

Stock unitization in American Standard's retirement savings plans

American Standard's contributions to several of our retirement savings plans are invested in the company stock fund, also called the ASCI Stock Fund, which is a unitized stock fund. Here are answers to some frequently asked questions about the company stock fund, including how a unitized stock fund works, what affects the value and number of units in the fund and how a unitized fund provides flexibility for diversification and distributions.

What is a unitized stock? How does it relate to our retirement savings plans?

A unitized stock fund is made up of company stock plus short-term investments. The company's contributions to the Savings Plan, Employee Stock Ownership Plan (ESOP), and 401(k) and Thrift Plans are invested in a unitized stock fund called the company stock fund. As a unitized fund, the company stock fund is made up of shares of American Standard stock plus short-term investments.

Why use a unitized stock fund instead of simply owning shares of company stock?

With a unitized stock fund you have quicker access to your investment for diversification and distributions. When diversifying, or taking a distribution when retiring or terminating employment, a unitized stock fund gives you the flexibility to sell or exchange your investment in company stock fund units easily, generally on a daily basis. If you owned shares of company stock instead of units of a stock fund, you would need at least three business days to receive the proceeds from the sale of your shares.

The short-term investments within the company stock fund provide this flexibility. These short-term investments may be in a money market fund, which typically is invested in U.S. Treasury notes, bills, or other corporate obligations. When you want to sell or exchange your units in the company stock fund, the short-term investment portion of the unitized stock fund pays for this transaction. The short-term investments can be bought and sold quickly and easily, providing the liquidity for your transaction.

Purchasing units of a company stock fund also provides benefits similar to owning company stock. When you invest in unitized stock, you enjoy similar rights as a stockholder, including voting rights for your pro rata interest in the actual number of shares held by the company stock fund.

What determines the value and unit price of a unitized stock fund?

A unitized stock fund's value is equal to the value of the stock and short-term investments. The value will vary depending on the performance of the company stock, as well as by the amount and performance of the short-term investments held by the fund.

The same economic or market conditions that cause the company's stock price to move up and down will also affect the unit price of your fund, as will the actual percentage of stock and short-term investments held in the fund. Generally, investment earnings that are to be reinvested in the stock fund, gains and losses realized on the sales of company stock, and any fund expenses also impact the return on the unitized stock fund.

What determines the equivalent number of shares in a unitized stock fund?

Because the company stock fund includes more than company stock, you purchase "units" of the fund, rather than shares of stock. You can determine the approximate number of stock shares that are equivalent to your stock fund units by dividing the dollar value of your account on any given day by the market price of a share of company stock on that same day

For example:

\$25,000	value of your company stock fund
÷ \$105	price of one share of stock
= 238.10	the approximate number of shares of stock that are equivalent in value to the number of units in your account. Equivalent shares are shown on your account statement

Please note: This figure may vary from day to day. Since the plans allow you to exercise shareholder rights, such as voting, the actual number of shares you control will be your pro rata interest in the actual number of shares held by the fund. This calculation does not account for the amount of cash in the fund; therefore, the number of shares in this example is only an estimate.

Because of the dramatic increase in ASD's share price in the past year compared with the modest interest earned on the short-term investments, some plan participants will see a decrease in the equivalent number of shares in their account over the past year. A decrease in the equivalent number of shares does not mean that the value of your company stock fund has declined. In fact, the value of the company stock fund increased 37 percent in 2003.

How is the percentage to be held in short-term investments determined?

The company determines what percentage of the company stock fund will be short-term investments. Before 2003, approximately 1 percent of the company stock fund was in short-term investments. This small percentage in short-term investments reflected the limited diversification opportunities available to employees at that time. Prior to the rollout of enhanced diversification in January 2003, employees could diversify less than 6 percent of their company stock fund balances. Since enhanced diversification was introduced in January 2003, employees have diversified over 1,400,000 shares, or more than 12 percent of their company stock fund balances. As of February 2004, an additional 28 percent of employees' company stock fund balances is eligible for diversification.

To reflect the need for greater liquidity to meet the enhanced diversification opportunities, the percent held by the company stock fund in short-term investments was increased to between 9 percent and 11 percent in January 2003. When the amount of short-term investments falls outside the range of 9 percent to 11 percent, stock is either bought or sold to bring the short-term investments back into line. In other words, a unitized stock fund like the company stock fund is not actively managed and decisions to purchase or sell stock are determined primarily by the need to rebalance the amount of short-term investments.

What happens if I want to diversify or take a distribution from the company stock fund, such as when I retire or terminate employment with the company?

Generally, if you make a transaction request on a business day before 4 p.m. Eastern time, when the New York Stock Exchange closes, the transaction will be processed that day. You will receive the net asset value of the units, calculated using the closing price for the company stock on the processing date. If you make a request to sell stock units on weekends, holidays, or after the New York Stock Exchange closes, the request would be processed on the next business day, at that day's net asset value. It's that quick.

It is possible, but unusual, that on some days the company stock fund may not have enough short-term investments to cover transaction requests. This may happen, for example, when many people may be requesting sales of units. In this case, your request to sell units will be processed as soon as the company stock fund has sufficient liquid assets to process your request. At that time, transaction requests that had been delayed would be processed, generally in order of receipt. Distribution requests are processed before exchange requests.

To diversify or to find out how much is eligible for diversification, please call the American Standard Retirement Benefits Line at 1-800-209-4015 (when calling from outside the U.S. or Canada, please call collect at 1-508-787-9494). Fidelity representatives are available Monday through Friday from 8:30 a.m. to midnight, Eastern time.

How can I track my investment in the company stock fund?

You can track information about your stock fund units through Fidelity NetBenefits® or on your account statement. By monitoring your account, you will be able to track the value of your investment, as well as know when any exchanges or distributions you requested were processed.

For more information visit Fidelity NetBenefits® or www.401k.com today.

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