	*
Thomas L. Jones(4)	60,000	*
John D. Morrow(4)	70,000	*
Robert E. Puissant	4,000	*
Thomas S. Shaw, Jr.(4)	100,000	*
Delbert L. Williamson(4)	30,000	*
<i>All Directors and Officers as a Group (24 persons)(4)</i>	7,346,393	28.71%

* Less than one percent (1.0%)

(1) The address of Invesco Ltd. and related group is 1555 Peachtree Street NE, Atlanta, Georgia 30309; and of each of the above directors and Named Executive Officers is c/o Fuel Tech, Inc., 27601 Bella Vista Parkway,

Warrenville, Illinois 60555.

- (2) The percentages in each case are of the outstanding common at March [], 2011 and all options exercisable within 60 days thereafter.
- (3) According to Invesco Ltd.'s Schedule 13G dated February 10, 2011 (the Schedule 13G), the members of the related group are Invesco Ltd. and four of its subsidiaries that are investment advisers: Invesco Advisors, Inc.,

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Invesco PowerShares Capital Management, Invesco National Trust Company and Stein Roe Investment Counsel, Inc. According to the Schedule 13G, Invesco Advisors, Inc. has sole voting power over 1,284,241 shares, and Invesco PowerShares Capital Management has sole voting power over 31,183 shares. According to the Schedule 13G, sole dispositive power is held as follows: Invesco Advisors, Inc., 1,284,241 shares; Invesco Powershares Capital Management, 31,183 shares; Invesco National Trust Company, 8,200 shares; and Stein Roe Investment Counsel, Inc. 1,000 shares.

- (4) Includes shares subject to options exercisable presently and within 60 days: for Mr. D. G. Bailey, 115,000 shares; Mr. R. E. Bailey, 120,000 shares; Mr. Brady, 128,750 shares; Mr. Cummings, 52,500 shares; Mr. Espinosa, 90,000 shares; Mr. Grinnell, 82,500 shares; Mr. Jones, 60,000 shares; Mr. Morrow, 70,000 shares; Mr. Shaw, 100,000 shares; Mr. Williamson, 30,000 shares; and, for all directors and officers as a group, 1,372,500 shares. Also, the amounts do not include for Mr. R. E. Bailey 49,931 Units and for Mr. Jones 17,871 Units accrued at December 31, 2010 under the Deferred Compensation Plan for Directors.
- (5) Includes 1,337,434 shares owned directly by Mr. D.G. Bailey.
- (6) Includes 2,286,945 shares owned by a family limited liability company of which Mr. R. E. Bailey and his spouse are each managers and own 50% of the interests and over which Mr. R. E. Bailey holds 100% investment control; 1,000,000 shares owned by a Grantor Retained Annuity Trust in which Mr. R.E. Bailey retains a reversionary pecuniary interest; 1,000,000 shares owned by a Grantor Retained Annuity Trust in which his spouse retains a reversionary pecuniary interest; 170,980 shares owned jointly by Mr. R. E. Bailey and his spouse; and 55,000 shares owned directly by his spouse.

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Fuel Tech uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on its Board. In setting director compensation, Fuel Tech considers the role of the directors, the amount of time that directors expend in fulfilling their duties as well as the expertise required of Board members.

Cash Compensation for Directors

Fuel Tech non-employee directors receive annual cash retainers and meeting fees. The annual retainers, payable in arrears, in 2010 were \$25,000 for Board service and \$5,000 for service as a committee chairman. Effective February 2011, an annual cash retainer, payable in arrears, was established for service as a Lead Director. Meeting fees are \$1,200 for a Board meeting, a committee meeting not connected with a Board meeting or otherwise for a day of service as a director and requested by the Chairman, and \$600 for a committee meeting that occurs in conjunction with a Board meeting. Under the Deferred Compensation Plan for Directors, non-employee directors are entitled to defer fees in either cash with interest or share equivalent Units until fixed dates, including the date of retirement from the Board, when the deferred amounts will be distributed either in Fuel Tech stock or in cash in a lump sum or over a period of five years, as the director elects.

Equity Compensation for Directors

Under the Fuel Tech, Inc. Incentive Plan, each non-employee director is awarded as of the first business day following the annual meeting of stockholders, a non-qualified stock option for 10,000 shares of Fuel Tech common stock for a term of 10 years vesting immediately. As noted in the table below, on May 21, 2010, 10,000 share options were awarded to each non-employee director at the exercise price of \$5.495 per share, the fair market value of Fuel Tech common stock on that date.

DIRECTOR COMPENSATION IN FISCAL YEAR 2010

The following table shows for the Fuel Tech non-employee directors all compensation paid in 2010 on account of fees and stock option awards. Directors employed by Fuel Tech or its subsidiaries receive no compensation for their service as directors, and accordingly, during any time either of them was employed by Fuel Tech, neither Mr. D.G. Bailey nor Mr. Norris received any fees or stock options for their participation on the Board. Disclosure regarding Mr. D.G. Bailey's and Mr. Norris' compensation for fiscal 2010 is contained under the caption Summary Compensation Table above.

(a) Name	(b) Fees Earned or Paid in Cash (\$)	(d) Option Awards (\$)(1)	(f) Change in Pension Value and Nonqualified Deferred Compensation Earnings(2)	(h) Total (\$)
Ralph E. Bailey	33,400	32,712	85,175	151,287
Miguel Espinosa	60,000	32,712		92,712
Charles W. Grinnell	37,000	32,712		69,712
Thomas L. Jones	61,600	32,712	36,381	130,693

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John D. Morrow	51,400	32,712	84,112
Thomas S. Shaw, Jr.	73,800	32,712	106,512
Delbert L. Williamson	46,200	32,712	78,912

- (1) The amount of \$3,271 is the fair value of these options on the grant date calculated in accordance with FASB ASC Topic No. 718. The amounts shown do not represent cash paid to the directors.
- (2) These amounts reflect an increase/decrease in the value of deferred units under the Deferred Compensation Plan for Directors due to the increase/decrease in value of Fuel Tech Common Stock during the year 2010.

Table of Contents**NON-EMPLOYEE DIRECTORS OUTSTANDING STOCK OPTIONS AT 2010 FISCAL YEAR END**

The following table shows the outstanding stock options as of December 31, 2010 for non-employee directors as of such date, all of which are fully vested except as noted below.

Name	Grant Date	Number of Securities Underlying Unexercised Options # (Exercisable)	Option Exercise Price (\$)
Ralph E. Bailey	06/13/2001	10,000	\$ 3.595
	06/06/2002	10,000	\$ 6.265
	05/29/2003	10,000	\$ 4.195
	06/03/2004	10,000	\$ 4.565
	06/03/2005	10,000	\$ 5.995
	06/02/2006	10,000	\$ 15.950
	05/24/2007	10,000	\$ 26.255
	05/23/2008	20,000	\$ 22.920
	05/22/2009	20,000	\$ 9.965
	05/21/2010	10,000	\$ 5.495
Miguel Espinosa	06/06/2002	10,000	\$ 6.265
	05/29/2003	10,000	\$ 4.195
	06/03/2004	10,000	\$ 4.565
	06/03/2005	10,000	\$ 5.995
	06/02/2006	10,000	\$ 15.950
	05/24/2007	10,000	\$ 26.255
	05/23/2008	10,000	\$ 22.920
	05/22/2009	10,000	\$ 9.965
Charles W. Grinnell	05/21/2010	10,000	\$ 5.495
	02/02/2002	15,000	\$ 5.980
	12/09/2003	15,000	\$ 3.800
	12/07/2004	10,000	