

AMERICAN STANDARD COMPANIES INC

Form 8-K

February 04, 2005

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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): February 2, 2005

AMERICAN STANDARD COMPANIES INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1-11415

(Commission File No.)

13-3465896

(I.R.S. Employer
Identification No.)

One Centennial Avenue, P.O. Box 6820, Piscataway, NJ

(Address of principal executive offices)

08855-6820

(Zip Code)

Registrant's telephone number, including area code: (732) 980-6000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Establishment of Performance Goals for Annual and Long-Term Incentives

Awards under both the annual incentive program (AIP) and the long-term incentive program (LTIP) are issued under the American Standard Companies Inc. 2002 Omnibus Incentive Plan (the Omnibus Plan) which was approved by the company s shareholders on May 2, 2002. Each year, the Management Development and Compensation Committee of the company s Board of Directors (the Committee) establishes performance goals for the new AIP and LTIP performance periods. AIP and LTIP awards are generally paid in cash in February following the end of the performance period.

AIP Performance Goals

At its meeting on February 2, 2005, the Committee determined maximum amounts that may be paid to executive officers of the company in respect of AIP awards for the 2005 performance period by establishing a pool based on 1.5% of 2005 segment income for the company (subject to the \$3.0 million limit on individual AIP awards under the Omnibus Plan), with 20% of the pool allocated to the Chief Executive Officer and the remainder allocated evenly among the other executive officers. The Committee retains the discretion to pay AIP awards to our executive officers in an amount less than their portion of the bonus pool.

Each year an operating plan is established that sets goals for overall corporate and operating unit performance with specific financial and strategic measures. In 2005, these goals include sales growth, earnings per share, free cash flow, as well as strategic initiatives related to six sigma, materials management, safety, and talent development. In determining actual AIP award payments for 2005 to executive officers within the established maximum amount, the Committee will consider performance against company, business unit and individual performance criteria.

LTIP Performance Goals

At its meeting on February 2, 2005, the Committee determined maximum amounts that may be paid to executive officers of the company in respect of LTIP awards for the 2005-2007 performance period by establishing a pool based on 2.0% of 2007 segment income for the company (subject to the \$4.5 million limit on individual LTIP awards under the Omnibus Plan), with 20% of the pool allocated to the Chief Executive Officer and the remainder allocated evenly among the other executive officers. The Committee retains the discretion to pay LTIP awards to our executive officers in an amount less than their portion of the bonus pool.

In determining actual LTIP award payments to executive officers for the 2005-2007 performance period within the established maximum amount, the Committee will consider operating plan performance for the period in the area of sales growth, earnings per share and free cash flow, as well as performance relative to the company s peer group, economic conditions and performance of key strategic initiatives.

Grant of Stock Options to G. Peter D. Aloia

G. Peter D. Aloia serves as Senior Vice President and Chief Financial Officer of the company. Mr. D. Aloia s employment agreement dated December 3, 1999 provides that he will receive annually a stock option grant covering at least 150,000 shares of the company s stock. Due to an adjustment in the company s general option grant practice, Mr. D. Aloia received grants covering 129,000 shares in February, 2003 and 108,000 shares in February, 2004. As previously disclosed, on July 7, 2004, the company approved a special stock option grant to Mr. D. Aloia covering 28,000 shares to make up for his reduced grants in 2003 and 2004. This grant becomes exercisable in its entirety on July 7, 2005 and has a term of eight years. In addition, Mr. D. Aloia will receive a cash payment of approximately \$290,000 upon retirement, representing the difference in exercise price between the July 7, 2004 grant and the earlier

grants.

Mr. D Aloia received a second special stock option grant on February 2, 2005, covering 35,000 shares to complete the offset to his reduced grants in 2003 and 2004, with 21,000 of the options vesting and exercisable on February 2, 2006 and 14,000 vesting and exercisable on February 2, 2007. This option has an eight year term. Mr. D Aloia will receive an additional cash payment of approximately \$377,000 upon retirement, representing the difference in exercise price between the February 2, 2005 grant and the earlier grants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ MARY ELIZABETH GUSTAFSSON

AMERICAN STANDARD COMPANIES INC.

Name: Mary Elizabeth Gustafsson Title: Senior
Vice President, General Counsel and Secretary
DATE:
February 4, 2005