ITT Corp
Form 8-K
March 14, 2012

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: March 8, 2012

(Date of earliest event reported)

ITT Corporation

(Exact name of registrant as specified in its charter)

Indiana	**1-5672**	**13-5158950**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

1133 Westchester Avenue

White Plains, New York	**10604**
(Address of principal executive offices)	**(Zip Code)**

(914) 641-2000

Registrant s telephone number, including area code:

Not Applicable

Former name or former address, if changed since last report

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

¨ Written communications 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 communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors, Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On March 8, 2012, the Compensation and Personnel Committee (the Committee) of the Board of Directors of ITT Corporation (the Company) approved base salaries for 2012 and long-term incentive opportunities for the individuals expected to be named executive officers in the Proxy Statement for our 2012 Annual Meeting of Shareholders (the 2012 Annual Meeting). All decisions with respect to compensation for Denise L. Ramos, Chief Executive Officer and President, were made solely by the Committee. Additional information with respect to the compensation arrangements for the named executive officers will be set forth in the Proxy Statement for the 2012 Annual Meeting.

Base Salaries for 2012

The Committee approved new annual base salaries, effective March 1, 2012, for the named executive officers as follows: Ms. Denise L. Ramos, $850,000; Mr. Aris C. Chicles, $420,000, Mr. Thomas M. Scalera $400,000, Mr. Robert J. Pagano, $400,000, and Mr. Munish Nanda, $340,000.

Annual Incentive Awards and Opportunities

For 2011, the named executive officers participated in the Company s Annual Incentive Plan for Executive Officers (the AIP) approved by ITT Corporation s shareholders in 2008. Amounts to be paid under the AIP are based on the financial performance of the Company and its businesses during the performance year as compared with the annual performance goals established and approved by the Committee at the beginning of the performance year. Under the AIP, the Committee has the authority to modify the awards using negative discretion to reflect individual performance in accordance with the terms of the AIP. The Committee also may award supplemental bonus payments separate from the AIP in its discretion in recognition of additional performance factors.

As previously disclosed, on October 31, 2011, the Company completed the spin-off of Exelis Inc., the Company s Defense & Information Solutions business, and Xylem Inc., the Company s water-related businesses (the Spin-off, and the Company until the Spin-off, the pre-Spin-off Company). Because of this, AIP performance results for the first ten months of 2011 (the Pre-Spin Period) were measured against performance goals established for the pre-Spin-off Company at the beginning of 2011, while AIP performance results for the last two months of 2011 (the Post-Spin Period) were measured against performance goals for the Company established and approved by the Committee following the Spin-off.

For performance year 2011 the approved annual performance goals for the Pre-Spin Period for Ms. Ramos and Messrs. Chicles and Scalera were based 50% on Sum of Value Center Operating Income, 30% on Sum of Value Center Operating Cash Flow and 20% on Sum of Value Center Revenue for the pre-Spin-off Company. The approved annual performance goals for the Post-Spin Period for Ms. Ramos and Messrs. Chicles and Scalera were based 50% on Sum of Segment Operating Income, 30% on Sum of Segment Operating Cash Flow and 20% on Sum of Segment Revenue for the Company. For performance year 2011 the approved annual performance goals for the Pre-Spin Period for Messrs. Nanda and Pagano were based 50% on Sum of Value Center Operating Income and 15% on Revenue, 20% on Operating Free Cash Flow and 15% on Operating Margin for their respective segments of the pre-Spin-off Company. The approved annual performance goals for the Post-Spin Period for Messrs. Pagano and Nanda were based 50% on Sum of Segment Income and 15% on Revenue, 20% on Operating Free Cash Flow and 15% on Operating Margin for their respective segments of the Company. The 2011 annual performance goals encouraged focus on total enterprise performance. Additionally, the Committee established individual award targets which varied by position as a percentage of base salary, with the award targets for the Chief Executive Officer and the other named executive officers ranging from a minimum of 50% to a maximum of 100%. Actual payment under the AIP for 2011 could range from 0-200% of the target. On March 8, 2012, the Committee approved the following 2011 payments under the AIP for the named executive officers: Ms. Ramos, $687,500; Mr. Chicles, $303,500; Mr. Scalera, $151,800; Mr. Pagano, $201,100 and Mr. Nanda, $214,100.

2012 Long Term Incentive Awards and Opportunities

For the named executive officers, the ITT Corporation Long-Term Incentive Program total award value is determined individually based on the competitive market, individual performance and business performance and is allocated as follows: 1/3 of the award in target cash based on total shareholder return; 1/3 of the award in non-qualified stock options and 1/3 of the award in restricted stock unit awards.

Stock-Based Awards

Effective March 8, 2012, the Committee approved the following stock option grants to the named executive officers under the ITT Corporation 2011 Omnibus Incentive Plan approved by the Company s shareholders in 2011 (the 2011 Plan): Ms. Ramos, 115,865; Mr. Chicles, 26,025; Mr. Scalera, 24,785; Mr. Pagano, 16,525; and Mr. Nanda, 14,045. The exercise price of the options is $22.80 per share based on the closing price of the Company s common stock on March 8, 2012. The options granted to Ms. Ramos and Messrs. Chicles, Scalera, Pagano and Nanda will vest and become exercisable three years from the date of grant. The term for all options is ten years. Each of the options also provides for accelerated vesting upon change in control events that are defined in the 2011 Plan, and vesting on a pro rata basis upon retirement. Unvested options under this award expire upon termination of employment for cause or due to resignation.

Effective March 8, 2012, the Committee approved the following restricted stock unit awards to the named executive officers under the 2011 Plan: Ms. Ramos, 41,153; Mr. Chicles, 9,243; Mr. Scalera, 8,803; Mr. Pagano, 5,869; and Mr. Nanda, 4,988. The restricted stock unit awards granted to the named executive officers will vest three years from the date of grant. These restricted stock unit awards provide for accelerated vesting upon change in control events that are defined in the 2011 Plan and vest on a pro rata basis upon retirement. Unvested restricted stock unit awards under this award expire upon termination of employment for cause or due to resignation.

Total Shareholder Return Awards

The 2011 Plan also authorizes performance awards to be made to key employees of the Company at the discretion of the Committee. Awards granted under the plan are expressed as target cash awards and are based on total shareholder return over the performance period (TSR Awards).

The 2011 Plan provides that the Committee shall determine the size and frequency of awards, performance measures, performance goals and performance periods. Payment, if any, of target cash awards generally will be made at the end of the applicable performance period and are based on the Company s performance as compared with the performance measures approved by the Committee prior to the performance period. Payment, if any, of awards may be made in whole or in part, at the discretion of the Committee.

On March 8, 2012, the Committee granted TSR Awards under the LTIP for the three-year period beginning January 1, 2012 to the named executive officers as follows: Ms. Ramos, $935,000; Mr. Chicles, $210,000; Mr. Scalera, $200,000; Mr. Pagano, $133,300; and Mr. Nanda, $113,300. The ultimate value, if any, of each of these awards will be determined in accordance with the established performance measurement formula for the target awards granted in 2012. The award amounts set forth above would be the amounts earned and payable if the TSR Awards results in payment at the 100% level.

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 hereunto duly authorized.

	ITT CORPORATION
March 14, 2012	(Registrant)
	By: /s/ Burt M. Fealing Name: Burt M. Fealing Title: Senior Vice President, General Counsel and Secretary

Times New Roman, Times, Serif; margin: 0pt 0; text-align: justify">According to the valuation report prepared by Beijing Zhong Qi Hua Assets Valuation Co., Ltd.( ) (an independent qualified valuer in the PRC), the apprai of the total equity interests of XAMC amounted to approximately RMB 84.56 million as of 31 March 2012, representing an increase in value of RMB 54.34 million, or 180% as compared with the net asset value of XAMC as at 31 March 2012. As such, the appraisal value of the Targeted Equity Interests amounted to approximately RMB 43.12 million as of 31 March 2012. The audited net asset value of the Targeted Equity Interests as of 31 March 2012 was approximately RMB 15.41 million.

Consideration

The Consideration of approximately RMB 43.12 million is determined after an arm’s length negotiation between the parties in accordance with market practice and after taking into account of the abovementioned appraisal value of the Targeted Equity Interests as of 31 March 2012.

Completion

The Disposal shall be deemed to be completed upon the date of filing of registration of changes to the relevant administrative authority for industry and commerce. Upon the completion of the Disposal, XAMC will not continue to be a subsidiary of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the audited net asset value of the Targeted Equity Interests as of 31 March 2012 and the Consideration, it is preliminary estimated that the Group may record an unaudited after tax gain of approximately RMB 18 million from the Disposal. Shareholders should however note that the actual gain or loss from the Disposal to be recorded by the Company will depend on the corresponding applicable tax treatment and costs incurred for the Disposal. The Board is of the view that the Disposal will not have any material financial impact on the Group. The proceeds from the Disposal will be applied towards the Group’s general working capital requirement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE Agreement

The Company believes that the Disposal can promote the integration of media resources owned by SACM and XAMC, and they can achieve a better development by mutual use of the platforms and resources owned by each other. As XAMC shall be owned as to 49% by Xiamen Airlines, Xiamen Airlines shall continue to benefit from long-term development of XAMC. In addition, Xiamen Airlines will be able to focus its resources on its principal business, and shall benefit from the restructuring and development of SACM.

The Directors (including the independent non-executive Directors) consider that (1) the Agreement was entered into after an arm's length negotiation between Xiamen Airlines and SACM and was in compliance with the market practice and the terms therein (including the Consideration) are on normal commercial terms and fair and reasonable; and (2) the Disposal is beneficial to the operation and long-term development of the Group and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As SACM is a company owned as to 40% by the Company and 60% by CSAHC, SACM is a non wholly-owned subsidiary of CSAHC and a connected person of the Company. Pursuant to the Listing Rules, as one of the applicable percentage ratios (other than the profits ratio) for the Disposal is more than 0.1%, but less than 5%, the Disposal constitutes a connected transaction of the Company, which is subject to the reporting and announcement requirements and is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Among the 11 Directors, four Directors, Mr. Si Xian Min, Mr. Wang Quan Hua, Mr. Yuan Xin An and Mr. Zhang Zi Fang, who were connected Directors, were required to abstain from voting in respect of the Agreement. All remaining seven Directors who were entitled to vote, unanimously approved the above resolutions. The format and procedure for passing the resolution was in compliance with the Company Law of the PRC and the Company’s articles of association.

PROFIT FORECAST

As the Valuation was prepared based on an income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and Rule 14.62 of the Listing Rules is applicable.

Pursuant to Rule 14.62(1) of the Listing Rules, the following are the details of the principal assumptions, including commercial assumptions, upon which the report for the Valuation was issued:

1. XAMC is able to continue as a going concern.

2. There is no material change in the related laws and regulations and policies as well as the macro-economic environment of the state; no material change in the political, economic and social situation of the regions in which the parties to the Disposal are located; and no other force majeure and unforeseen factors leading to any material adverse effects.

3. The management of XAMC are responsible parties and capable to take up their positions.

4. Unless otherwise specified, XAMC is in full compliance with all related laws and regulations and there is no material breach which would affect the development of XAMC and its profit realization.

5. The accounting policies to be adopted by XAMC in future are basically identical to those adopted by XAMC during the preparation of the Valuation report in material aspects.

6. The style and competence of the management of XAMC remains the same and the scope of business, business model and plans of the XAMC remains the same.

7. There is no material variation to the applicable interest rates, exchange rates, taxation grounds and tax rates, and government levies.

8. According to the advertising media business entrustment agreement entered into between Xiamen Airlines and XAMC, Xiamen Airlines grants an exclusive right to XAMC to operate its advertising media business from 1 April 2012 to 31 March 2027. It is agreed in the agreement that during the first three years of the term of agreement, the entrustment fee for advertising media business will be amounted to 55% of the revenue from advertising media business; and that the adjustment to entrustment fee thereafter will take into account the reasonable return of shareholders of XAMC. The Valuation is made on the assumption that the payment method and proportion of entrustment fee of advertising media business for the twelve-year period from 1 April 2015 is same with those applied in the first three years, on which the anticipation of future revenue of XAMC is based.

9. The qualification for publication and distribution business of Xiamen Airlines can be maintained during the anticipated period, and the normal operation of XAMC would not be affected.

10. The Valuation excludes the factor of inflation.

KPMG, acting as the auditors of the Company, has reviewed the calculations of the discounted future cash flows used and contained in the Valuation report, which do not involve the adoption of accounting policies, for the Valuation.

The Directors confirm that the Valuation, which constitutes a profit forecast under the Listing Rules, has been made after due and careful enquiry.

A letter from the Board and a letter from KPMG are included in the Appendices to this announcement for the purpose of Rule 14.62 of the Listing Rules.

As at the date of this announcement, KPMG (certified public accountants) does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

KPMG has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it is included.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the equity transfer agreement entered into on 29 June 2012 between Xiamen Airlines and SACM, pursuant to which Xiamen Airlines agreed to sell the Targeted Equity Interests to SACM
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Southern Airlines Company Limited, a company incorporated under the laws of the PRC whose H Shares, A Shares and American Depositary Receipts are listed on the Stock Exchange, the Shanghai Stock

	Exchange and the New York Stock Exchange, Inc., respectively
"Completion"	completion of the Disposal pursuant to the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Disposal in the sum of approximately RMB 43.12 million pursuant to the Agreement
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"CSAHC"	China Southern Air Holding Company, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company
"Directors"	the directors of the Company

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"Disposal"	the disposal of the Targeted Equity Interests as contemplated under the Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this announcement, exclusively refer to Mainland China
"RMB"	Renminbi, the lawful currency of the PRC
"SACM"	Southern Airlines Culture and Media Co., Ltd., a company which is owned as to 40% by the Company and 60% by CSAHC, the purchaser to the Agreement
"Share(s)"	share of RMB 1.00 each in the capital of the Company
"Shareholder(s)"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Targeted Equity Interests"	51% equity interests in XAMC, the subject matter of the Agreement
"Valuation"	the valuation in respect of the total equity interests of XAMC, prepared by an independent professional valuer at the appraisal value of RMB 84.56 million according to the market value of XAMC as at 31 March 2012
"XAMC"	Xiamen Airlines Media Co., Ltd., a company which is owned as to 100% by Xiamen Airlines as at the date of this announcement
"Xiamen Airlines"	Xiamen Airlines Company Limited, a limited liability company incorporated in the PRC and a subsidiary (as defined in the Listing Rules) owned as to 51% by the Company as at the date of this

announcement

By order of the Board
China Southern Airlines Company Limited
Xie Bing and Liu Wei

Joint Company Secretaries

Guangzhou, the People's Republic of China

29 June 2012

As at the date *of this announcement, the Directors include Si Xian Min, Wang Quan Hua and Yuan Xin An as non-executive Directors, Tan Wan Geng, Zhang Zi Fang, Xu Jie Bo and Chen Zhen You as executive Directors; and Gong Hua Zhang, Wei Jin Cai, Ning Xiang Dong and Liu Chang Le as independent non-executive Directors.*

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In compliance with Rule 14.62 of the Listing Rules, the text of each of the letter from KPMG to the Directors confirming it has reviewed the calculations of the discounted future cash flows used and contained in the Valuation and the letter from the Board confirming the Valuation has been made after due and careful enquiry both dated 29 June 2012, for the purpose of, among other things, inclusion in this announcement are reproduced below:

APPENDIX I – LETTER FROM THE BOARD

Listing Division

The Stock Exchange of Hong Kong Limited

11/F., One International Finance Centre,

1 Harbour View Street, Central,

Hong Kong

29 June 2012

Dear Sirs,

Re: Connected Transaction – Disposal of Equity Interests in a Subsidiary

We refer to the valuation report dated 11 June 2012 (the ‘‘Valuation Report’’) and prepared by Beijing Zhong Qi Hua Assets Valuation Co., Ltd. ( ) (the ‘‘Valuer’’) in relation to the valuation of Xiamen Airlines Media Co., I the Valuation of which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumption based upon which the valuation of XAMC has been prepared, and reviewed the valuation for which the Valuer is responsible. We have also considered the report from our auditors, KPMG, dated 29 June 2012 regarding whether the discounted future cash flows of XAMC, so far as the arithmetical calculations are concerned, have been properly complied in accordance with the bases and assumptions as set out in the Valuation Report. We have noted that the discounted future cash flow do not involve the adoption of accounting policy.

On the basis of the foregoing, we are of the opinion that the Valuation has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the board of directors of

China Southern Airlines Company Limited

Xu Jie Bo

Executive Director

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APPENDIX II – LETTER FROM KPMG

The Board of Directors
China Southern Airlines Company Limited
278 Ji Chang Road

Guangzhou

The People’s Republic of China

29 June 2012

Dear Sirs

China Southern Airlines Company Limited (the “Company”) and its subsidiaries (“the Group”) -

Connected Transaction Regarding the Disposal of 51% Equity Interests in a Subsidiary (the “Connected Transaction”)

We have been engaged to report on the arithmetical calculations of the discounted future cash flows on which the business valuation (the ‘‘Valuation’’) dated 11 June 2012, prepared by Beijing Zhong Qi Hua Assets Valuation Co., Ltd. ( ) in respect of the fair value of Xiamen Airlines Media Company Limited as at 31 March 2012 is based. Valuation which is determined based on the discounted future cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Responsibility for the Discounted Future Cash Flows

The directors of the Company are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Valuation. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Responsibility

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future cash flows on which the Valuation is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We re-performed the arithmetical calculations and compared the compilation of the discounted future cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any business valuation or an expression of an audit or review opinion of the Valuation.

The discounted future cash flows do not involve the adoption of accounting policies. The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the Valuation.

Yours faithfully

Certified Public Accountants

Hong Kong

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