LACROSSE FOOTWEAR INC
Form 8-K
February 27, 2006

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 22, 2006

LaCROSSE FOOTWEAR, INC.
(Exact name of registrant as specified in its charter)

Wisconsin	**0-23800**	**39-1446816**
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS employer identification number)

18550 NE Riverside Parkway, Portland, Oregon 97230
(Address of principal executive offices, including zip code)
(503) 776-1010
(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 (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

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

ITEM 8.01 OTHER EVENTS

On February 22, 2006, LaCrosse Footwear, Inc. issued a press release entitled LACROSSE FOOTWEAR SIGNS FINANCIAL AGREEMENT WITH PORTLAND DEVELOPMENT COMMISSION . The agreement with the Portland Development Commission (PDC) is for a $750,000 loan and grant package to assist in bringing LaCrosse s Corporate Headquarters and the Danner Distribution Center to the City of Portland. PDC is the city s agency for economic development, housing, and urban renewal. A copy of the press release is attached as Exhibit 99.1.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits**.**

Exhibit No.	Description
99.1	LaCrosse Footwear, Inc. Press Release dated February 22, 2006, entitled LACROSSE FOOTWEAR SIGNS FINANCIAL AGREEMENT WITH PORTLAND DEVELOPMENT COMMISSION .

SIGNATURES

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

LaCROSSE FOOTWEAR, INC.

Dated: February 24, 2006

By: /s/ David P. Carlson
David P. Carlson
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	LaCrosse Footwear, Inc. Press Release dated February 22, 2006, entitled LACROSSE FOOTWEAR SIGNS FINANCIAL AGREEMENT WITH PORTLAND DEVELOPMENT COMMISSION .

> Development Governance Executive

John D. Barr
X X
Michael R. Eisenson
X X X
James A. Hislop
X
Hiroshi Ishikawa
X
William J. Lovejoy
X X
Kimberly J. McWaters
X X
Eustace W. Mita
X X X
Lucio A. Noto
X X
Roger S. Penske
X X
Richard J. Peters
X X
Ronald G. Steinhart
X X
H. Brian Thompson
X X X
No. of Meetings 2005
6 14 5 2 0

Our Board of Directors has four standing committees: the Audit Committee, the Compensation and Management Development Committee, the Executive Committee and the Nominating and Corporate Governance Committee. The Board of Directors approved a charter for each of the Audit, Compensation and Management Development, and Nominating and Corporate Governance committees, which charters are available on our website, www.unitedauto.com under the tab Corporate Governance. In addition, our Audit Committee charter is attached hereto as Annex B. The principal responsibilities of each committee are described below. All of our directors attended over 83% of our board and committee meetings in 2005 and the average attendance was 95%.

Audit Committee. The purpose of this committee is to assist the Board of Directors in fulfilling its oversight responsibility relating to (i) the integrity of our financial statements and financial reporting process and our systems of internal accounting and financial controls; (ii) the performance of the internal audit function; (iii) the annual independent audit of our financial statements, the engagement of the independent registered public accounting firms and the evaluation of the independent registered public accounting firms qualifications, independence and performance; and (iv) the fulfillment of the other responsibilities set out in the Audit Committee Charter. The Board of Directors has confirmed that all members of the Audit Committee are independent and financially literate under the

New York Stock Exchange rules and applicable law, and each is an audit committee financial expert, as that term is defined in Securities and Exchange Commission rules.

Compensation and Management Development Committee. The purpose of this committee is to assist the Board of Directors in discharging its responsibility relating to compensation of our directors, executive officers and such other employees as this committee may determine, succession planning and related matters. Each committee member is independent under New York Stock Exchange rules and our more stringent guidelines for director independence.

Executive Committee. Our Executive Committee s primary function is to assist our Board of Directors by acting upon matters when the Board of Directors is not in session. The Executive Committee has the full power and authority of the Board of Directors, except to the extent limited by law or our certificate of incorporation or bylaws. This Committee did not meet in 2005.

Nominating and Corporate Governance Committee. The purpose of this committee is to identify individuals qualified to become members of the Board of Directors, to recommend Director nominees for each annual meeting of stockholders and nominees for election to fill any vacancies on the Board of Directors and to address related matters. This committee also develops and recommends to the Board of Directors corporate

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governance principles and is responsible for leading the annual review of our corporate governance policies and the Board of Directors performance. Each of the Committee members is independent under New York Stock Exchange rules and our more stringent guidelines for director independence.

Corporate Governance Guidelines. The Nominating and Corporate Governance Committee also makes recommendations concerning our corporate governance guidelines, which are posted on our website, www.unitedauto.com, under the tab Corporate Governance. These guidelines, and the other documents referenced in this section, are also available in print to any stockholder who requests them by calling our investor relations department at 248-648-2500.

Lead Director. One of our governance principles is that we have a Lead Director, who is responsible for coordinating the activities of the other outside Directors, including the establishment of the agenda for executive sessions of the outside Directors, and who shall preside at their meetings. These sessions generally occur as part of each Board meeting and include, at least annually, a session comprised of only our independent directors. Our Lead Director is currently H. Brian Thompson. He may be contacted by leaving a message at the following telephone number: 800-469-1634. All messages will be reviewed by our Corporate Secretary s office and all (other than frivolous messages) will be forwarded to the Lead Director. Any written communications to the Board of Directors may be sent care of the Corporate Secretary to our principal executive office. These communications (other than frivolous messages) also will be forwarded to the Lead Director.

Code of Conduct. We have also adopted a Code of Business Conduct and Ethics, applicable to all of our employees and directors, which is posted on our website at www.unitedauto.com under the tab Corporate Governance. We plan to disclose waivers for our executive officers or directors from the code on our website, www.unitedauto.com.

Director Independence. A majority of our Board of Directors is independent. The Board of Directors has determined that Ms. McWaters and Messrs. Barr, Eisenson, Lovejoy, Mita, Steinhart and Thompson are each independent in accordance with the listing requirements of the New York Stock Exchange, as well as with the more stringent requirements of our guidelines for independent directors found in our corporate governance guidelines and which are set forth below. As required by New York Stock Exchange rules, our Board of Directors made an affirmative determination as to each independent director that no material relationship exists which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board of Directors reviewed and discussed information provided by the directors and us with regard to each director s business and personal activities as they may relate to us and our management.

For a director to be considered independent under our corporate governance guidelines, the Board of Directors must determine that the director does not have any direct or indirect material relationship with us (including any parent or subsidiary in a consolidated group with us). In addition to applying these guidelines, the Board of Directors considers all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation.

Under our guidelines, a director will not be independent if:

1. the director is employed by us, or an immediate family member is one of our executive officers;

2. the director receives any direct compensation from us, other than director and committee fees and forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

3. the director is affiliated with or employed by our independent registered public accounting firms (or internal auditors), or an immediate family member is affiliated with or employed in a professional capacity by our independent registered public accounting firms (or internal auditors); or

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4. an executive officer of ours serves on the compensation committee of the board of directors of a company that employs the director or an immediate family member as an executive officer.

A director also will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with us and the sales by that company to us or purchases by that company from us, in any single fiscal year during the evaluation period, are more than the greater of one percent of the annual revenues of that company or $1 million. Furthermore, a director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or an immediate family member is an executive officer, of another company that is indebted to us, or to which we are indebted, and the total amount of either company s indebtedness to the other at the end of the last completed fiscal year is more than one percent of the other company s total consolidated assets. Finally, a director will not be independent if, at the time of the independence determination, the director serves as an officer, director or trustee of a charitable organization, and our charitable contributions to the organization are more than one percent of that organization s total annual charitable receipts during its last completed fiscal year.

Under the New York Stock Exchange rules, if a company is controlled, it need not have a majority of independent directors or solely independent compensation or nominating committees. We are a controlled company because more than 50% of the voting power for the election of directors is held by Penske Corporation and its affiliates, and Mitsui & Co. and its affiliates. These entities are considered a group due to the provisions of the stockholders agreement between these parties described under Related Party Transactions. Even though we are a controlled company, we are fully compliant with the New York Stock Exchange rules for non-controlled companies. A majority of our Board of Directors is independent and each of our nominating, audit and compensation committees are comprised solely of independent directors.

Director Nominees. The Nominating and Corporate Governance Committee believes that director candidates should have certain minimum qualifications, including having personal integrity, loyalty to UnitedAuto and concern for its success and welfare, willingness to apply sound and independent business judgment and time available for UnitedAuto matters. Experience in at least one of the following is also desired: high level of leadership experience in business or administration, breadth of knowledge concerning issues affecting UnitedAuto, willingness to contribute special competence to board activities, accomplishments within the director s respective field and experience reading and understanding financial statements. The Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time.

The Nominating and Corporate Governance Committee s process for identifying and evaluating nominees is as follows: in the case of incumbent directors whose terms of office are set to expire, the Committee reviews such directors overall service to UnitedAuto during their term. In the case of new director candidates, the Committee uses its network of contacts to compile potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Committee determines whether the nominee would be independent. The Committee then meets with each candidate individually to discuss and consider his or her qualifications and, if approved, recommends the candidate to the Board.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. Stockholder proposals for nominees should be addressed to Corporate Secretary, United Auto Group, 2555 Telegraph Road, Bloomfield Hills, MI 48302 and must comply with the procedures outlined immediately below. The committee s evaluation of stockholder-proposed candidates will be the same as for any other candidates.

Stockholders who wish to recommend individuals for consideration by the committee to become nominees for election to the Board may do so by submitting a written recommendation to the Corporate Secretary. Submissions must include sufficient biographical information concerning the recommended individual, including age, employment history with employer names and a description of the employer s business, whether such individual can read and understand basic financial statements and a list of board memberships and other affiliations of the nominee. The submission must be accompanied by a written consent of the individual to stand for election and serve if elected by the stockholders, a statement of any relationships

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between the person recommended and the person submitting the recommendation, and a statement of any relationships between the candidate and any automotive retailer, manufacturer or supplier. Recommendations received by December 3, 2006, will be considered for nomination at the 2007 annual meeting of stockholders. Recommendations received after December 3, 2006, will be considered for nomination at the 2008 annual meeting of stockholders.

Director Compensation. The Board of Directors believes that its members should receive a mix of cash and equity compensation, with the option to receive all compensation in the form of equity. The Board of Directors approves changes to director compensation only upon the recommendation of the Compensation and Management Development Committee, which is composed solely of independent directors. Only directors who are not our paid employees, who we call Outside Directors, are eligible for director compensation, unless otherwise noted. Each Outside Director receives an annual retainer of $40,000, except for Audit Committee members, who receive $45,000. These fees are payable, at the option of each Outside Director, in cash or common stock. Our Outside Directors also receive an annual grant of 1,000 shares of restricted stock generally in the first quarter. These restricted shares vest ratably and annually over three years.

Under our Non-Employee Director Compensation Plan, the annual retainer and restricted stock awards may be deferred in either the form of cash (for the annual retainer) and/or deferred stock units. Each deferred stock unit is equal in value to a share of common stock and ultimately paid in cash after a director retires. These stock units do not have voting rights, but do generate dividend equivalents in the form of additional stock units and are credited to the director s account on the date the dividends are paid. Any fees deferred in cash will be held in our general funds. Interest on deferred fees is credited quarterly to the account at the then current U.S. 90 day Treasury Bill rate.

As part of our director continuing education program, each director is eligible to be reimbursed by us for the cost and expenses relating to one education seminar per year. Each Outside Director also is entitled to the use of a vehicle (and company-sponsored automobile insurance relating to that vehicle), the cost of which averaged about $16,200 per Outside Director in 2005. All directors are entitled to reimbursement for their reasonable out-of-pocket expenses in connection with their travel to, and attendance at, meetings of the Board of Directors or its committees. Because we expect attendance at all meetings, and a substantial portion of the Board of Directors work is done outside of formal meetings, we do not pay meeting fees.

Outside Directors are also eligible to participate in a charitable matching gift program. Under this program, we will match up to $25,000 per year in contributions by the Outside Director to institutions qualified as tax-exempt organizations under 501(c)(3) of the Internal Revenue Code and other institutions approved at the discretion of management. We may decline to match any contribution to an institution with goals that are incompatible with ours, or due to conflicts with our director independence policy. This program is not available for matching of political contributions. While the contributions are directed by our Outside Directors, we retain the tax deduction for these contributions. We contributed $122,500 under this program in 2005.

We have ten Outside Directors and two employee directors. Directors who are also our employees receive no cash compensation for serving as directors or as members of committees. In July 2005, Roger Penske and Hiroshi Ishikawa were granted 18,663 and 1,000 shares, respectively, of restricted common stock in their capacity as our officers.

Compensation Committee Interlocks and Insider Participation. During 2005, the Compensation and Management Development Committee was comprised of H. Brian Thompson (Chairman) and William Lovejoy. Neither of these members had any compensation committee interlocks.

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EXECUTIVE OFFICERS

Our named executive officers are elected by the Board of Directors and hold office until their successors have been duly elected and qualified or until their earlier resignation or removal from office. A brief biography of Messrs. Kurnick and Penske are set forth above. Brief biographies of our other named executive officers are provided below.

James R. Davidson, 60, has served as our Executive Vice President Finance since May 1999, as our Executive Vice President Accounting and Treasurer from August 1997 to May 1999, and as our Senior Vice President Finance from February 1997 to August 1997. Prior to joining us, Mr. Davidson was an audit partner for Ernst & Young LLP, an accounting and financial advisory services firm, which he joined in 1973.

Robert T. O Shaughnessy, 40, has served as our Senior Vice President Finance since July 2005. From August 1999 until July 2005, he served as our Vice President and Controller. Prior to Mr. O Shaughnessy s joining us in May 1997 as Assistant Controller, he was a senior manager for Ernst & Young LLP, an accounting and financial advisory services firm, which he joined in 1987.

Paul F. Walters, 62, has served as our Executive Vice President Human Resources since August 1999. Since July 1997, Mr. Walters has also served as Executive Vice President Administration of Penske Corporation. Mr. Walters served as Senior Vice President of Detroit Diesel Corporation from August 1997 to December 2000.

REPORT OF THE COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE ON EXECUTIVE COMPENSATION

Our Compensation and Management Development Committee s responsibilities include establishing our policies regarding the compensation of our executive officers and other key employees. The committee reviews all elements of compensation for our executive officers and is responsible for the administration of our incentive equity plans. The committee is comprised only of independent directors as set forth in the listing requirements of the New York Stock Exchange, as well as in the more stringent requirements of our corporate governance guidelines. The members of the committee also qualify as non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act and as outside directors within the meaning of Section 162(m) of the Internal Revenue Code.

Compensation Program Objectives. Our compensation program consists of:

- base salary;
- annual bonus payment;
- annual equity-based award; and
- employee health care and other benefits, such as the use of a company vehicle.

The objectives of our compensation program are to motivate and reward our executive officers and other key employees, to improve long-term stockholder value and to attract and retain the highest quality executive and key employee talent available. Our executive compensation program is designed to align executive compensation practices with increasing the value of our common stock and to promote our business mission, values, strategic goals and annual objectives.

Determination of Amounts. The committee reviews and determines all aspects of compensation for our chief executive officer. The committee also reviews and establishes appropriate compensation parameters for management given their role in the corporate structure. In making decisions regarding non-CEO compensation, the committee receives input from our Chief Executive Officer. The committee reviews annual increases or decreases with a view to maintaining internal compensation consistency and external compensation competitiveness. External competitiveness is benchmarked against other publicly traded automotive retailers, and in some cases, other large automotive and other retailers. The committee does not employ outside consultants to recommend compensation levels (though it retains the authority to do so).

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Base Salary. We pay base salary to set a baseline level of compensation for all employees. The salary levels for our executive officers are determined by level of job responsibility and experience, job performance and attainment of corporate objectives. The committee reviews and recommends salary levels for executive officers and certain key employees in order to maintain internal compensation consistency, external compensation competitiveness and to reflect the contributions by those employees in the prior year. In making its recommendations, the committee considers the executive s scope of responsibilities, level of experience and individual performance, as well as the Company s achievement of corporate objectives, performance verses the business plan and general economic factors.

Annual Bonus Payments. Each member of our senior management is eligible to receive an annual bonus payment. We pay annual bonuses to provide an incentive for future performance and as a reward for prior year s performance. Since the annual bonus is based in part on our company-wide performance, we believe the annual bonus also focuses employees on our corporate goals designed to increase stockholder value. The committee reviews and recommends bonus payouts for our executive officers and certain other key employees based in part on management s and the committee s evaluation of individual performance in the prior year and the assessment of the annual performance of an individual s business unit. Also considered are the previous year s company-wide performance and the attainment of corporate earnings goals.

Equity Incentives. The committee believes strongly that the interests of senior management must be closely aligned with those of our stockholders. Therefore, each member of senior management is eligible to receive an incentive equity award because we believe equity grants most effectively align management s goals with those of our other stockholders. In 2005, we continued to issue incentive compensation for our senior management team in the form of restricted stock. In recent years, we have extended the vesting period of our restricted stock grants to four years and weighted the vesting so that a majority of the award vests in the third and fourth years. We believe this provides a long-term incentive and more closely aligns the incentives for management with the interests of our long-term stockholders.

We typically grant restricted stock annually on a discretionary basis within a guideline range that takes into account the responsibilities of executive officers and key employees whose contributions and skills are important to our long-term success. Individual performance of each recipient is reviewed by management in its recommendation of awards to the committee. Annual awards are based on the evaluation of each person s individual performance in the prior year and the assessment of the annual performance of that person s business unit. In 2005, the committee granted approximately 171,000 shares of restricted stock to our management group, some of which has reverted back to us as employees have departed from UnitedAuto. From time-to-time, the committee also approves special equity awards based on an employee s outstanding contributions or other factors.

Employee Benefits. We provide our employees with other benefits in order to attract and retain highly skilled employees. Our employees generally are entitled to a number of benefits such as corporate contribution toward health benefits and corporate paid life insurance. In addition, senior management is provided the use of a company vehicle, company-sponsored automobile insurance, and a tax gross-up relating to these amounts. We provide senior management with company vehicles for retention, but also to familiarize them with the vehicles we sell. With respect to health benefits, the committee believes that our employees should receive a meaningful benefit package commensurate with those of other automotive retailers, recognizing the increasing corporate cost of those benefits in recent years.

Management Incentive Plan. Section 162(m) of the Internal Revenue Code of 1986, as amended, generally imposes a $1,000,000 per year ceiling on tax-deductible remuneration paid to any one of the five most highly compensated executive officers of a publicly held corporation, unless the remuneration is treated as performance-based or is otherwise exempt from the provisions of Section 162(m). In 2004, our stockholders approved the United Auto Group Management Incentive Plan, designed to provide for the payment of performance-based compensation that is qualified within the meaning of Section 162(m) of the Internal Revenue Code and that we may deduct for tax purposes. From time-to-time, the committee has approved awards under the plan, including to our Chief Executive Officer. While the committee intends to maximize the tax-efficiency of its compensation programs generally, it retains flexibility in the manner in which it awards compensation to act in our best interests and the best interests of our stockholders, including awarding compensation that may not be tax deductible.

Other Forms of Compensation. The committee has also reviewed various other forms of executive compensation for our management. The committee is currently of the view that salary, bonus and restricted stock awards should provide the principal components of management compensation and these forms of compensation best align management s goals with those of our stockholders. Therefore, after review, the committee has determined not to issue or grant any executive any stock options, deferred compensation in the form of a deferral of salary or bonus, or retirement benefit (other than under our all employee 401(k) plan). The committee considers the advisability of these additional types of compensation periodically and retains the flexibility to implement other forms of compensation in the future. For these reasons, our executive officers are also not entitled to any severance compensation, except as disclosed under Executive Compensation-Employment Contracts or upon the potential vesting of certain outstanding equity awards.

Chief Executive Officer. In 2005, we substantially increased our revenues and income from continuing operations from 2004 levels. We successfully acquired numerous dealerships, improved our brand mix and made significant strides toward integrating those operations into our business. We made significant progress toward increasing the performance of our fixed operations, improving store appearances and developing dealership campuses. We also continued our significant same-store sales growth and we are the only U.S.-based automotive retailer with a substantial number of dealerships outside the U.S.

In determining the compensation of Mr. Penske, the committee considered these factors and also monitors the compensation and performance of our peer companies. The committee also considered UnitedAuto s relative stockholder return and previous year s compensation. For these reasons, the committee recommended an increase in Mr. Penske s base salary. However, for the second consecutive year, Mr. Penske declined the salary increase in order to more closely align his total compensation to the performance of our common stock and the interests of our shareholders. Therefore, the committee maintained Mr. Penske s base salary at $750,000. In March 2006, the Committee awarded Mr. Penske a cash bonus of $1,000,000, as well as 23,073 shares of restricted stock valued at $1,000,000 based on the closing price on the New York Stock Exchange on the date of approval ($43.34). The bonus was based on our strong financial performance including our strong same-store sales growth, growth in earnings per share, and return on equity, as well as operational performance, such as achievements in reducing employee turnover and customer satisfaction. While the committee believes that Mr. Penske has made outstanding efforts towards our successes noted above, it has noted that Mr. Penske s compensation is generally on par or less than those of our peer companies chief executive officers. Mr. Penske does not participate in the approval of his own compensation.

The Compensation & Management Development Committee of the Board of Directors

H. Brian Thompson (Chairman)
William J. Lovejoy
Eustace W. Mita

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EXECUTIVE COMPENSATION

The following table contains information concerning annual and long-term compensation for the years indicated of our chief executive officer and each of our four other most highly compensated executive officers during 2005, collectively referred to as the named executive officers.

Summary Compensation Table

		Annual Compensation			Long Term Compensation Awards
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)	Restricted Stock Awards (1)(2)($)
Roger S. Penske	2005	750,000	1,000,000		601,700
Chief Executive Officer	2004	750,000	900,000		225,825
	2003	750,000	1,000,000		225,625
Samuel X. DiFeo	2005	400,000	100,000	57,236(5)	112,840
President and Chief	2004	400,000	200,000	116(4)	105,385
Operating Officer	2003	400,000	200,000	552(4)	135,375
James R. Davidson	2005	480,000	320,000	28,783(5	