
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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): October 11, 2011

XYLEM INC.

(Exact name of registrant as specified in its charter)

Indiana

*(State or other jurisdiction
of incorporation)*

001-35229

*(Commission
File Number)*

45-2080495

*(IRS Employer
Identification No.)*

**1133 Westchester Avenue, Suite 2000
White Plains, New York**

(Address of principal executive offices)

10604

(Zip Code)

(914) 323-5700

(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):

- 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))
-
-

TABLE OF CONTENTS

[ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers](#)

[ITEM 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year](#)

[ITEM 7.01 Regulation FD Disclosure](#)

[ITEM 9.01 Financial Statements and Exhibits](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

[EX-3.1](#)

[EX-3.2](#)

[EX-99.1](#)

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

Departure of Certain Directors; Election of Directors

On October 11, 2011, the Board of Directors of Xylem Inc. (“Xylem” or the “Company”) determined to increase the size of the Board of Directors of the Company (the “Board”) from three directors to four directors effective as of 11:59 p.m. on October 12, 2011. The Board elected Curtis Crawford to the Board effective upon the increase of the Board size. Effective on his appointment to the Board, Mr. Crawford will serve as a member of the Audit Committee. The Board appointed each of Mr. Crawford, Gretchen McClain and Aris Chicles to serve as a member of the Audit Committee until immediately prior to the occurrence of the effective time (the “Effective Time”) of the planned spin-off of Xylem by way of a distribution of all of the issued and outstanding shares of Xylem common stock to be made, on a pro rata basis, to the holders of the common stock of ITT Corporation (the “Spin-off”). In addition, the Board appointed each of Mr. Crawford, Mr. Chicles and Frank Jimenez to serve as a member of each of the Leadership Development and Compensation Committee and the Nominating and Governance Committee until immediately prior to the Effective Time.

Mr. Chicles and Mr. Jimenez tendered their resignations from the Board, conditioned on the occurrence of the Spin-off and effective immediately prior to the Effective Time, and the Board determined to further increase the size of the Board to nine directors effective immediately after the Effective Time. Each of John Hamre, Victoria Harker, Sten Jakobsson, Steven Loranger, Edward Ludwig, Surya Mohapatra and Markos Tambakeras has been elected as a Director of Xylem, conditioned on the occurrence of the Spin-off and effective immediately after the Effective Time. Each of Mr. Tambakeras and Ms. Harker is to be in, and Ms. McClain is in, the first class of Directors and to hold such office until the annual meeting of the shareholders of the Company to be held in 2012 and until his or her successor shall have been duly elected and qualified, or until his or her earlier death, retirement, resignation or removal from such position. Each of Dr. Hamre and Mr. Mohapatra is to be in, and Mr. Crawford is in, the second class of Directors and to hold such office until the annual meeting of the shareholders of the Company to be held in 2013 and until his successor shall have been duly elected and qualified, or until his earlier death, retirement, resignation or removal from such position. Each of Mr. Jakobsson, Mr. Ludwig and Mr. Loranger is to be in the third class of Directors and to hold such office until the annual meeting of the shareholders of the Company to be held in 2014 and until his successor shall have been duly elected and qualified, or until his earlier death, retirement, resignation or removal from such position.

Mr. Jakobsson, age 62, is the former President and Chief Executive Officer of ABB Sweden. He also previously served as Executive Vice President of Asea Brown Boveri AB, Sweden and Business Area Manager of BusinessArea Cables. He served as the President of ABB Cables AB and President of Asea Cylinda. He also served as Production Manager of Asea Low Voltage Division. Mr. Jakobsson is chairman of the board of Power Wind Partners AB, a privately held Swedish firm. He also sits on the boards of Stena Metall AB, SAAB AB and FLSmidth&Co A/S. Mr. Jakobsson holds a master of science degree in mechanical engineering from The Royal Technical Institute of Stockholm. Mr. Jakobsson brings extensive global experience in manufacturing and sales.

Biographical information for each of Mr. Crawford, Ms. McClain, Dr. Hamre, Ms. Harker, Mr. Loranger, Mr. Ludwig, Mr. Mohapatra and Mr. Tambakeras can be found in the information statement attached to the Registration Statement on Form 10 (the “Registration Statement”) of Xylem filed with the Securities and Exchange Commission under the section entitled “Management,” which is incorporated by reference herein.

Conditioned on the occurrence of the Spin-off and effective immediately after the Effective Time, (1) Mr. Tambakeras will serve as non-executive Chairman of the Board, (2) Mr. Loranger will serve as Chairman Emeritus of the Board, (3) Ms. Harker (Chair), Mr. Crawford, Mr. Jakobsson, Mr. Ludwig and Mr. Mohapatra will serve as members of the Audit Committee, (4) Mr. Mohapatra (Chair), Mr. Jakobsson, Dr. Hamre and Mr. Loranger will serve as members of the Nominating and Governance Committee and (5) Mr. Crawford (Chair), Mr. Ludwig, Ms. Harker and Mr. Tambakeras will serve as members of the Leadership Development and Compensation Committee.

For service from the Effective Time until the next annual meeting of shareholders, each non-employee director shall (A) receive one-half of the annual director fees of (i) \$100,000 per annual tenure in cash and (ii) an additional annual cash retainer of \$15,000 if such non-employee director serves as the chairman of the Audit Committee, and (B) be granted one-half of the annual director grant of \$90,000 in restricted stock units, which grant will vest the business day prior to the 2012 annual meeting of the Company, each to be granted or paid promptly on or following the Effective Time.

[Table of Contents](#)

For service from the Effective Time until the next annual meeting of shareholders, the non-employee director who serves as the non-executive Chairman of the Board shall (A) receive one-half of the additional director fees of \$62,500 per year in cash and (B) be granted one-half of the additional director grant of \$62,500 per year in restricted stock units, which grant will vest on the business day prior to the 2012 annual meeting of the Company. The additional annual incremental pay until the next annual meeting of shareholders is as follows: \$31,250 in cash and \$31,250 in restricted stock units, each to be paid or granted promptly on or following the Effective Time.

Appointment of Chief Accounting Officer

On October 11, 2011, John Connolly was appointed as Vice President and Chief Accounting Officer of the Company, effective immediately after the Effective Time.

ITEM 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On October 11, 2011, the Board recommended for approval by its sole shareholder the Amended and Restated Articles of Incorporation of the Company, which was approved on October 11, 2011. On October 11, 2011, the Board adopted and approved the Amended and Restated By-laws of the Company, to be effective upon the Amended and Restated Articles of Incorporation becoming effective. The Amended and Restated Articles of Incorporation of the Company and the Amended and Restated By-laws of the Company each became effective as of 11:59 p.m. on October 12, 2011. A summary of the Amended and Restated Articles of Incorporation and the Amended and Restated By-laws can be found in the information statement attached to the Registration Statement under the sections entitled "Management" and "Description of Capital Stock," which are incorporated by reference herein.

The Amended and Restated Articles of Incorporation and the Amended and Restated By-laws are filed as Exhibit 3.1 and Exhibit 3.2 hereto, respectively.

ITEM 7.01 Regulation FD Disclosure.

The following information is furnished pursuant to Item 7.01 Regulation FD Disclosure. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing. Executives from Xylem will present an overview of the Company and information related to the Company's separation from ITT Corporation at the Company's investor day on October 13, 2011. A copy of the presentation is attached and incorporated by reference herein as Exhibit 99.1.

Caution Concerning Forward-Looking Statements

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 (the "Act"): Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the separation of Xylem from ITT Corporation, the terms and the effect of the separation, the nature and impact of such a separation, capitalization of the Company, future strategic plans and other statements that describe the Company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used, words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated include, but are not limited to: economic, political and social conditions in the countries in which we conduct our businesses; changes in U.S. or International government budgets; decline in consumer spending; sales and revenues mix and pricing levels; availability of adequate labor, commodities, supplies and raw materials; interest and foreign currency exchange rate fluctuations and changes in local government regulations; competition, industry capacity & production rates; ability of third parties, including our commercial partners, counterparties, financial institutions and insurers, to comply with their commitments to us; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; changes in the value of goodwill or intangible assets; our ability to achieve stated synergies or cost savings from acquisitions or divestitures; the number of

[Table of Contents](#)

personal injury claims filed against or the Company or degree of liability; our ability to effect restructuring and cost reduction programs and realize savings from such actions; government regulations and compliance therewith, including Dodd-Frank legislation; changes in technology; intellectual property matters; governmental investigations; potential future employee benefit plan contributions and other employment and pension matters; contingencies related to actual or alleged environmental contamination, claims and concerns; changes in generally accepted accounting principles; and other factors set forth in the Registration Statement and the Company's other filings with the Securities and Exchange Commission. In addition, there are risks and uncertainties relating to the separation including whether those transactions will result in any tax liability, the operational and financial profile of the Company or any of its businesses after giving effect to the separation, and the ability of the Company to operate as an independent entity.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Xylem Inc.
3.2	Amended and Restated By-laws of Xylem Inc.
99.1	Presentation slides issued by Xylem Inc. on October 13, 2011

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.

XYLEM INC.

Date: October 13, 2011

By: /s/ Frank R. Jimenez

Frank R. Jimenez

Its: Vice President, General Counsel and
Corporate Secretary
(Authorized Officer of Registrant)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Xylem Inc.
3.2	Amended and Restated By-laws of Xylem Inc.
99.1	Presentation slides issued by Xylem Inc. on October 13, 2011

AMENDED AND RESTATED ARTICLES OF INCORPORATION
of
XYLEM INC.

ARTICLE FIRST

The name of the corporation is Xylem Inc. (the "Corporation").

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Indiana is 251 East Ohio Street, Suite 1100, Indianapolis, Indiana 46204. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

ARTICLE THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Indiana Business Corporation Law ("IBCL").

ARTICLE FOURTH

(a) The aggregate number of shares of stock that the Corporation shall have authority to issue is 800,000,000 shares, consisting of 750,000,000 shares designated "Common Stock" and 50,000,000 shares designated "Preferred Stock". The shares of Common Stock shall have a par value of \$0.01 per share, and the shares of Preferred Stock shall not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any fee or tax based upon the capitalization of the Corporation, the shares of Preferred Stock shall be deemed to have a par value of \$.01 per share.

(b) The Board of Directors of the Corporation shall have the full authority permitted by law, at any time and from time to time, to divide the authorized and unissued shares of Preferred Stock into classes or series, or both, and to determine the preferences, limitations and relative voting and other rights of any such class or series of Preferred Stock, with such divisions and determinations to be accomplished by an amendment to these Amended and Restated Articles of Incorporation ("Articles of Incorporation") which amendment may, except as otherwise provided by law, be made solely by action of the Board of Directors, which shall have the full authority permitted by law to make such divisions and determinations.

(c) Each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock held of record on all matters on which the holders of shares of Common Stock are entitled to vote. No holder of shares of Common Stock will be permitted to cumulate votes at any election of directors.

(d) Subject to all the rights of the holders of the Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment thereof, dividends payable in cash, stock or otherwise. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and subject to the rights of the holders of the Preferred Stock, the remaining assets of the Corporation available for distribution shall be distributed to the holders of the Common Stock ratably according to the number of shares of Common Stock held by such holder.

ARTICLE FIFTH

(a) The number of directors constituting the Board of Directors of the Corporation shall be not less than three nor more than twenty-five, with the exact number to be fixed from time to time solely by resolution of the Board of Directors acting by not less than a majority of the directors in office. The Board of Directors shall be divided into three (3) classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Directors of the first class are to be elected for a term expiring at the annual meeting of shareholders to be held in 2012, directors of the second class are to be elected for a term expiring at the annual meeting of shareholders

to be held in 2013, and directors of the third class are to be elected for a term expiring at the annual meeting of shareholders to be held in 2014, with each director to hold office until his or her successor is elected and qualified. Commencing with the annual meeting of shareholders in 2012, each class of directors whose term shall then expire shall be elected to hold office for a three-year term.

(b) In the case of any vacancy on the Board of Directors, including a vacancy created by an increase in the number of directors, the vacancy shall be filled by the Board of Directors with the director so elected to serve for the remainder of the term of the director being replaced or, in the case of an additional director, for the remainder of the term of the class to which the director has been assigned. When the number of directors is changed, any newly created directorships or any decrease in directorships shall be so assigned among the classes by a majority of the directors then in office, though less than a quorum, as to make all classes as nearly equal in number as possible. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

(c) In a contested election of directors (i.e. any election where the number of nominees exceeds the number of directors to be elected), directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. In an uncontested election of directors, directors shall be elected by a majority of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Any director or directors may be removed from office at any time, but only for cause and only upon the affirmative vote of at least a majority of the shares then entitled to vote at a meeting called, and notice provided, in accordance with the IBCL, these Articles of Incorporation and the By-Laws of the Corporation.

(d) Special meetings of shareholders of the Corporation may be called only by the Chairman of the Board of Directors or by a majority vote of the entire Board of Directors.

(e) Holders of the Common Stock of the Corporation shall not have any preemptive rights to subscribe for additional issues of shares of Common Stock of the Corporation except as may be agreed from time to time by the Corporation and any such shareholder.

(f) Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of such class or series of Preferred Stock.

ARTICLE SIXTH

To the fullest extent permitted by applicable law as then in effect, no director or officer shall be personally liable to the Corporation or any of its shareholders for damages for any action taken as a director or officer, or any failure or omission to take any action, regardless of the nature of the breach or alleged breach, including any breach or alleged breach of the duty of care, the duty of loyalty or the duty of good faith. Any repeal or modification of this ARTICLE SIXTH shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE SEVENTH

The holders of the capital stock of the Corporation shall not be personally liable for the payment of the Corporation's debts and the private property of the holders of the capital stock of the Corporation shall not be subject to the payment of debts of the Corporation to any extent whatsoever.

ARTICLE EIGHTH

Subject to any express provision of the laws of the State of Indiana, these Articles of Incorporation or the By-laws of the Corporation, the By-laws of the Corporation may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the Board of Directors at any regular or special meeting of the Board

of Directors, if such supplement, amendment, repeal or adoption is approved by a majority of the entire Board of Directors.

ARTICLE NINTH

The Corporation reserves the right to supplement, amend or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Indiana, and all rights conferred on shareholders herein are granted subject to this reservation.

BY-LAWS
of
Xylem Inc.

1. SHAREHOLDERS.

1.1. *Place of Shareholders' Meetings.* All meetings of the shareholders of Xylem Inc. (the "Corporation") shall be held at such place or places, within or outside the state of Indiana, as may be fixed by the Corporation's Board of Directors (the "Board", and each member thereof a "Director") from time to time or as shall be specified in the respective notices thereof.

1.2. *Day and Time of Annual Meetings of Shareholders.* An annual meeting of shareholders shall be held at such place (within or outside the state of Indiana), date and hour as shall be determined by the Board and designated in the notice thereof. Failure to hold an annual meeting of shareholders at such designated time shall not affect otherwise valid corporate acts or work a forfeiture or dissolution of the Corporation.

1.3. *Purposes of Annual Meetings.* (a) At each annual meeting, the shareholders shall elect the members of the Board for the succeeding term. At any such annual meeting any business properly brought before the meeting may be transacted.

(b) To be properly brought before an annual meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board or (iii) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary, received at the principal executive offices of the Corporation, not less than 90 calendar days nor more than 120 calendar days prior to the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the shareholder must be so received not earlier than 120 calendar days prior to such annual meeting and not later than 90 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made. In no event shall the public announcement of an adjournment or postponement of a meeting commence a new time period, or extend any time period, for the giving of written notice. Any such notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the Articles of Incorporation or By-laws of the Corporation, the language of the proposed amendment, (ii) the name and address of the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (iv) any material interest of the shareholder, and the beneficial owner, if any, on whose behalf the proposal is made, in such business, (v) if the shareholder or beneficial owner, if any, intends or is part of a group that intends to (x) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or (y) otherwise solicit proxies or votes in support of such shareholder's proposal, a representation to that effect, (vi) any other information relating to such shareholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal, pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder, (vii) a description of any agreement, arrangement or understanding with respect to the proposal and/or the voting of shares of any class or series of stock of the Corporation between or among the shareholder giving the notice, the beneficial owner, if any, on whose behalf the proposal is made, any of their respective affiliates or associates and/or any others acting in concert with any of the foregoing (collectively, "Proponent Persons", which term, for purposes of Section 2.2 herein, shall include each nominee (and his or her respective affiliates or associates and/or any others acting in concert with such nominee) and shall be defined as if the foregoing clause had, in each case, replaced the word "proposal" with the word "nomination"); and (viii) a description of any agreement, arrangement or understanding (including without limitation any swap or other derivative or short position, profits interest, hedging transaction, borrowed or loaned

shares, any contract to purchase or sell, acquisition or grant of any option, right or warrant to purchase or sell, or other instrument) to which any Proponent Person is a party, the intent or effect of which may be (x) to transfer to or from any Proponent Person, in whole or in part, any of the economic consequences of ownership of any security of the Corporation, (y) to increase or decrease the voting power of any Proponent Person with respect to shares of any class or series of capital stock of the Corporation and/or (z) to provide any Proponent Person, directly or indirectly, with the opportunity to profit or share in any profit derived from, or to otherwise benefit economically from, or to mitigate any loss resulting from, the value (or any increase or decrease in the value) of any security of the Corporation. A shareholder providing notice of business proposed to be brought before a meeting shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is fifteen calendar days prior to the meeting or any adjournment or postponement thereof; such update and supplement shall be delivered in writing to the Secretary of the Corporation at the principal executive offices of the Corporation not later than five (5) days after the record date for the meeting (in the case of any update and supplement required to be made as of the record date), and not later than ten calendar days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of fifteen calendar days prior to the meeting or any adjournment or postponement thereof). The foregoing notice requirements shall be deemed satisfied by a shareholder if the shareholder has notified the Corporation of his or her intention to present a proposal at an annual meeting and such shareholder's proposal has been included in a proxy statement that has been prepared by management of the Corporation to solicit proxies for such annual meeting; provided, however, that, if such shareholder does not appear or send a qualified representative to present such proposal at such annual meeting, the Corporation need not present such proposal for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation. No business shall be conducted at an annual meeting of shareholders except in accordance with this Section 1.3(b), and the chairman of any annual meeting of shareholders may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures or if the shareholder solicits proxies in support of such shareholder's proposal without such shareholder having made the representation required by clause (v) of the preceding sentence.

1.4. *Special Meetings of Shareholders*. (a) Except as otherwise expressly required by applicable law, special meetings of the shareholders or of any class or series entitled to vote may be called for any purpose or purposes by the Chairman or by a majority vote of the entire Board in accordance with these By-Laws and the Corporation's Articles of Incorporation to be held at such place (within or outside the state of Indiana), date and hour as shall be determined by the Board and designated in the notice thereof. Only such business as is specified in the notice of any special meeting of the shareholders shall come before such meeting.

(b) Special meetings shall be held at such date, time and place as may be fixed by the Board in accordance with these by-laws.

1.5. *Notice of Meetings of Shareholders*. Except as otherwise expressly required or permitted by applicable law, not less than ten days nor more than sixty days before the date of every shareholders' meeting the Secretary shall give to each shareholder of record entitled to vote at such meeting written notice stating the place, day and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called and indication that notice is being issued by or at the direction of the person or persons calling the meeting. Except as provided in Section 1.6(d) or as otherwise expressly required by applicable law, notice of any adjourned meeting of shareholders need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken. Any notice, if mailed, shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the shareholder at the address for notices to such shareholder as it appears on the records of the Corporation.

1.6. *Quorum of Shareholders*. (a) Unless otherwise expressly required by applicable law, at any meeting of the shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of votes thereat shall constitute a quorum. Shares of the Corporation's stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in an election of the directors of such other corporation is held by the Corporation, shall neither be counted for the purpose of determining the presence of a quorum nor entitled to vote at any meeting of the shareholders.

(b) At any meeting of the shareholders at which a quorum shall be present, a majority of those present in person or by proxy may adjourn the meeting from time to time without notice other than announcement at the meeting. In the absence of a quorum, the officer presiding thereat shall have power to adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting other than announcement at the meeting shall not be required to be given, except as provided in Section 1.6(d) below and except where expressly required by applicable law.

(c) At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting originally called, but only those shareholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof unless a new record date is fixed by the Board.

(d) If a new date, time and place of an adjourned meeting is not announced at the original meeting before adjournment, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in the manner specified in Section 1.5 to each shareholder of record entitled to vote at the meeting.

1.7. *Chairman and Secretary of Meeting.* The Chairman or, in his or her absence, another officer of the Corporation designated by the Chairman, shall preside at meetings of the shareholders. The Secretary shall act as secretary of the meeting, or in the absence of the Secretary, an Assistant Secretary shall so act, or if neither is present, then the presiding officer may appoint a person to act as secretary of the meeting.

1.8. *Voting by Shareholders.* (a) Except as otherwise expressly required by applicable law, at every meeting of the shareholders each shareholder shall be entitled to the number of votes specified in the Articles of Incorporation, in person or by proxy, for each share of stock standing in his or her name on the books of the Corporation on the date fixed pursuant to the provisions of Section 5.6 of these By-laws as the record date for the determination of the shareholders who shall be entitled to receive notice of and to vote at such meeting.

(b) When a quorum is present at any meeting of the shareholders, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless express provision of law or the Articles of Incorporation require a greater number of affirmative votes.

(c) Except as required by applicable law, the vote at any meeting of shareholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the shareholder voting, or by his or her proxy, if there be such proxy, and shall state the number of shares voted.

1.9. *Proxies.* Any shareholder entitled to vote at any meeting of shareholders may vote either in person or by proxy. A shareholder may authorize a person or persons to act for the shareholder as proxy by (i) the shareholder or the shareholder's designated officer, director, employee or agent executing a writing by signing it or by causing the shareholder's signature or the signature of the designated officer, director, employee or agent of the shareholder to be affixed to the writing by any reasonable means, including by facsimile signature; (ii) the shareholder transmitting or authorizing the transmission of an electronic submission which may be by any electronic means, including data and voice telephonic communications and computer network to (a) the person who will be the holder of the proxy; (b) a proxy solicitation firm; or (c) a proxy support service organization or similar agency authorized by the person who will be the holder of the proxy to receive the electronic submission, which electronic submission must either contain or be accompanied by information from which it can be determined that the electronic submission was transmitted by or authorized by the shareholder; or (iii) any other method allowed by law.

1.10. *Inspectors.* (a) The election of Directors and any other vote by ballot at any meeting of the shareholders shall be supervised by at least two inspectors. Such inspectors may be appointed by the Chairman before or at the meeting. If the Chairman shall not have so appointed such inspectors or if one or both inspectors so appointed shall refuse to serve or shall not be present, such appointment shall be made by the officer presiding at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

(b) The inspectors shall (i) ascertain the number of shares of the Corporation outstanding and the voting power of each, (ii) determine the shares represented at any meeting of shareholders and the validity of the proxies and ballots, (iii) count all proxies and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all proxies and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties.

1.11. *List of Shareholders.* (a) At least five business days before every meeting of shareholders, the Corporation shall cause to be prepared and made a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order by voting group, if any, and showing the address of each shareholder and the number of shares registered in the name of each shareholder.

(b) During ordinary business hours for a period of at least five business days prior to the meeting, such list shall be open to examination by any shareholder for any purpose germane to the meeting, either at the Corporation's principal office or a place identified in the meeting notice in the city where the meeting will be held.

(c) The list shall also be produced and kept at the time and place of the meeting, and it may be inspected during the meeting by any shareholder or the shareholder's agent or attorney authorized in writing.

(d) The stock ledger shall be the only evidence as to who are the shareholders entitled to examine the stock ledger, the list required by this Section 1.11 or the books of the Corporation, or to vote in person or by proxy at any meeting of shareholders.

1.12. *Confidential Voting.* (a) Proxies and ballots that identify the votes of specific shareholders shall be kept in confidence by the tabulators and the inspectors of election unless (i) there is an opposing solicitation with respect to the election or removal of Directors, (ii) disclosure is required by applicable law, (iii) a shareholder expressly requests or otherwise authorizes disclosure, or (iv) the Corporation concludes in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of any tabulation of such proxies, ballots or votes.

(b) The tabulators and inspectors of election and any authorized agents or other persons engaged in the receipt, count and tabulation of proxies and ballots shall be advised of this By-law and instructed to comply herewith.

(c) The inspectors of election shall certify, to the best of their knowledge based on due inquiry, that proxies and ballots have been kept in confidence as required by this Section 1.12.

2. DIRECTORS.

2.1. *Powers of Directors.* The business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all the powers of the Corporation except such as are by applicable law, the Articles of Incorporation or these By-laws required to be exercised or performed by the shareholders.

2.2. *Number, Method of Election, Terms of Office of Directors.* The number of Directors which shall constitute the whole Board shall be such as set forth in, and as determined in accordance with, the Articles of Incorporation. The directors shall be divided into three classes as nearly equal in number as possible as provided in the Articles of Incorporation. Except as provided in Article Fifth of the Articles of Incorporation fixing one, two, and three year terms for the initial classified board, each class of directors shall be elected for a term of three (3) years and until his or her successor is elected and qualified or until his or her earlier death, retirement, resignation or removal. Directors need not be shareholders of the Corporation or citizens of the United States of America.

Nominations of persons for election as Directors may be made by the Board or by any shareholder who is a shareholder of record at the time of giving of the notice of nomination provided for in this Section 2.2 and who is entitled to vote for the election of Directors. Any shareholder of record entitled to vote for the election of Directors at a meeting may nominate a person or persons for election as Directors only if written notice of such shareholder's

intent to make such nomination is given in accordance with the procedures for bringing business before the meeting set forth in Section 1.3(b) of these By-Laws, either by personal delivery or by United States mail, postage prepaid, to the Secretary, received at the principal executive offices of the Corporation, not later than (i) with respect to an election to be held at an annual meeting of shareholders, not less than 90 calendar days nor more than 120 calendar days prior to the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the shareholder must be so received not earlier than 120 calendar days prior to such annual meeting and not later than 90 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of Directors, not earlier than 120 calendar days prior to such special meeting and not later than 90 calendar days prior to such special meeting or 10 calendar days following the date on which public announcement of the date of the special meeting is first made and of the nominees to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a meeting commence a new time period, or extend any time period, for the giving of written notice. Any such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and the beneficial owner, if any, on whose behalf the nomination is made and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder, any beneficial owner on whose behalf the nomination is made and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each shareholder, the beneficial owner, if any, on whose behalf the nomination is made and nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission in connection with solicitations of proxies for the election of directors in an election contest; (e) the consent of each nominee to serve as a Director if so elected; (f) if the shareholder or beneficial owner, if any, intends to (x) deliver a proxy statement and/or form of proxy to the holders of at least the percent of the Corporation's outstanding capital stock required to elect the nominee and/or (y) otherwise solicit proxies of votes from shareholders in support of such shareholder's nominee(s), a representation to that effect; (g) a description of any agreement, arrangement or understanding with respect to the nomination and/or the voting of shares of any class or series of stock of the Corporation between or among the Proponent Persons; and (viii) a description of any agreement, arrangement or understanding (including without limitation any swap or other derivative or short position, profits interest, hedging transaction, borrowed or loaned shares, any contract to purchase or sell, acquisition or grant of any option, right or warrant to purchase or sell or other instrument) to which any Proponent Person is a party, the intent or effect of which may be (x) to transfer to or from any Proponent Person, in whole or in part, any of the economic consequences of ownership of any security of the Corporation, (y) to increase or decrease the voting power of any Proponent Person with respect to shares of any class or series of capital stock of the Corporation and/or (z) to provide any Proponent Person, directly or indirectly, with the opportunity to profit or share in any profit derived from, or to otherwise benefit economically from, or to mitigate any loss resulting from, the value (or any increase or decrease in the value) of any security of the Corporation. A shareholder providing notice of a proposed nomination shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is fifteen calendar days prior to the meeting or any adjournment or postponement thereof; such update and supplement shall be delivered in writing to the Secretary of the Corporation at the principal executive offices of the Corporation not later than five calendar days after the record date for the meeting (in the case of any update and supplement required to be made as of the record date), and not later than ten calendar days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of fifteen calendar days prior to the meeting or any adjournment or postponement thereof). The chairman of any meeting of shareholders to elect Directors and the Board may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures or if the shareholder solicits proxies in support of such shareholder's nominee(s) without such shareholder having made the representation required by (f) of the preceding sentence. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

In an uncontested election (i.e. any election in which the number of nominees does not exceed the number of Directors to be elected), Directors shall be elected by a majority of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Any Director nominee that does not receive the requisite votes shall not be elected. Any Director nominee who fails to be elected but who is a Director at the time of the election shall promptly provide a written resignation to the Chairman or the Secretary and remain a Director until a successor shall have been elected and qualified (a "Holdover Director").

The Nominating and Governance Committee (or the equivalent committee then in existence) shall promptly consider the resignation and all relevant facts and circumstances concerning the vote and the best interests of the Corporation and its shareholders. After consideration, the Nominating and Governance Committee shall make a recommendation to the Board whether to accept or reject the tendered resignation, or whether other action should be taken.

The Board will act on the Nominating and Governance Committee's recommendation no later than its next regularly scheduled Board Meeting or within 90 days after certification of the shareholder vote, whichever is earlier.

The Board will promptly publicly disclose its decision (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) and the reasons for its decision.

Any Holdover Director who tenders a resignation shall not participate in the Nominating and Governance Committee's recommendation or Board action regarding whether to accept the resignation offer. If a Holdover Director's resignation is not accepted, such Holdover Director shall continue to serve until his or her successor is duly elected and qualified or his or her earlier resignation or removal. If a Holdover Director's resignation is accepted, then the Board may fill the resulting vacancy, or decrease the size of the Board, pursuant to the provisions of Article Fifth of the Articles of Incorporation.

If each member of the Nominating and Governance Committee receives less than a majority of the votes cast at the same election, then the Board shall appoint a committee composed of three independent Directors (with an independent Director being a Director that has been determined by the Board to be "independent" under such criteria as it deems applicable, including, without limitation, applicable New York Stock Exchange rules and regulations and other applicable law) who received more than a majority of the votes cast to consider the resignation offers and recommend to the Board whether to accept the offers. However, if there are fewer than three independent Directors who receive a majority or more of the votes cast in the same election then the Board will promptly consider the resignation and all relevant facts and circumstances concerning the vote and the best interests of the Corporation and its shareholders and act no later than its next regularly scheduled Board Meeting or within 90 days after certification of the shareholder vote, whichever is earlier. If all Directors receive less than a majority of the votes cast at the same election, the election shall be treated as a contested election and the majority vote requirement shall be inapplicable.

2.3. Vacancies on Board. (a) Any Director may resign from office at any time by delivering a written resignation to the Chairman or the Secretary. The resignation will take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the Corporation. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

(b) Any vacancy resulting from the death, retirement, resignation, or removal of a Director and any newly created Directorship resulting from any increase in the authorized number of Directors may be filled by vote of a majority of the Directors then in office, though less than a quorum, and any Director so chosen shall hold office for the balance of the term of the class of the director he or she succeeds or, in the event of an increase in the number of directors, of the class to which he or she is assigned and until a successor is duly elected and qualified or until his or her earlier death, retirement, resignation or removal. If there are no Directors in office, then an election of Directors may be held in the manner provided by applicable law.

2.4. Meetings of the Board. (a) The Board may hold its meetings, both regular and special, either within or outside the state of Indiana, at such places as from time to time may be determined by the Board or as may be designated in the respective notices or waivers of notice thereof.

(b) Regular meetings of the Board shall be held at such times and at such places as from time to time shall be determined by the Board.

(c) The first meeting of each newly elected Board shall be held as soon as practicable after the annual meeting of the shareholders and shall be for the election of officers and the transaction of such other business as may come before it.

(d) Special meetings of the Board shall be held whenever called by direction of the Chairman or at the request of Directors constituting one-third of the number of Directors then in office.

(e) Members of the Board or any Committee of the Board may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

(f) The Secretary shall give notice to each Director of any meeting of the Board by mailing the same at least two days before the meeting or by telegraphing or delivering the same not later than the day before the meeting. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting. Any and all business may be transacted at any meeting of the Board. No notice of any adjourned meeting need be given. No notice to or waiver by any Director shall be required with respect to any meeting at which the Director is present.

2.5. *Quorum and Action.* Except as otherwise expressly required by applicable law, the Articles of Incorporation or these By-laws, at any meeting of the Board, the presence of at least one-third of the entire Board shall constitute a quorum for the transaction of business; but if there shall be less than a quorum at any meeting of the Board, a majority of those present may adjourn the meeting from time to time. Unless otherwise provided by applicable law, the Articles of Incorporation or these By-laws, the vote of a majority of the Directors present (and not abstaining) at any meeting at which a quorum is present shall be necessary for the approval and adoption of any resolution or the approval of any act of the Board.

2.6. *Presiding Officer and Secretary of Meeting.* The Chairman or, in the absence of the Chairman, a member of the Board selected by the members present, shall preside at meetings of the Board. The Secretary shall act as secretary of the meeting, but in the Secretary's absence the presiding officer may appoint a secretary of the meeting.

2.7. *Action by Consent without Meeting.* Any action required or permitted to be taken at any meeting of the Board or of any Committee thereof may be taken without a meeting if all members of the Board or Committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of their proceedings.

2.8. *Standing Committees.* By resolution adopted by a majority of the entire Board, the Board may, from time to time, establish such Standing Committees (including, without limitation, an Audit Committee, a Compensation and Personnel Committee and a Nominating and Governance Committee) with such powers of the Board as it may consider appropriate, consistent with applicable law, the Articles of Incorporation and these By-laws and which are specified by resolution or by committee charter approved by a majority of the entire Board. By resolution adopted by a majority of the entire Board, the Board shall elect, from among its members, individuals to serve on such Standing Committees established by this Section 2.8.

2.9. *Other Committees.* By resolution passed by a majority of the entire Board, the Board may also appoint from among its members such other Committees as it may from time to time deem desirable and may delegate to such Committees such powers of the Board as it may consider appropriate, consistent with applicable law, the Articles of Incorporation and these By-laws. Except to the extent inconsistent with the resolutions creating a Committee, Sections 2.4, 2.5, 2.7 and 10 of these By-laws, which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements and telephone participation in meetings of the Board, shall apply to each Committee (including any Standing Committee) and its members as well.

2.10. *Compensation of Directors*. Unless otherwise restricted by the Articles of Incorporation or these By-laws, Directors shall receive for their services on the Board or any Committee thereof such compensation and benefits, including the granting of options, together with expenses, if any, as the Board may from time to time determine. The Directors may be paid a fixed sum for attendance at each meeting of the Board or Committee thereof and/or a stated annual sum as a Director, together with expenses, if any, of attendance at each meeting of the Board or Committee thereof. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

2.11. *Mandatory Classified Board Structure*. The provisions of IC 23-1-33-6(c) shall not apply to the Corporation.

3. OFFICERS.

3.1. *Officer, Titles, Elections, Terms* (a) The Board may from time to time elect a Chairman, a Chief Executive, a Vice Chairman, a President, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Chief Financial Officer, a Chief Accounting Officer, a Controller, a Treasurer, a Secretary, a General Counsel, one or more Assistant Controllers, one or more Assistant Treasurers, one or more Assistant Secretaries, and one or more Deputy General Counsels, to serve at the pleasure of the Board or otherwise as shall be specified by the Board at the time of such election and until their successors are elected and qualified or until their earlier death, retirement, resignation or removal.

(b) The Board may elect or appoint at any time such other officers or agents with such duties as it may deem necessary or desirable. Such other officers or agents shall serve at the pleasure of the Board or otherwise as shall be specified by the Board at the time of such election or appointment and, in the case of such other officers, until their successors are elected and qualified or until their earlier death, retirement, resignation or removal. Each such officer or agent shall have such authority and shall perform such duties as may be provided herein or as the Board may prescribe. The Board may from time to time authorize any officer or agent to appoint and remove any other such officer or agent and to prescribe such person's authority and duties.

(c) No person may be elected or appointed an officer who is not a citizen of the United States of America if such election or appointment is prohibited by applicable law or regulation.

(d) Any vacancy in any office may be filled for the unexpired portion of the term by the Board. Each officer elected or appointed during the year shall hold office until the next annual meeting of the Board at which officers are regularly elected or appointed and until his or her successor is elected or appointed and qualified or until his or her earlier death, retirement, resignation or removal.

(e) Any officer or agent elected or appointed by the Board may be removed at any time by the affirmative vote of a majority of the entire Board.

(f) Any officer may resign from office at any time. Such resignation shall be made in writing and given to the President or the Secretary. Any such resignation shall take effect at the time specified therein, or, if no time is specified, at the time of its receipt by the Corporation. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

3.2. *General Powers of Officers*. Except as may be otherwise provided by applicable law or in Article 6 or Article 7 of these By-laws, the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the General Counsel, the Chief Accounting Officer, the Controller, the Treasurer and the Secretary, or any of them, may (i) execute and deliver in the name of the Corporation, in the name of any Division of the Corporation or in both names any agreement, contract, instrument, power of attorney or other document pertaining to the business or affairs of the Corporation or any Division of the Corporation, including without limitation agreements or contracts with any government or governmental department, agency or instrumentality, and (ii) delegate to any employee or agent the power to execute and deliver any such agreement, contract, instrument, power of attorney or other document.

3.3. *Powers of the Chairman or Chief Executive*. The Chairman shall be the Chief Executive (as defined in Section 3.11) of the Corporation unless the Board specifically elects the President to be Chief Executive of the Corporation, in which case the President shall be the Chief Executive. If either the Chairman or the President is the Chief Executive, then he or she shall report directly to the Board. Except in such instances as the Board may confer powers in particular transactions upon any other officer, and subject to the control and direction of the Board, the Chief Executive shall manage and direct the business and affairs of the Corporation and shall communicate to the Board and any Committee thereof reports, proposals and recommendations for their respective consideration or action. He or she may do and perform all acts on behalf of the Corporation. The Chairman (whether or not the Chief Executive) shall preside at meetings of the Board and the shareholders.

3.4. *Powers and Duties of a Vice Chairman*. A Vice Chairman shall have such powers and perform such duties as the Board or the Chairman may from time to time prescribe or as may be prescribed in these By-laws.

3.5. *Powers and Duties of the President*. Unless the President is Chief Executive, the President shall have such powers and perform such duties as the Board or the Chairman may from time to time prescribe or as may be prescribed in these By-laws. If the President is the Chief Executive, then Section 3.3 shall be applicable.

3.6. *Powers and Duties of Executive Vice Presidents, Senior Vice Presidents and Vice Presidents*. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall have such powers and perform such duties as the Board, the Chairman, or the Chief Executive may from time to time prescribe or as may be prescribed in these By-laws.

3.7. *Powers and Duties of the Chief Financial Officer*. The Chief Financial Officer shall have such powers and perform such duties as the Board, the Chairman, Chief Executive, or any Vice Chairman may from time to time prescribe or as may be prescribed in these By-laws. The Chief Financial Officer shall cause to be prepared and maintained (i) a stock ledger containing the names and addresses of all shareholders and the number of shares of each class and series held by each and (ii) the list of shareholders for each meeting of the shareholders as required by Section 1.11 of these By-laws. The Chief Financial Officer shall be responsible for the custody of all stock books and of all unissued stock certificates.

3.8. *Powers and Duties of the Chief Accounting Officer, Controller and Assistant Controllers*. (a) The Chief Accounting Officer, Controller or the Vice President, Finance, as determined by the Chief Financial Officer, shall be responsible for the maintenance of adequate accounting records of all assets, liabilities, capital and transactions of the Corporation. The Chief Accounting Officer, Controller, or the Vice President, Finance as determined by the Chief Financial Officer, shall prepare and render such balance sheets, income statements, budgets and other financial statements and reports as the Board or the Chairman or the Chief Executive may require, and shall perform such other duties as may be prescribed or assigned pursuant to these By-laws and all other acts incident to the position of the Chief Accounting Officer, Controller, or the Vice President, Finance.

(b) Each Assistant Controller shall perform such duties as from time to time may be assigned by the Controller or by the Board. In the event of the absence, incapacity or inability to act of the Controller, then any Assistant Controller may perform any of the duties and may exercise any of the powers of the Controller.

3.9. *Powers and Duties of the Treasurer and Assistant Treasurers*. (a) The Treasurer shall have the care and custody of all the funds and securities of the Corporation except as may be otherwise ordered by the Board, and shall cause such funds (i) to be invested or reinvested from time to time for the benefit of the Corporation as may be designated by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer or (ii) to be deposited to the credit of the Corporation in such banks or depositories as may be designated by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer, and shall cause such securities to be placed in safekeeping in such manner as may be designated by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer.

(b) The Treasurer, any Assistant Treasurer or such other person or persons as may be designated for such purpose by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer may endorse in the name and on behalf of the Corporation all instruments for the payment of money, bills of lading, warehouse receipts, insurance policies and other commercial documents requiring such endorsement.

(c) The Treasurer, any Assistant Treasurer or such other person or persons as may be designated for such purpose by the Board, the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer (i) may sign all receipts and vouchers for payments made to the Corporation, (ii) shall render a statement of the cash account of the Corporation to the Board as often as it shall require the same; and (iii) shall enter regularly in books to be kept for that purpose full and accurate account of all moneys received and paid on account of the Corporation and of all securities received and delivered by the Corporation.

(d) The Treasurer shall perform such other duties as may be prescribed or assigned pursuant to these By-laws and all other acts incident to the position of Treasurer. Each Assistant Treasurer shall perform such duties as may from time to time be assigned by the Treasurer or by the Board. In the event of the absence, incapacity or inability to act of the Treasurer, then any Assistant Treasurer may perform any of the duties and may exercise any of the powers of the Treasurer.

3.10. *Powers and Duties of the Secretary and Assistant Secretaries*. (a) The Secretary shall keep the minutes of all proceedings of the shareholders, the Board and the Committees of the Board. The Secretary shall attend to the giving and serving of all notices of the Corporation, in accordance with the provisions of these By-laws and as required by applicable law. The Secretary shall be the custodian of the seal of the Corporation. The Secretary shall affix or cause to be affixed the seal of the Corporation to such contracts, instruments and other documents requiring the seal of the Corporation, and when so affixed may attest the same and shall perform such other duties as may be prescribed or assigned pursuant to these By-laws and all other acts incident to the position of Secretary.

(b) Each Assistant Secretary shall perform such duties as may from time to time be assigned by the Secretary or by the Board. In the event of the absence, incapacity or inability to act of the Secretary, then any Assistant Secretary may perform any of the duties and may exercise any of the powers of the Secretary.

3.11. *Applicable Definition*. As used in these By-laws, the term “Chief Executive” shall refer to the Chairman unless the President is elected to be the Chief Executive, pursuant to Section 3.3, in which case the term “Chief Executive” shall refer to the President.

4. INDEMNIFICATION.

4.1.(a) *Right to Indemnification*. The Corporation, to the fullest extent permitted by applicable law as then in effect, shall indemnify any person who is or was a Director or officer of the Corporation and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a “Proceeding”) by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) (a “Covered Entity”), against all expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding; provided, however, that the foregoing shall not apply to a Director or officer of the Corporation with respect to a Proceeding that was commenced by such Director or officer prior to a Change in Control (as defined in Section 4.4(e)(i) of this Article 4). Any Director or officer of the Corporation entitled to indemnification as provided in this Section 4.1(a) is hereinafter called an “Indemnitee”. Any right of an Indemnitee to indemnification shall be a contract right and shall include the right to receive, prior to the conclusion of any Proceeding, payment of any expenses incurred by the Indemnitee in connection with such Proceeding, consistent with the provisions of applicable law as then in effect and the other provisions of this Article 4.

(b) *Effect of Amendments*. Neither the amendment or repeal of, nor the adoption of a provision inconsistent with, any provision of this Article 4 (including, without limitation, this Section 4.1(b)) shall adversely affect the rights of any Director or officer under this Article 4 (i) with respect to any Proceeding commenced or threatened prior to such amendment, repeal or adoption of an inconsistent provision or (ii) after the occurrence of a Change in Control, with respect to any Proceeding arising out of any action or omission occurring prior to such

amendment, repeal or adoption of an inconsistent provision, in either case without the written consent of such Director or officer.

4.2. *Insurance, Contracts and Funding*. The Corporation may purchase and maintain insurance to protect itself and any indemnified person against any expenses, judgments, fines and amounts paid in settlement as specified in Section 4.1(a) or Section 4.5 of this Article 4 or incurred by any indemnified person in connection with any Proceeding referred to in such Sections, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any Director, officer, employee or agent of the Corporation or any director, officer, employee, fiduciary or agent of any Covered Entity in furtherance of the provisions of this Article 4 and may create a trust fund or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article 4.

4.3. *Indemnification; Not Exclusive Right*. The right of indemnification provided in this Article 4 shall not be exclusive of any other rights to which any indemnified person may otherwise be entitled, and the provisions of this Article 4 shall inure to the benefit of the heirs and legal representatives of any indemnified person under this Article 4 and shall be applicable to Proceedings commenced or continuing after the adoption of this Article 4, whether arising from acts or omissions occurring before or after such adoption.

4.4. *Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies*. In furtherance, but not in limitation, of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to the advancement of expenses and the right to indemnification under this Article 4:

(a) *Advancement of Expenses*. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Any such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and shall include any written affirmation or undertaking required by applicable law in effect at the time of such advance.

(b) *Procedures for Determination of Entitlement to Indemnification*. (i) To obtain indemnification under this Article 4, an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than 60 days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Article 4 shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined), if they constitute a quorum of the Board; (B) by a written opinion of Independent Counsel (as hereinafter defined) if (x) a Change in Control (as hereinafter defined) shall have occurred and the Indemnitee so requests or (y) a quorum of the Board consisting of Disinterested Directors is not obtainable or, even if obtainable, a majority of such Disinterested Directors so directs; (C) by the shareholders of the Corporation (but only if a majority of the Disinterested Directors, if they constitute a quorum of the Board, presents the issue of entitlement to indemnification to the shareholders for their determination); or (D) as provided in Section 4.4(c) of this Article 4.

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4.4(b)(ii), a majority of the Disinterested Directors shall select the Independent Counsel, but only an Independent Counsel to which the Indemnitee does not reasonably object; provided, however, that if a Change in Control shall have occurred, the Indemnitee shall select such Independent Counsel, but only an Independent Counsel to which a majority of the Disinterested Directors does not reasonably object.

(c) *Presumptions and Effect of Certain Proceedings*. Except as otherwise expressly provided in this Article 4, if a Change in Control shall have occurred, the Indemnitee shall be presumed to be entitled to indemnification under this Article 4 (with respect to actions or failures to act occurring prior to such Change in Control) upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section 4.4(b) of this Article 4, and thereafter the Corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section 4.4(b) of this Article 4 to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within 60 days after receipt by the Corporation of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be, and shall be, entitled to indemnification unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in Section 4.1 of this Article 4, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(d) *Remedies of Indemnitee*. (i) In the event that a determination is made pursuant to Section 4.4(b) of this Article 4 that the Indemnitee is not entitled to indemnification under this Article 4, (A) the Indemnitee shall be entitled to seek an adjudication of his or her entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the state of Indiana or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (B) any such judicial proceeding or arbitration shall be *de novo* and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (C) if a Change in Control shall have occurred, in any such judicial proceeding or arbitration the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification under this Article 4 (with respect to actions or failures to act occurring prior to such Change in Control).

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section 4.4(b) or (c) of this Article 4, that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within five days after such determination has been made or deemed to have been made and shall be conclusively bound by such determination unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. In the event that (x) advancement of expenses is not timely made pursuant to Section 4.4(a) of this Article 4 or (y) payment of indemnification is not made within five days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section 4.4(b) or (c) of this Article 4, the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Corporation may bring an action, in an appropriate court in the state of Indiana or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in Subclause (A) or (B) of this Clause (ii) (a "Disqualifying Event"); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 4.4(d) that the procedures and presumptions of this Article 4 are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Article 4.

(iv) In the event that the Indemnitee, pursuant to this Section 4.4(d), seeks a judicial adjudication of or an award in arbitration to enforce his or her rights under, or to recover damages for breach of, this Article 4, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or

advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) *Definitions*. For purposes of this Article 4:

(i) “Change in Control” means a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) (or any successor provision) of Schedule 14A of Regulation 14A (or any amendment or successor provision thereto) promulgated under the Securities Exchange Act of 1934 (the “Act”), whether or not the Corporation is then subject to such reporting requirement; provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any “person” (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 20% or more of the voting power of all outstanding shares of stock of the Corporation entitled to vote generally in an election of Directors without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such acquisition; (B) the Corporation is a party to any merger or consolidation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of the Corporation’s common stock would be converted into cash, securities or other property, other than a merger of the Corporation in which the holders of the Corporation’s common stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (C) there is a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Corporation, or liquidation or dissolution of the Corporation; (D) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (E) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new Director whose election or nomination for election by the shareholders was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

(ii) “Disinterested Director” means a Director who is not or was not a party to the proceeding in respect of which indemnification is sought by the Indemnitee.

(iii) “Independent Counsel” means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (a) the Corporation or the Indemnitee in any matter material to either such party or (b) any other party to the Proceeding giving rise to a claim for indemnification under this Article 4. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under applicable standards of professional conduct, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee’s rights under this Article 4.

4.5. *Indemnification of Employees and Agents*. Notwithstanding any other provision of this Article 4, the Corporation, to the fullest extent permitted by applicable law as then in effect, may indemnify any person other than a Director or officer of the Corporation who is or was an employee or agent of the Corporation and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed Proceeding by reasons of the fact that such person is or was an employee or agent of the Corporation or, at the request of the Corporation, a director, officer, employee, fiduciary or agent of a Covered Entity against all expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding. The Corporation may also advance expenses incurred by such employee, fiduciary or agent in connection with any such Proceeding, consistent with the provisions of applicable law as then in effect.

4.6. *Severability*. If any of this Article 4 shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article 4 (including, without limitation, all portions of any Section of this Article 4 containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article 4 (including,

without limitation, all portions of any Section of this Article 4 containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

5. CAPITAL STOCK.

5.1. *Stock Certificates.* (a) Shares of stock of each class of the Corporation may be issued in book-entry form or evidenced by certificates. Every certificate shall state on its face (or in the case of book-entry shares, the statement evidencing ownership of such shares shall state) the name of the Corporation and that it is organized under the laws of the State of Indiana, the name of the person to whom the certificate (or bookentry statement) was issued, and the number and class of shares and the designation of the series, if any, the certificate (or book-entry statement) represents, and shall state conspicuously on its front or back that the Corporation will furnish the shareholder, upon his written request and without charge, a summary of the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series), which certificate, if any, shall otherwise be in such form as the Board shall prescribe and as provided in Section 5.1(d).

(b) If a certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, the signatures of the officers of the Corporation may be facsimiles, and, if permitted by applicable law, any other signature on the certificate may be a facsimile.

(c) In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer at the date of issue.

(d) Any certificates of stock shall be issued in such form not inconsistent with the Articles of Incorporation. They shall be numbered and registered in the order in which they are issued. No certificate shall be issued until fully paid.

(e) All certificates surrendered to the Corporation shall be cancelled (other than treasury shares) with the date of cancellation and shall be retained by or under the control of the Chief Financial Officer, together with the powers of attorney to transfer and the assignments of the shares represented by such certificates, for such period of time as such officer shall designate.

5.2. *Record Ownership.* A record of the name of the person, firm or corporation and address of each holder of stock, the number of shares of each class and series represented thereby and the date of issue thereof shall be made on the Corporation's books. The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any person, whether or not it shall have express or other notice thereof, except as required by applicable law.

5.3. *Transfer of Record Ownership.* Transfers of stock shall be made on the books of the Corporation only by direction of the person named in the certificate (or book-entry statement) or such person's attorney, lawfully constituted in writing, and only upon the surrender of the certificate, if any, therefor and a written assignment of the shares evidenced thereby. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates, if any, are presented to the Corporation for transfer, both the transferor and transferee request the Corporation to do so.

5.4. *Lost, Stolen or Destroyed Certificates.* New certificates or uncertificated shares representing shares of the stock of the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed in such manner and on such terms and conditions as the Board from time to time may authorize in accordance with applicable law.

5.5. *Transfer Agent; Registrar; Rules Respecting Certificates*. The Corporation shall maintain one or more transfer offices or agencies where stock of the Corporation shall be transferable. The Corporation shall also maintain one or more registry offices where such stock shall be registered. The Board may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of stock certificates (or book-entry statements) in accordance with applicable law.

5.6. *Fixing Record Date for Determination of Shareholders of Record*. (a) The Board may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to notice of, or to vote at, any meeting of the shareholders or any adjournment thereof, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty days nor less than ten days before the date of a meeting of the shareholders. If no record date is fixed by the Board, the record date for determining the shareholders entitled to notice of or to vote at a shareholders' meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting and shall fix a new record date if such adjourned meeting is more than 120 days after the date of the original meeting. (b) The Board may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or in order to make a determination of the shareholders for the purpose of any other lawful action, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty days prior to such action. If no record date is fixed by the Board, the record date for determining the shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

6. SECURITIES HELD BY THE CORPORATION.

6.1. *Voting*. Unless the Board shall otherwise order, the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the Chief Accounting Officer, the Controller, the Treasurer or the Secretary shall have full power and authority, on behalf of the Corporation, (i) to attend, act and vote at any meeting of the shareholders of any corporation in which the Corporation may hold stock and at such meeting to exercise any or all rights and powers incident to the ownership of such stock, and to execute on behalf of the Corporation a proxy or proxies empowering another or others to act as aforesaid, and (ii) to delegate to any employee or agent such power and authority.

6.2. *General Authorization to Transfer Securities Held by the Corporation*. (a) Any of the following officers, to wit: the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the Chief Accounting Officer, the Controller, the Treasurer, any Assistant Controller, any Assistant Treasurer, and each of them, hereby is authorized and empowered (i) to transfer, convert, endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, subscription warrants, stock purchase warrants, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by the Corporation and to make, execute and deliver any and all written instruments of assignment and transfer necessary or proper to effectuate the authority hereby conferred, and (ii) to delegate to any employee or agent such power and authority.

(b) Whenever there shall be annexed to any instrument of assignment and transfer executed pursuant to and in accordance with the foregoing Section 6.2(a), a certificate of the Secretary or any Assistant Secretary in office at the date of such certificate setting forth the provisions hereof, stating that they are in full force and effect, setting forth the names of persons who are then officers of the corporation, and certifying as to the employees or agents, if any, to whom any such power and authority have been delegated, all persons to whom such instrument and annexed certificate shall thereafter come shall be entitled, without further inquiry or investigation and regardless of the date of such certificate, to assume and to act in reliance upon the assumption that (i) the shares of stock or other securities named in such instrument were theretofore duly and properly transferred, endorsed, sold, assigned, set over and delivered by the Corporation, and (ii) with respect to such securities, the authority of these provisions of these Bylaws and of such officers, employees and agents is still in full force and effect.

7. DEPOSITARIES AND SIGNATORIES.

7.1. *Depositaries.* The Chairman, any Vice Chairman, the President, the Chief Financial Officer, and the Treasurer are each authorized to designate depositaries for the funds of the Corporation deposited in its name or that of a Division of the Corporation, or both, and the signatories with respect thereto in each case, and from time to time, to change such depositaries and signatories, with the same force and effect as if each such depositary and the signatories with respect thereto and changes therein had been specifically designated or authorized by the Board; and each depositary designated by the Board or by the Chairman, any Vice Chairman, the President, the Chief Financial Officer, or the Treasurer shall be entitled to rely upon the certificate of the Secretary or any Assistant Secretary of the Corporation or of a Division of the Corporation setting forth the fact of such designation and of the appointment of the officers of the Corporation or of the Division or of both or of other persons who are to be signatories with respect to the withdrawal of funds deposited with such depositary, or from time to time the fact of any change in any depositary or in the signatories with respect thereto.

7.2. *Signatories.* Unless otherwise designated by the Board or by the Chairman, any Vice Chairman, the President, the Chief Financial Officer or the Treasurer, each of whom is authorized to execute any of such items individually, all notes, drafts, checks, acceptances, orders for the payment of money and all other negotiable instruments obligating the Corporation for the payment of money, including any form of guaranty by the Corporation with respect to any such item entered into by any direct or indirect subsidiary of the Corporation, shall be (a) signed by any Assistant Treasurer and (b) countersigned by the Chief Accounting Officer, Controller or any Assistant Controller, or (c) either signed or countersigned by any Executive Vice President, any Senior Vice President or any Vice President in lieu of either the officers designated in Clause (a) or the officers designated in Clause (b) of this Section 7.2.

8. SEAL.

The seal of the Corporation shall be in such form and shall have such content as the Board shall from time to time determine.

9. FISCAL YEAR.

The fiscal year of the Corporation shall end on December 31 in each year, or on such other date as the Board shall determine.

10. WAIVER OF OR DISPENSING WITH NOTICE.

(a) Whenever any notice of the time, place or purpose of any meeting of the shareholders is required to be given by applicable law, the Articles of Incorporation or these By-laws, a written waiver of notice, signed by a shareholder entitled to notice of a shareholders' meeting, whether by pdf, facsimile, telegraph, cable or other form of recorded communication, whether signed before or after the time set for a given meeting, shall be deemed equivalent to notice of such meeting. The waiver must be included in the minutes or filed with the corporate records. Attendance of a shareholder in person or by proxy at a shareholders' meeting shall constitute a waiver of notice to such shareholder of such meeting, except when (i) the shareholder attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened, or (ii) the shareholder objects to consideration of a particular matter at the meeting at the time such matter is presented because it is not within the purpose or purposes described in the meeting notice.

(b) Whenever any notice of the time or place of any meeting of the Board or Committee of the Board is required to be given by applicable law, the Articles of Incorporation or these By-laws, a written waiver of notice signed by a Director, whether by pdf, facsimile, telegraph, cable or other form of recorded communication, whether signed before or after the time set for a given meeting, shall be deemed equivalent to notice of such meeting. Unless the Director is deemed to have waived notice by attending the meeting, the waiver must be in writing, signed by the Director entitled to the notice and filed with the minutes or corporate records. Attendance of a Director at a meeting shall constitute a waiver of notice to such Director of such meeting, unless the Director at the beginning of the

meeting (or promptly upon the Director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

(c) No notice need be given to any person with whom communication is made unlawful by any law of the United States or any rule, regulation, proclamation or executive order issued under any such law.

11. POLITICAL NONPARTISANSHIP OF THE CORPORATION.

The Corporation shall not make, directly or indirectly, any contributions or expenditures in connection with the election of any candidate for federal, state or local political office, or any committee campaigning for such a candidate, except to the extent necessary to permit in the United States the expenditure of corporate assets for the payment of expenses for establishing, registering and administering any political action committee and of soliciting contributions thereto, all as may be authorized by federal or state laws.

12. AMENDMENT OF BY-LAWS.

These By-laws, or any of them, may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the Board at any regular or special meeting of the Board, if such supplement, amendment, repeal or adoption is approved by a majority of the entire Board.

13. OFFICES AND AGENT.

(a) *Registered Office and Agent.* The registered office of the Corporation in the State of Indiana shall be 251 East Ohio Street, Suite 1100, Indianapolis, Indiana 46204. The name of the registered agent is The Corporation Trust Company.

(b) *Other Offices.* The Corporation may also have offices at other places, either within or outside the State of Indiana, as the Board of Directors may from time to time determine or as the business of the Corporation may require.



Investor & Analyst Day

October 13, 2011



Agenda

Welcome	Phil De Sousa, IRO	1:30 pm
Introduction to Xylem	Gretchen McClain, CEO & President	1:45 pm
Financial Review	Michael Speetzen, CFO	2:30 pm
Break	Product Displays	3:00 pm
Application Leadership	Gretchen McClain	3:15 pm
Transport & Treatment Test Building Services Industrial Water & Irrigation	Michael Kuchenbrod, President Water Solutions Chris McIntire, President Analytics Ken Napolitano, President Residential & Commercial Water Bob Wolpert, President Flow Control	
Closing Remarks / Q&A	Gretchen McClain / All	4:30 pm
Meeting End		5:00 pm

Forward Looking Statements

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 (the "Act"): Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the separation of Xylem Inc. (the "Company") from ITT Corporation, the terms and the effect of the separation, the nature and impact of such a separation, capitalization of the Company, future strategic plans and other statements that describe the Company's business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used, words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target" and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated include, but are not limited to:

- Economic, political and social conditions in the countries in which we conduct our businesses;
 - Changes in U.S. or International government budgets;
 - Decline in consumer spending;
 - Sales and revenues mix and pricing levels;
 - Availability of adequate labor, commodities, supplies and raw materials;
 - Interest and foreign currency exchange rate fluctuations and changes in local government regulations;
 - Competition, industry capacity & production rates;
 - Ability of third parties, including our commercial partners, counterparties, financial institutions and insurers, to comply with their commitments to us;
 - Our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs;
 - Changes in the value of goodwill or intangible assets;
 - Our ability to achieve stated synergies or cost savings from acquisitions or divestitures;
 - The number of personal injury claims filed against the Company or the degree of liability;
 - Our ability to effect restructuring and cost reduction programs and realize savings from such actions;
 - Government regulations and compliance therewith, including Dodd-Frank legislation;
 - Changes in technology;
 - Intellectual property matters;
 - Governmental investigations;
 - Potential future employee benefit plan contributions and other employment and pension matters;
 - Contingencies related to actual or alleged environmental contamination, claims and concerns;
 - Changes in generally accepted accounting principles; and
 - Other factors set forth in our Registration Statement on Form 10 and our other filings with the Securities and Exchange Commission.
- In addition, there are risks and uncertainties relating to the separation, including whether those transactions will result in any tax liability, the operational and financial profile of the Company or any of its businesses after giving effect to the separation, and the ability of the Company to operate as an independent entity.

The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Introduction to Xylem

Gretchen McClain, CEO & President

xylem
Let's Solve Water

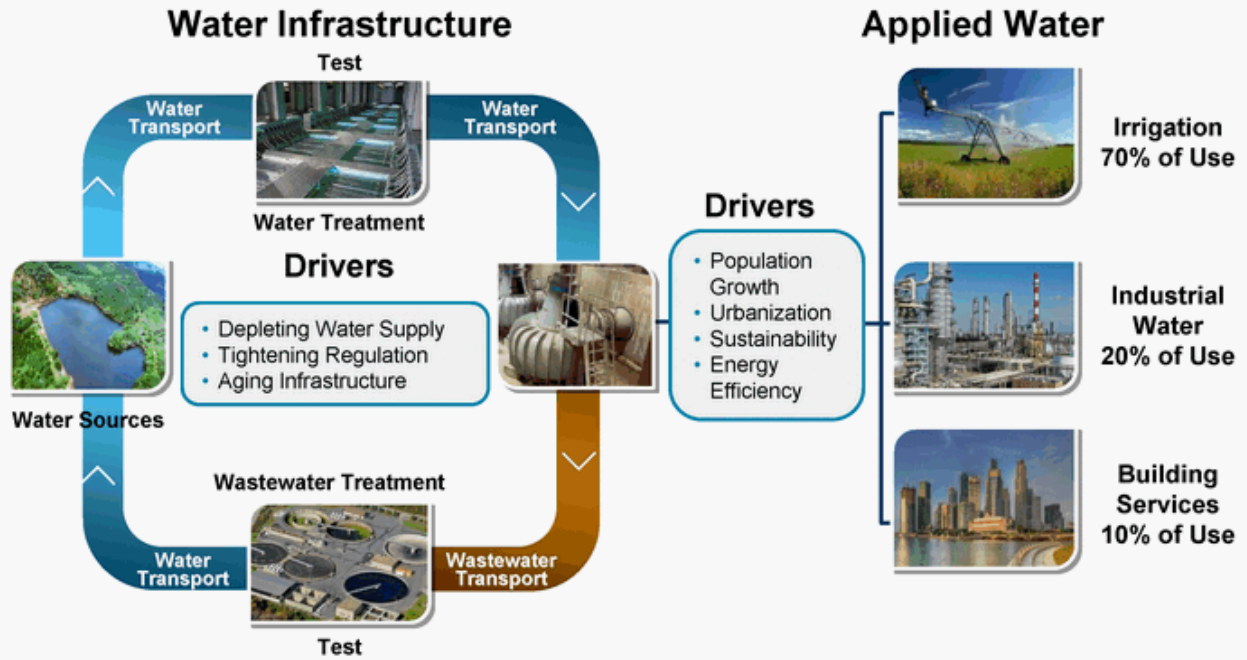
Overview



- **~\$3.8B Company Uniquely Positioned...** in the attractive water industry
- **Leading Brands and Technologies...** in a water-focused portfolio
- **Diverse Customer Base...** across industries and geographies
- **World-Class Distribution Channels...** reaching 150+ countries
- **Large Installed Base...** driving recurring aftermarket revenues
- **Operational and Commercial Excellence...** performance track record
- **Strong Growth Opportunities...** organic and external growth expertise

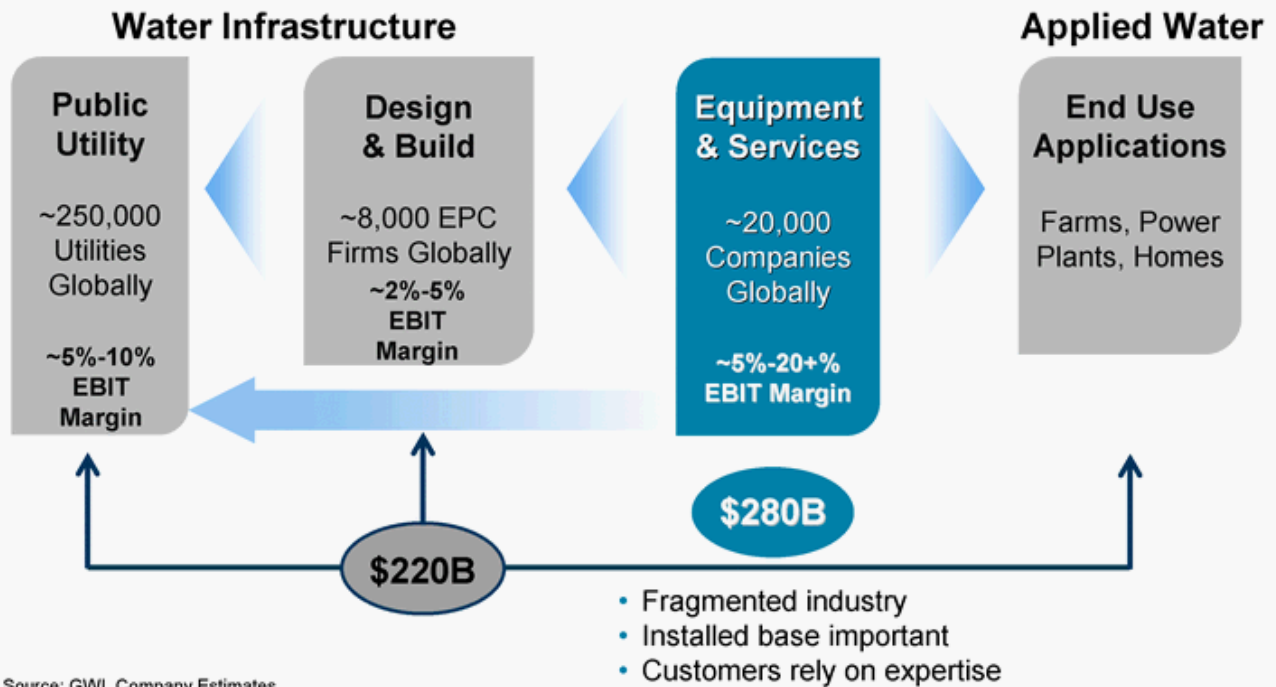
Ability to Deliver Strong & Consistent Financial Performance

Global Water Industry: \$500B



A Fundamental Need...Favorable Conditions for XYL

\$500B Global Water Industry: Value Chain View



Source: GWI, Company Estimates

XYL Focused on Sweet Spots in Equipment & Services

Equipment & Services: \$280B... Growing 3-5%

\$250B

Predominately Commodity-like Equipment & Service

- Pipes, valves, fittings and low value pumps
- Low-value services
- Low or no differentiation
- Generally either capital or labor intensive
- Generally single-digit margins... some pockets of higher profitability

Xylem

\$30B

Technology Intensive

- Higher value equipment
 - Energy efficiency, perform in harsh conditions, high reliability
- Knowledge-based services
 - Analytics, energy audits
- Differentiated solutions
- ~10-20%+ margins

XYL has Strong Positions in Most Attractive Segments

Xylem Serves Diverse Growing Markets

Geographical Mix*



End Market Mix*



Xylem Emerging Market Revenue = 18% in 2010

Mkt Growth Rates '10 -'15

Developed	1 - 3%
Emerging	8 - 10+%
Global	3 - 5%

*2010 Revenues

Global Markets... Attractive Growth Rates

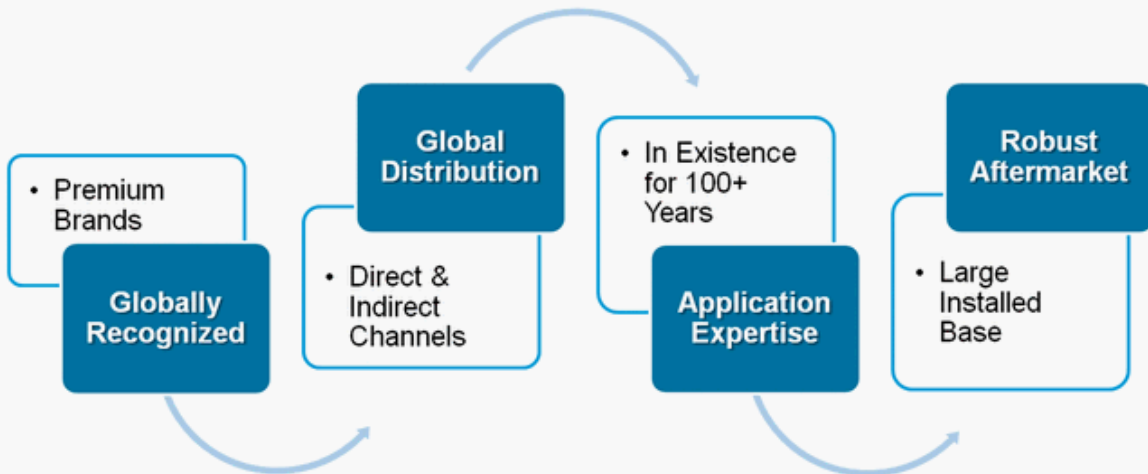
Balanced End Markets ...

End Market	% of Xylem Revenues*	Cycle	Fundamentals
Public Utility	40%	Non-Cyclical	<ul style="list-style-type: none"> • Tariffs protected & growing • ~70% for maintenance capital • Strong aftermarket & replacement
Industrial	35%	Less Cyclical/ Late Cycle	<ul style="list-style-type: none"> • Products critical to operations • Strong aftermarket & replacement
Commercial	13%	Late Cycle	<ul style="list-style-type: none"> • Strong replacement • Green regulation
Residential	9%	Early Cycle	<ul style="list-style-type: none"> • Strong replacement • Energy efficiency
Agriculture	3%	Mid Cycle	<ul style="list-style-type: none"> • Growing demand

*2010 Revenues

... With Strong Fundamentals

A Global Leader...



... With All the Tools Necessary to Continue Robust Growth

Industry Leading Positions

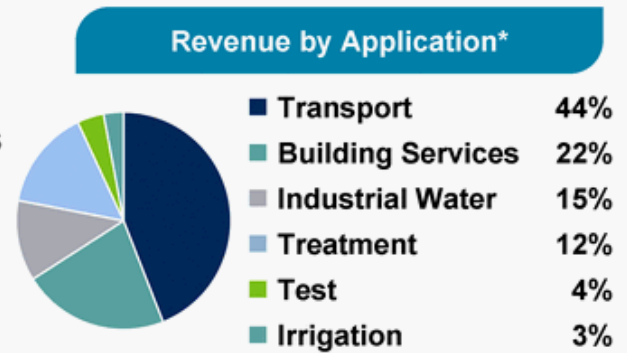
#1 Transport & Treatment Applications

#2 Test Applications

#2 Building Services Applications

#2 Industrial Applications

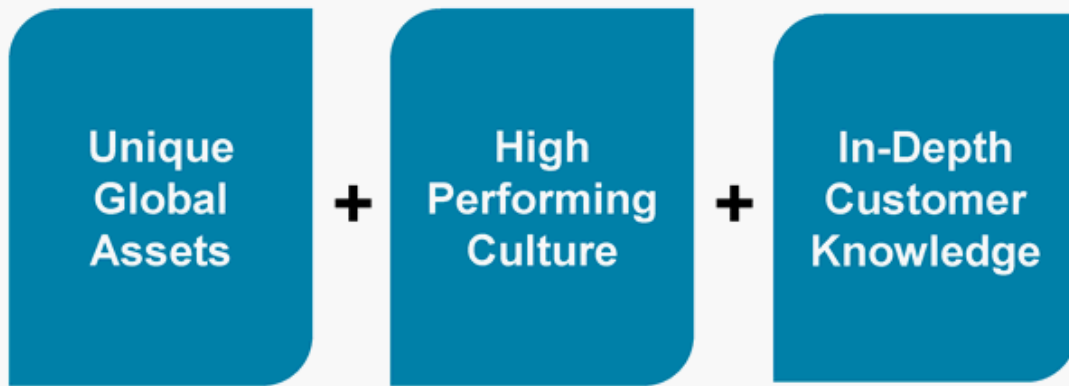
#3 Irrigation Applications



*2010 Revenues

Strong Presence Across the Board

How Does Xylem Create Value?



Premium application solutions company solving our customers' most challenging water problems

Unique Global Assets...

Unique Global Assets High Performing Culture In-Depth Customer Knowledge

- Leading Brands
- Diverse Product Portfolio
- World-Class Distribution Channels
- Diverse Customer Base
- Robust Aftermarket Opportunities
- Key Partnerships



... Provide Unrivaled Advantage

Key Partnerships...

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge

Technology Partnerships



- Reduces capital required
- Expands product offerings

Industry Relationships



- Extends distribution
- Influences regulators
- Creates demand

... Improve Capital Efficiency and Extend Our Reach

Applications Expertise...

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge

	Water as % of Total Revs	Water Infrastructure			Applied Water		
		Transport	Treatment	Test	Res/Comm'l	Industrial	Irrigation
Xylem	>90%	✓	✓	✓	✓	✓	✓
Danaher	~15%		✓	✓			
Franklin	~85%				✓		✓
Grundfos	~85%	✓			✓	✓	✓
KSB	~25%	✓				✓	✓
Pentair	~50%	✓	✓		✓	✓	✓
Siemens	~5%		✓				
Sulzer (ABS)	~50%	✓	✓				
Thermo	~5%			✓			
Wilo	~30%	✓			✓	✓	

Source: Citi Investment Research and Xylem Company Estimates

A Genuine Water Company... With the Broadest Portfolio

A High Performing Culture...

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge

**Strong Leadership Team
& Management System**



Innovative & Adaptive People



Accountability & Execution Excellence



Experience... Knowledge... Relentless Drive to Improve

Xylem Management Team

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge



Gretchen McClain
CEO
& President

Board of Directors

- Markos Tambakeras, Chairman
- Gretchen McClain
- Steven Loranger, Chairman Emeritus
- Curtis J. Crawford, Ph.D.
- Victoria Harker
- John Hamre, Ph.D.
- Sten Jakobsson
- Ed Ludwig
- Surya N. Mohapatra, Ph.D.

Operational Leaders



Mike Kuchenbrod
President
Water
Solutions



Chris McIntire
President
Analytics



Ken Napolitano
President
Residential &
Commercial
Water



Bob Wolpert
President
Flow
Control

Functional Leaders



Mike Speetzen
Chief
Financial
Officer



Colin Sabol
Chief
Strategy
& Growth
Officer



Robyn Mingle
Chief
Human
Resources
Officer



Angela Buonocore
Chief
Communications
Officer



Frank Jimenez
General
Counsel &
Corporate
Secretary

Powerful Combination of Industry Experience & Innovation

A Proven Management System

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge

Management System



Leadership Development

- Identify, recruit and retain top-tier talent
- Current talent pool provides for strong jump-off point
- Focused investment on people development



Set Ambitious Goals... Provide Talent, Tools and Processes to Achieve

Commercial Excellence

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge

People

- Competencies & capabilities
- Right people in right jobs
- Best practice sharing



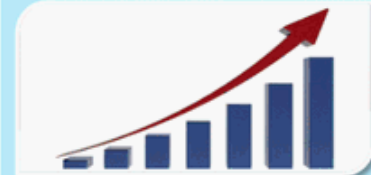
Process

- Built playbook to drive growth
- Repeatable commercial process



Initiatives

- Growth
- Price
- Value proposition
- Strategic accounts



Program Established... Significant Opportunities

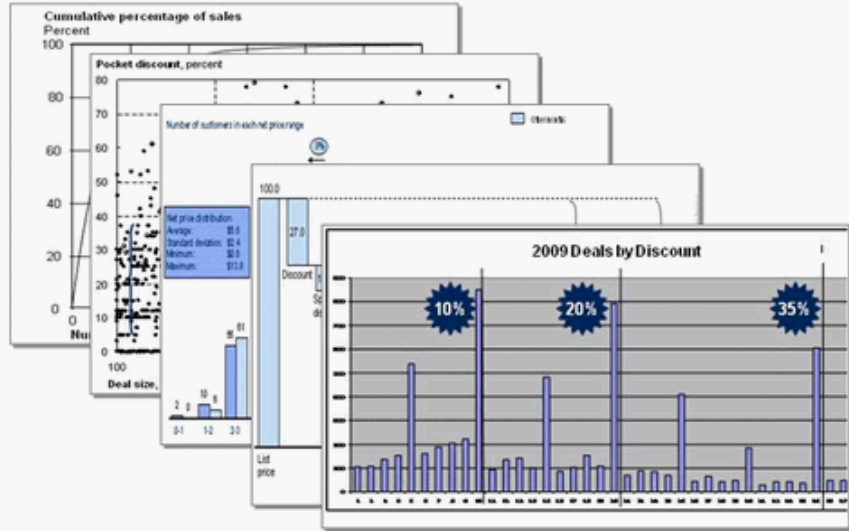
Price Example

Unique Global Assets High Performing Culture In-Depth Customer Knowledge

How We Drive Price



Sample Analysis



Helping Us Achieve 1-2 Points of Price per Year

Operational Excellence

Unique Global Assets High Performing Culture In-Depth Customer Knowledge

- ### 2011 Actions
- On time delivery and lead time improvement
 - Simplified / increased supply chain penetration
 - Expanded low cost region sourcing
 - Emerging market capability investments
 - Targeted lean transformation initiatives

- ### Initiatives
- Smart Sourcing
 - Lean/Six Sigma productivity & growth enabling initiatives
 - Footprint rationalization
- 



Well-Established Programs... Continue to Drive Results

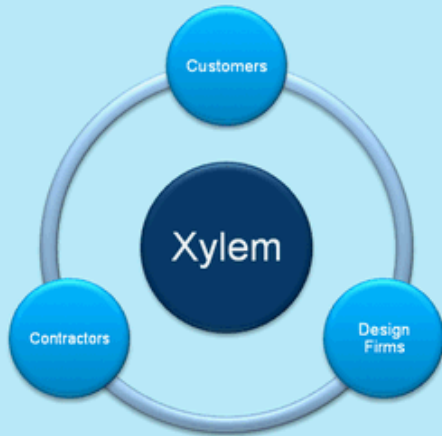
In Depth Customer Knowledge

Unique
Global
Assets

High
Performing
Culture

In-Depth
Customer
Knowledge

Understand Customer's Value Chain



Case Studies We'll Discuss

- Top Lift Station
- Adaptive N Pump
- Flygt Experior
- UF Membranes
- Advanced Oxidation Process
- Energy Efficient Secondary Treatment
- Water Sensor Networks
- eSV
- HVAC High Efficiency Circulators
- Diaphragm Pumping Solutions

XYL Can Provide Unique Application Solutions

Positioned as the Water Applications Leader



Unique Knowledge – Transport, Treatment, Test

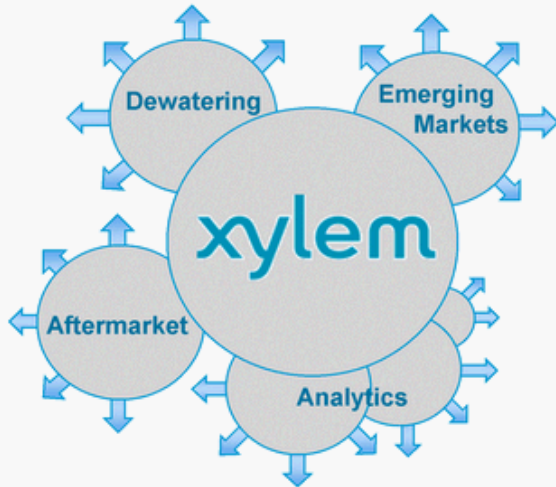
Water Scarcity
Environmental Protection
Infrastructure Needs
Population Growth
Urbanization



Issues Are Complex... Few Companies Can Address All

Xylem has a Focused Growth Plan

Xylem Growth Platforms



Organic Growth

- Long-term market growth rate 3-5%
 - Developed market growth 1-3%
 - Emerging markets growth 8-10+%
- Expand the core
- Geographic expansion

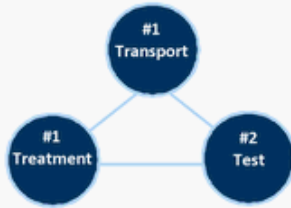
Acquisition Strategy

- Disciplined bolt-on approach
- Build on existing growth platforms

XYL Target Organic Growth ~ 2 pts Faster Than Markets

Organic Growth Strategy

Replicate Leadership Positions Across Global & Local Footprint



Leading Positions in Core Applications



Established Leadership

- U.S.
- Europe

Focal Areas for Replication

- Emerging Markets
- Underpenetrated Developed Markets

Leveraging Leading Brands with Global Water Partners



Innovative Application Solutions



Growing Xylem Recurring Revenues

Parts & Service

- 16% of Xylem revenue
- Strong global presence
 - 120+ owned service centers
 - 600+ service employees
 - Extensive channel partner network
- Revenue growth 8.5% CAGR '06-'10 despite economic downturn

Aftermarket Parts & Service Revenues



Replacement Equipment

- Approximately 22% of Xylem revenue
- Installed base drives replacement sales
- Brand loyalty drives like-for-like replacement
- Installed base provides opportunity for upgrades, next generation and services



Aftermarket Growing ... Approaching ~40% of Total Revenue

Emerging Market Growth Strategy

Opportunities in China



Market drivers:

- \$47B Central Gov't investment in next 5 years
- Westward & 2nd tier city expansion

Xylem focus:

- WW treatment and flood control projects
- Localized and decentralized treatment systems

Opportunities in India



Market drivers:

- India planning to add 30+ power plants by 2017
- Large irrigation projects to divert rivers

Xylem focus:

- ~\$70M in backlog
- New state-of-the-art test and assembly facility

...And Beyond



Growth Formula:

- Units enter via new sales co. or distributor
- Other business units leverage footprint

Example: Africa

- Mining-based economies – large investments by multinationals ... dewatering focus

Xylem Presence in Emerging Markets

- 44 Sales Units Spread Globally
- 2 Localized R&D Centers
- 14 Production Facilities
- Projected Long-Term Revenue Growth 8-10%+

Balanced & Focused Approach to Emerging Markets

Analytics & Dewatering Growth Strategy

Analytical Instrumentation

- Attractive & growing market
- “Smart” technology
- Strategic focus
 - Expand capabilities
 - Leverage distribution

Dewatering

- Strong Existing Business in Flygt Dewatering pumps
- Strategic Focus:
 - Infrastructure projects
 - Mining
 - Emerging markets
 - Emergency response services

Step 1



Step 2



Step 3



- ~\$300M of annual revenue
- A leader in water and wastewater analytics



- \$500M+ of annual revenue
- A leader in dewatering rental & services

Building Leadership Positions in Attractive Spaces

Xylem's Sustainable Infrastructure Initiatives...

Measurable Sustainable Benefits

Energy
Efficient
Secondary
Treatment



25% ↓ in plant opex from energy savings

Shale Gas
Fracking
Water
Management



Trucking costs ↓ by 70%



Contaminant regulation compliance

Environmental
Water Quality
Networks

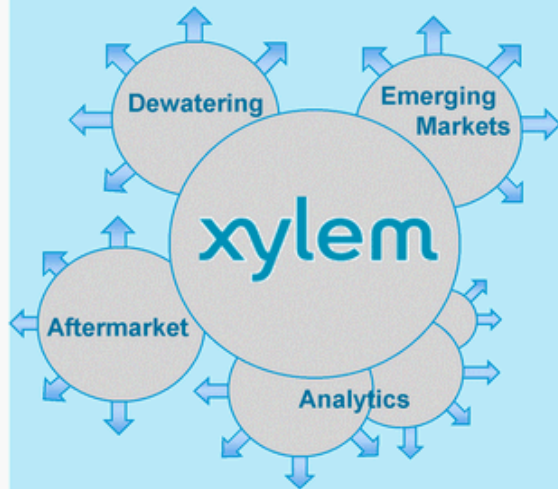


Field surveys ↓ by over 50%

... Support Our Ability To Continue To Grow Faster Than the Market

Future Acquisition Focus

Xylem Growth Platforms



Xylem Acquisition Strategy

- Bolt on acquisitions in growth platforms
 - Product gap fillers
 - Channel build-out
- Targeted deployment of up to \$300M / year
- Strict financial & strategic filters
- Focused on businesses with high gross margin potential

Growth Platform Expansion Through Bolt-on Acquisitions

Business Performance: Long-Term Targets

Top Line Growth

- Organic growth of 4 - 6%
- Acquisitions add 1 - 2 points of growth
- Emerging market revenue >20% of sales

Earnings Growth

- Gross margins > 40%
- Segment margin expansion of 50 - 75 bps / yr

Return on Capital

- Free cash flow at ~100% of net income
- ROIC in mid to upper teens

Creating Value for Customers, Employees and Shareowners

Financial Review

Mike Speetzen, CFO

xylem
Let's Solve Water

Strong Track Record of Financial Performance

Solid financial performance, well-positioned for the future

- Industry dynamics support stable and consistent growth
- Solid pipeline of organic growth opportunities
- Acquisitions exceeding expectations

Track record of balancing growth & productivity

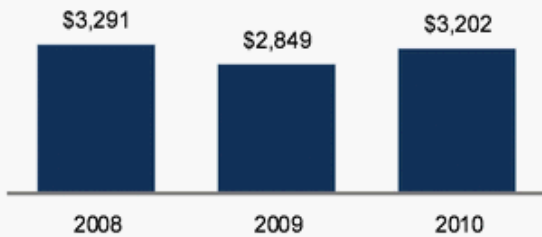
- Invested to fuel organic growth while expanding margins 250 bps ('08-'10)
- Demonstrated ability to manage through economic downturn and emerge as a stronger, improved business

Well-capitalized ... Solid financial policies in place

- Investment grade credit rating achieved
- Completed \$600M revolving credit facility & \$1.2B bond placement at attractive rates

Strong Growth and Solid Margin Expansion

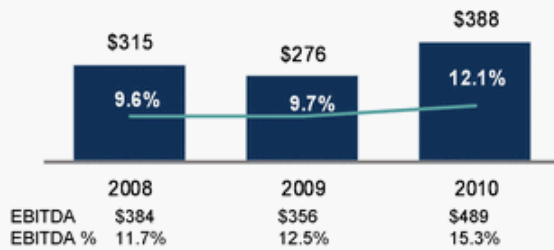
Revenues (\$M)



Revenue Growth (YOY)

	2009	2010
Organic	-8.8%	3.4%
Acquisitions	0.2%	9.2%
FX	-4.8%	-0.2%
Total	-13.4%	12.4%

Operating Income & Margin (\$M)



Op Margin expands 250 bps

- Operational & Commercial Excellence Initiatives
- Price & Productivity more than offset Inflation
- Includes restructuring costs \$41M, \$31M, and \$15M ('08 - '10)

	2008	2009	2010
EBITDA	\$384	\$356	\$489
EBITDA %	11.7%	12.5%	15.3%

Focused on Profitable Growth

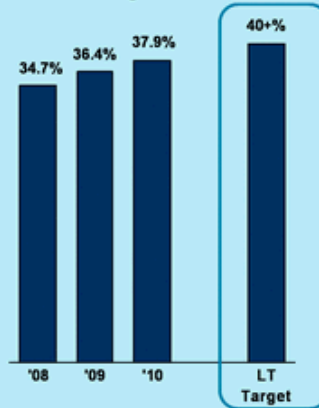
Demonstrated Consistent Margin Improvement

Operational & Commercial Excellence

- Expanded low cost region manufacturing & sourcing to ~30%
- Leveraged procurement scale effectively
- Simplified supply chain
- Implemented Lean at 14 key facilities
- Trained 700+ commercial leaders in price and value

Gross Margin Performance

- Better operating leverage
- Improved productivity and cash generation



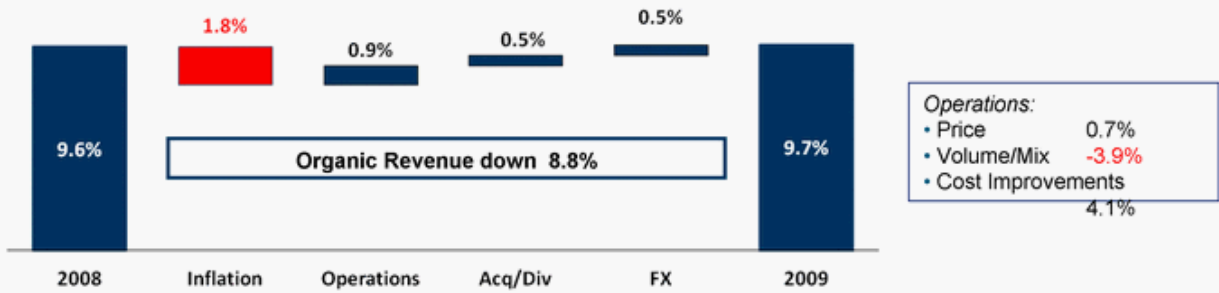
Key Focus Areas

- Leverage progress made in operational efficiency
- Increased Commercial Excellence focus
- Leverage investment in high gross margin platforms
- Leverage installed base and increased aftermarket mix

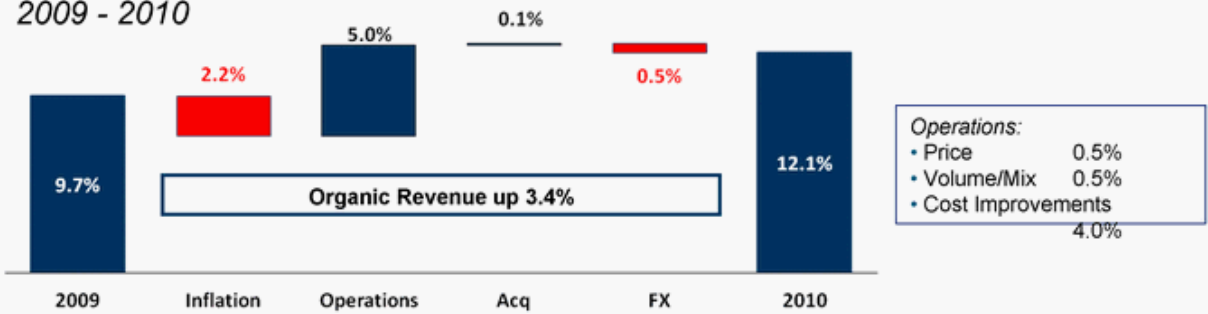
Gross Margin Up 320 bps...Execution Will Drive Further Expansion

Operating Margin Walk

2008 - 2009



2009 - 2010



Operating Margin Expansion of 250 bps...Resilient During Downturn

Segment Overview: Water Infrastructure



Water Infrastructure
59% *

Revenues (\$M)



Revenue Growth

(YOY)	2009	2010
Organic	-3.6%	1.5%
Acquisitions	-%	14.9%
FX	-5.9%	0.5%
Total	-9.5%	16.9%

Operating Income & Margin (\$M)



Op Margin expands 220 bps

- Operating productivity funds incremental strategic investments
- Includes restructuring costs \$17M, \$15M, and \$12M ('08 - '10)

*2010 Revenues

Good Market Fundamentals ... Sustainable Business Performance

Segment Overview: Applied Water



Applied Water
41%*

Revenues (\$M)

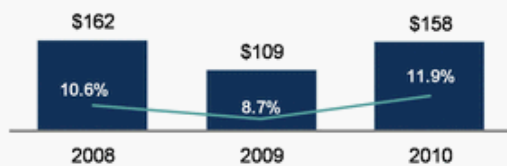


Revenue Growth

(YOY)

	2009	2010
Organic	-14.9%	5.8%
Acq/Div	0.5%	1.3%
FX	-3.5%	-1.3%
Total	-17.9%	5.8%

Operating Income & Margin (\$M)



Op Margin expands 130 bps

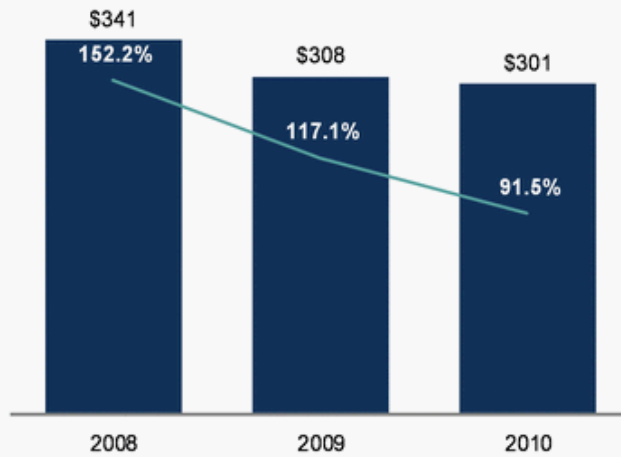
- Lower volume and restructuring expense drive lower margin during downturn
- Productivity actions drive higher margin despite market softness
- Includes restructuring costs \$18M, \$15M, and \$3M ('08 - '10)

*2010 Revenues

Actions Taken ... Business Better Positioned

Strong Cash Flow Generation

Free Cash Flow¹ and Conversion (\$M)



¹ Free Cash Flow = Net cash from operating activities - Capital expenditures

Operating Working Capital as % of Sales

	2008	2009	2010
AR	608	599	690
Inv	342	301	389
AP	298	256	309
Working Capital	652	644	770
W/C as % Sales*	21%	22%	22%

* (AR+INV-AP) / TTM Sales (adjusted for acquisitions)

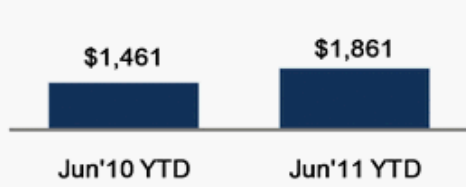
Capex Reinvestment

	2008	2009	2010
Capex	67	62	94
Depreciation	55	51	63
Reinvestment Ratio	1.2	1.2	1.5

Targeting 100% Conversion

2011 1st Half Performance

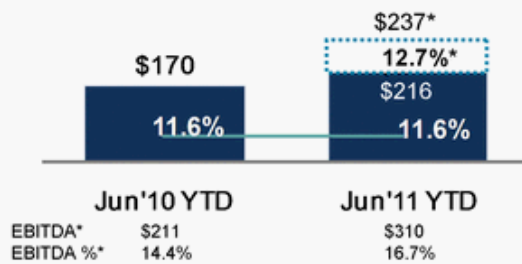
Revenues (\$M)



Revenue Growth

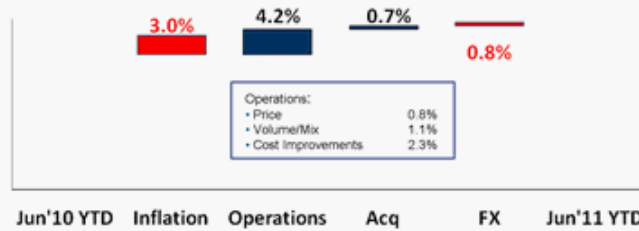
	Jun'11 YTD
Organic	8.7%
Acquisitions	13.3%
FX	5.3%
Total	27.4%

Operating Income and Margin (\$M)



* Ex. \$21M of One-Time Separation Costs

Op Margin expands 110 bps*



Good Performance ... Challenging Environment

Summary Capital Structure & Liquidity Position

Capital Summary (\$M)

	As of June 30, 2011			
	Historical		Pro forma*	
Total cash	\$138		\$200	
Short-term debt	\$0	0.0%	\$0	0.0%
Long-term debt	4	0.1%	1,204	34.3%
Total debt	\$4	0.1%	\$1,204	34.3%
Total shareholders' equity	\$2,864	99.9%	\$2,306	65.7%
Total capitalization	\$2,868	100.0%	\$3,514	100.0%
Net Debt	(\$134)		\$1,004	

*Includes assumed debt of \$310M incurred in connection with the YSI acquisition

Strong Liquidity Position

- Targeted cash position of \$200M at 10/31/11
- Placed \$1.2B debt
 - 5yr \$600M at 3.55%
 - 10yr \$600M at 4.875%
- 4 yr \$600M revolving credit facility
- Access to commercial paper market anticipated
- Strong cash generation

Healthy Balance Sheet...Strong Cash Flow...Gives Us Flexibility

Financial Policies

Targeted Metrics

- Maintain solid investment grade rating
- Leverage position consistent with investment grade metrics
- Free Cash Flow (Operating Cash Flow less Capex) conversion target of 100%

Dividend Policy

- Initial dividend targeted in the peer range; Subject to Board vote
- Q4 '11 dividend expected to be approximately \$0.10

Foreign Exchange Management

- Active netting of exposure
- Appropriate use of forwards to manage net exposure

Commodity Price Management

- Primary risk mitigation: supplier diversification, fixed price contracts and low-cost region sourcing

Liquidity and Cash Management

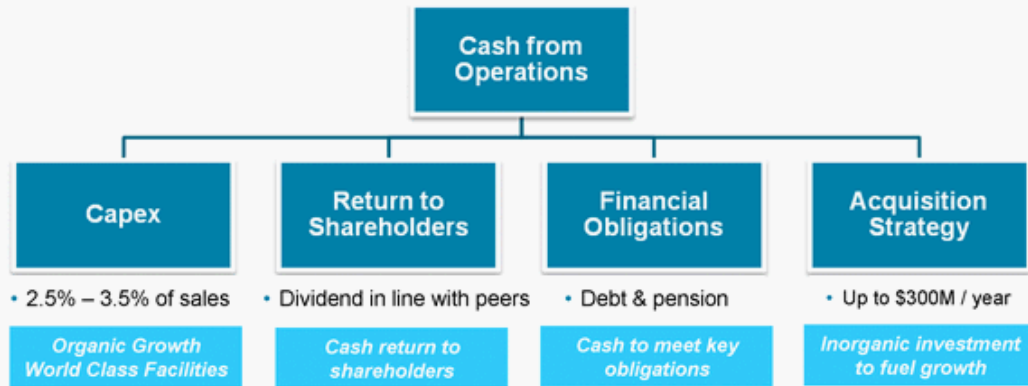
- Access to revolver and commercial paper for short-term liquidity needs
- Targeted working capital improvements

Acquisitions

- Bolt on and close to core - targeted range of up to \$300M per year
- Strategic and financial filters, e.g.
 - High gross margin; ROI > Risk Adjusted Cost of Capital

Established & Disciplined Policies

Capital Deployment



Capital Deployment Strategy

- Balance of organic & inorganic investment
- Return value to shareholders
- Maintain solid investment grade metrics



Capital Deployment Evaluation

- Fold targeted performance into Operating plans
- Quarterly / Annual investment review
- Ensure targeted returns achieved

Disciplined Capital Deployment Strategy

Update on Separation Costs

Recurring Costs

- **\$25-\$35M Incremental to 2010 Cost Base**
 - Public Company "stand-up"
 - IT Infrastructure
 - Timing of impact:
 - \$5-10M beginning in 2011
 - Balance expected in 2012
- **~80 bps impact on operating margin**

One-Time

- **Estimated one-time costs:**
 - Professional services
 - Key employee retention
 - IT infrastructure
 - Branding
- **\$21M incurred through June '11**
- **Balance Pre-Spin: TBD**
- **Post Spin costs: \$20 - \$30M**

Actively Managing

Financial Projections

	2010	5 Year Target
Revenues	\$3.2B	\$4.5B to \$5.0B
Operating Margin	12.1%	~14.5% to ~15.5%
Free Cash Flow Conversion	91.5%	100%
ROIC	13%	Mid-to-Upper Teens

- Market growth of 3-5%...4-6% Xylem targeted growth
- Acquisition strategy adds 1-2 % points of growth

Revenue Growth Rates
Based on 2011 Range
of \$3.7B to \$3.8B

- Operational & Commercial excellence expand margins 50-75 bps per year
- Continued cash management discipline to achieve cash conversion of ~100%
- Capital deployment strategy to drive ROIC: to mid-to-upper teens
- Long-term effective tax rate 25% to 28%

Xylem is poised to achieve our long-term financial objectives

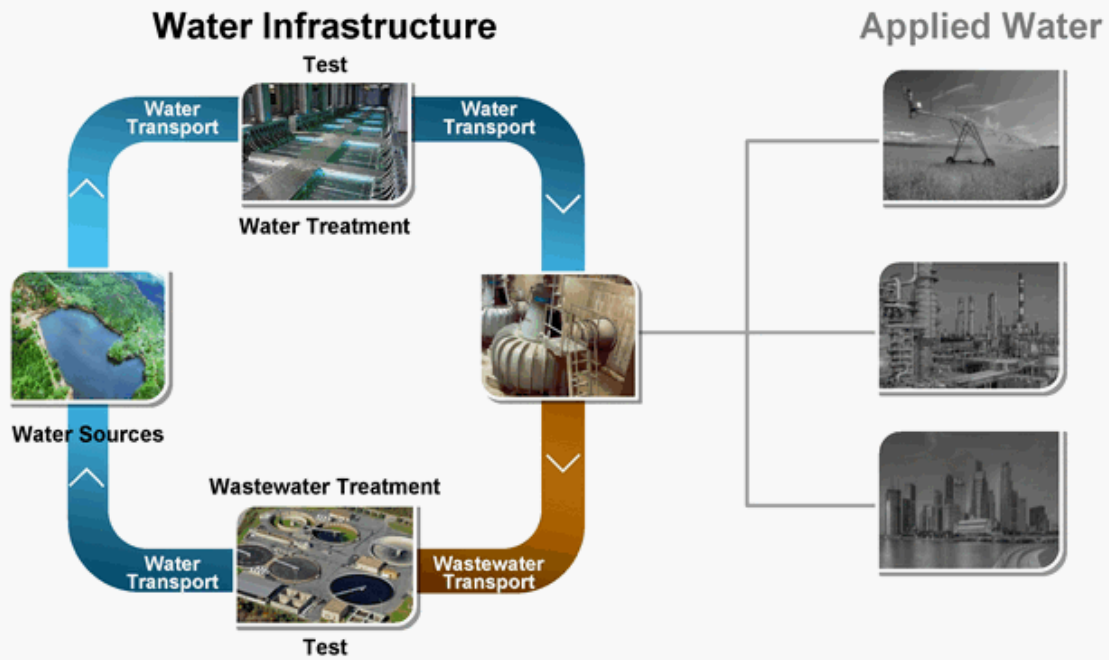


Water Application Leadership

Gretchen McClain, CEO & President

xylem
Let's Solve Water

Participating in the Global Water Industry...



... Through Two Industry-Aligned Segments

Water Infrastructure Overview



Market Size: \$16B

2010 Revenues: \$1.9B

2010 Op Margin: 14%

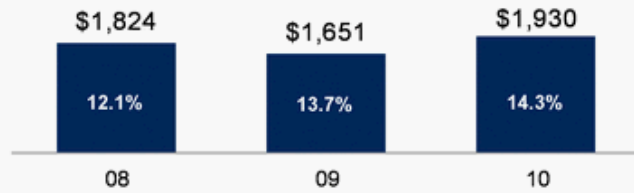
- Applications: Transport, Treatment and Test
- Customers: Public Utilities and Industrial Facilities
- Distribution: World-Class Global Direct & Indirect Channels
- Strong Aftermarket & Replacement Contributions

Revenue by Application



*2010 Revenues

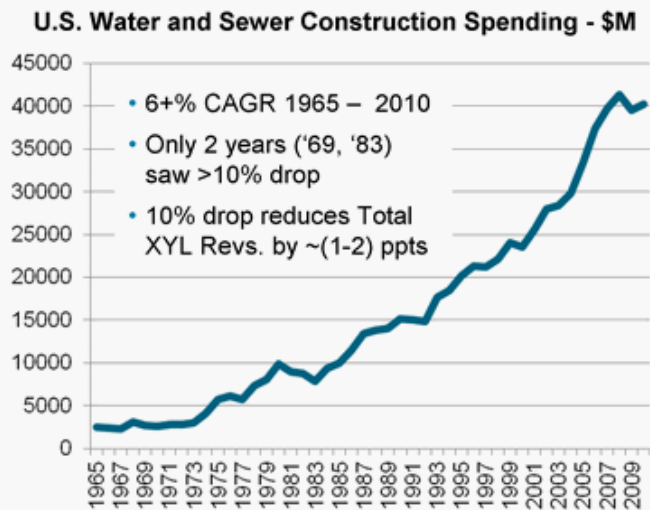
Revenues (\$M) & Operating Margin %



Unique Position -- Only Provider of All Three "T's"

The Public Utility Market ...

- 40% of Xylem Revenues related to Public Utility spending – in 2010:
 - ~\$900M for Maintenance Capital
 - ~\$400M for New Projects
- Public Utility spending grows long term
 - U.S.: 6+% CAGR 1965 – 2010
 - Europe similar to U.S.
 - Asia Pacific growing faster
- Funding of expenditures secure
 - ~80% funded by tariffs
 - Tariffs growing 8%/yr in U.S.
 - European Tariffs typically higher than U.S.
 - Funds typically can not be used for other purposes



Source: U.S. Census Bureau

Strong Long-term Fundamentals...Xylem Provides Mission Critical Solutions

Transport

Michael Kuchenbrod

xylem
Let's Solve Water

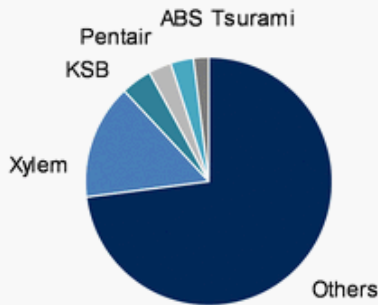
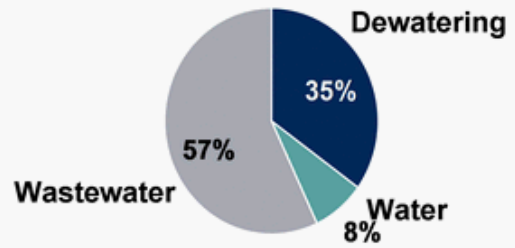
Transport Overview

Market Size: \$11B

Market Growth: ↑ Low Single Digits

2010 Xylem Revenues: \$1,436M

Revenue by Application



- World's Largest Wastewater Pump Provider ... Large Installed Base
- World's Largest Dewatering Pumps & Services Company
- Global Application Specialists
- Dedicated Aftermarket & Service support team
- Strong global sales organization

Industry Leading Positions in Profitable Pump Applications

Transport Portfolio

Wastewater

Products

- Submersible Pumps
- Dry Installed Pumps
- Prefabricated Pump Stations
- Sludge Pumps
- Monitoring & Controls

Customers

- EPC's
- Private & Public Utilities
- Industrial Facilities



57%

Water

Products

- Submersible Pumps
- Prefabricated Pump Stations
- Monitoring & Controls

Customers

- EPC's
- Private & Public Utilities
- Industrial Facilities
- Water Parks
- Installing contractors



8%

Dewatering

Products

- Dry-Prime Pumps
- Submersible Pumps
- Slurry Pumps
- Pump Rentals
- Dewatering Services

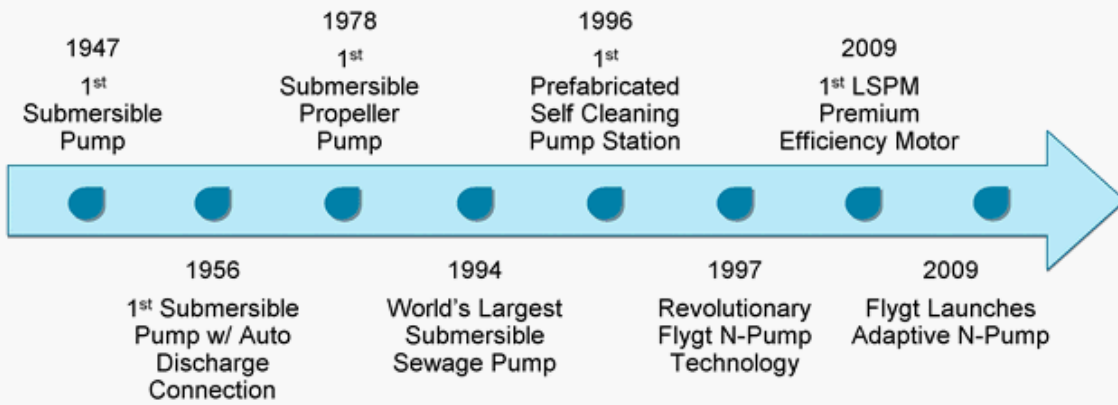
Customers

- Construction
- Mining/Quarry
- Oil Refinery/Exploration
- Public Utilities
- Power
- Emergency Flood Response



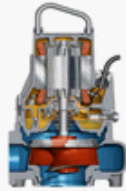
35%

Case Study: N-Pump Evolution



N-pump Benefits

- Self cleaning design minimizes clogging
- Reduced maintenance and service calls
- Improved energy efficiency
- Increased worker safety
- Reduced wear and longer pump life

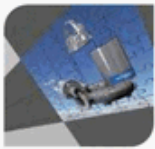


Adaptive N-pump Benefits

- Further improved efficiency and non-clogging characteristics of small N-pumps
- Improved energy efficiency
- Lower system maintenance costs
- Longer service intervals



Transport Growth Strategy: Flygt Experior

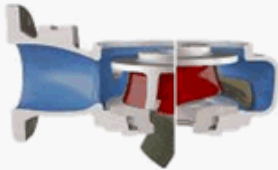


Motors

- IE3 compliant motors

Superior reliability and energy efficiency with improved simplicity in installation and operation by combining:

- World class hydraulics with full Adaptive N range
- Premium efficiency electrical motors
- Intelligent controls with variable speed



Hydraulics

- Adaptive N extension

Reliability
Energy Efficiency
Simplicity



Controls

- SmartRun™ intelligent control with energy optimization and cleaning cycles
- Pre-programmed product and application data

Flygt Experior to be launched at WEFTEC in October '11

Transport Growth Strategy: Dewatering

Geographic Expansion Strategy



Strong Existing Business & Footprint

- Proven model
- Established customer base
- Broad applications ranging from public utility & industrial water control to emergency and flood control
- Leverage over 138 depots worldwide
- Focused on core pumping applications & expanding to pumping services, system supply and rental

Leverage Xylem's Strong Position Globally

Treatment

Michael Kuchenbrod

xylem
Let's Solve Water

Treatment Overview

Market Size: \$3B

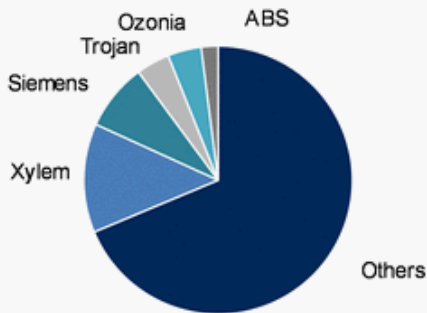
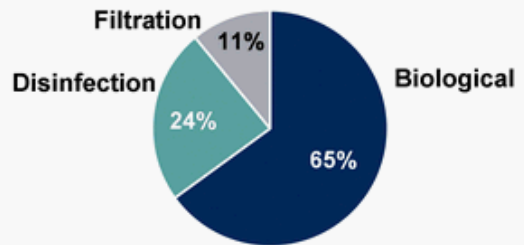
Membrane market adds: ~\$500M

Market Growth: ↑ Low Single Digit

Membrane market growth: high teens

2010 Xylem Revenues: \$377M

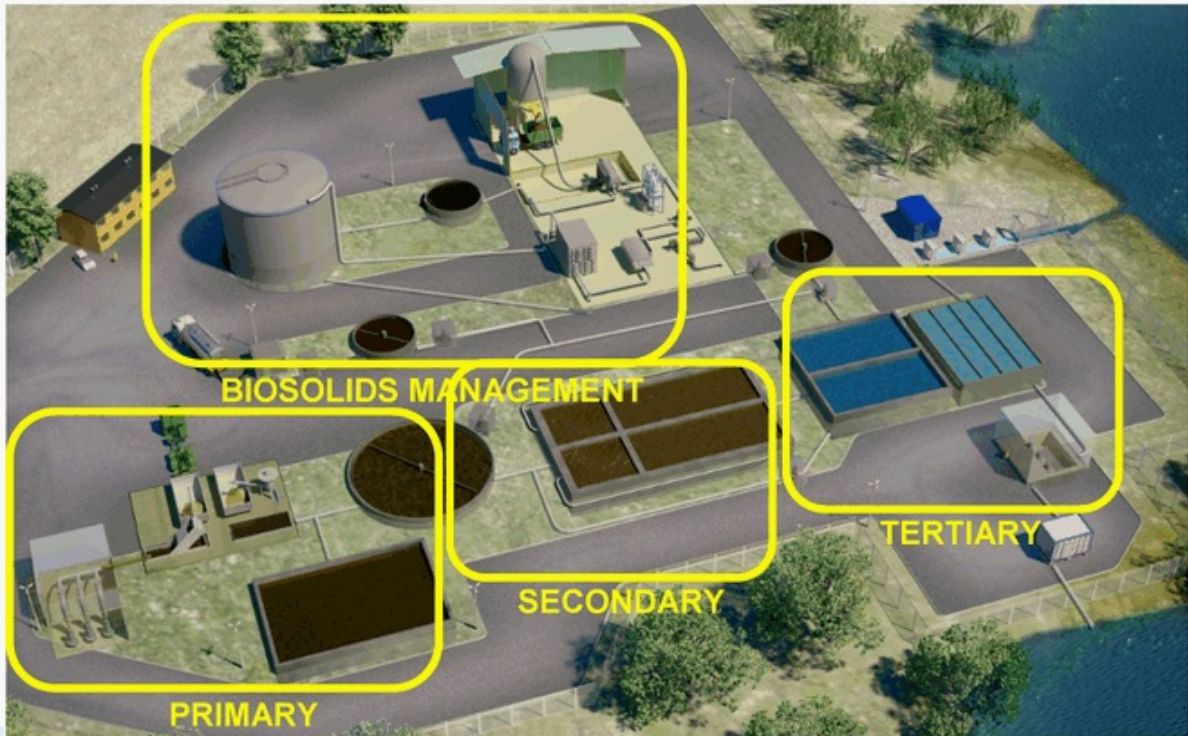
Revenue by Application



- Broad portfolio & understanding treatment techniques
- Deep application & system expertise
- Track record of energy efficiency innovation
- Strong customer intimacy
- Extensive global footprint

Strong Positions in Attractive Treatment Segments

Treatment Plant Overview



Treatment Portfolio

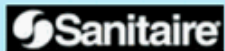
Biological

Products

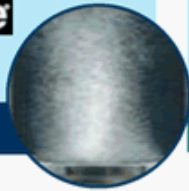
- Aeration Systems
- Sequencing Batch Reactors
- Drum Filters
- Monitoring & Controls
- Mixers & Agitators

Customers

- Public Utilities
- Industrial Facilities



65%



Disinfection

Products

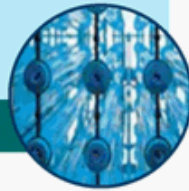
- Ultraviolet Disinfection
- Ozone Disinfection
- Advanced Oxidation

Customers

- Public Utilities
- Installing contractors
- Power Plants
- Pulp & Paper
- Food Product



24%



Filtration

Products

- Rapid Gravity Media Filtration Systems
- Clarification Systems
- Enhanced nutrient removal systems
- Membrane systems

Customers

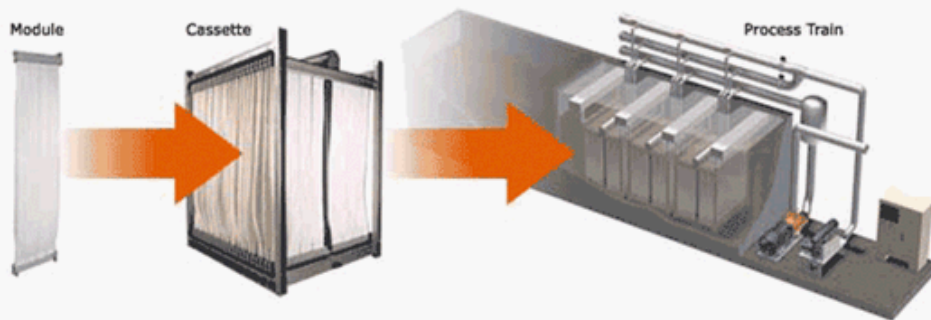
- Public Utilities
- Desalination Plants



11%



Treatment Growth Strategy: Technology Expansion GE Channel Agreement – UF Membranes



Channel Partner for UF Membranes – GE Water

- UF Membranes a key offering in water and wastewater treatment
- Partnership with GE gives Xylem a strong product offering to serve our customers wanting membrane technologies
- Offers XYL entry into a growing, profitable segment with low entry cost
- Global channel partner with GE Water & Power for Zenon UF Membrane products in key developed and emerging markets

Premier UF Membranes with Low Entry Cost

Treatment Growth Strategy: Sustainable Infrastructure Advanced Oxidation Process (AOP) – MiPRO



Description

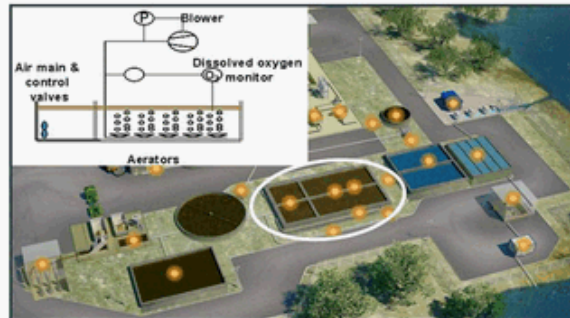
- Drinking Water/ Water Reuse – Oxidation of Micro pollutants
- Integrated system containing the components ozone, UV and H₂O₂-dosing.
- Ensure removal performance for various micro pollutants with the highest efficiency

Customer Value Creation

- The right Advanced Oxidation Solution for any kind of Micro pollutants
- Lowest total life cycle cost
- Flexible solution for individual requirements
- Utilizes the most efficient path of AOP

Tailored treatment for increasingly stringent regulations

Treatment Growth Strategy: Sustainable Infrastructure EE Secondary Treatment



Key competitive advantages

- Capability to provide energy audits to understand baseline performance
- Optimize performance by combining in-depth process and product knowledge across 3T's

Customer Value Creation

- Up to 40% savings on energy costs, can equal ~25% of a plant's operating costs
- Improved process control and ability to adjust process based on real-time feedback

Experience allows system optimization better than competition

Test

Chris McIntire

xylem
Let's Solve Water

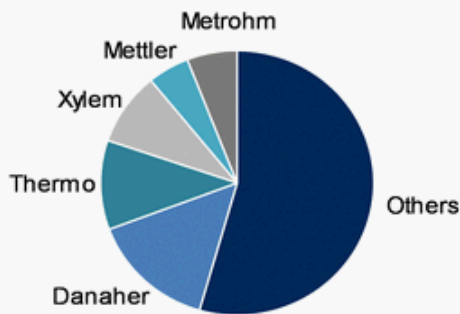
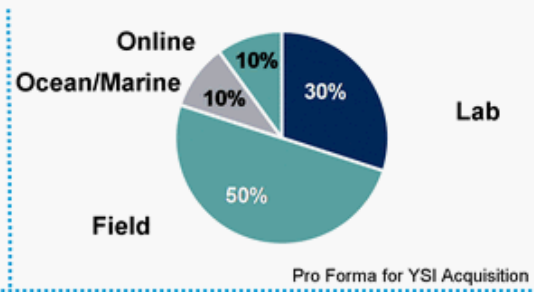
Test Overview

Market Size: \$2B

Market Growth: ↑ Mid Single Digits

2010 Xylem Revenues: \$117M

Revenue by Application



- Well established brands delivering premium products, globally
- Full range of both state of the art technology and robust applications
- Demonstrated commitment to customer support
- Application specialists ensure customer success
- Xylem #2 with YSI Acquisition

Industry Leading Platform in Water and Environment

Evolution of Our Analytics Platform

Step 1



Step 2



Step 3

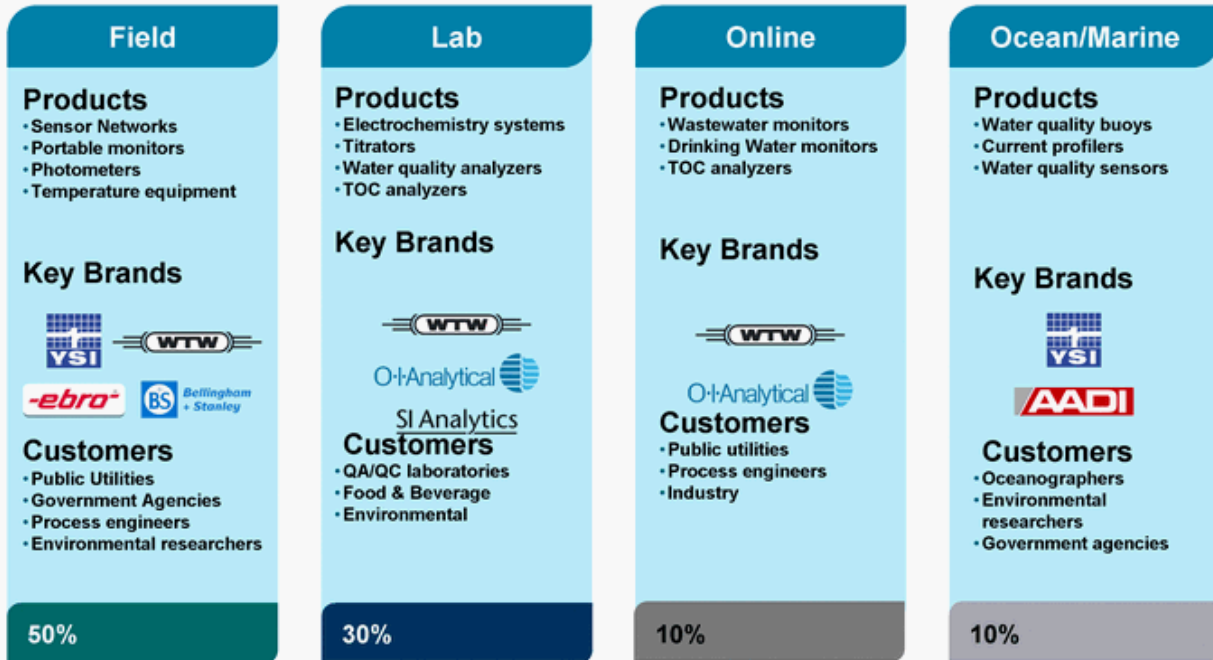


Annual Revenues
\$300+M

Sensor Technologies:

- Electrochemistry
- Optical
- Total Organic Carbon
- Acoustic Doppler

Test Portfolio



Pro Forma for YSI Acquisition

Wastewater Sensor Networks: IQ Sensornet

- Water Quality system using a sensor network backbone with 17 parameters available for measurement
- Eases integration with plant control system and eliminates complicated installation
- Littleton/Englewood WWTP in Colorado has enjoyed reduced operating costs, additional data collection and high reliability
- Installation has extended monitoring into winter months



Enabling Cost Effective Wastewater Treatment

Sensor Networks: Susquehanna River Basin

- Sentinel Water Quality stations provide spill alert and validate safety of groundwater and surface water supply
- 50 station monitoring network ensures data coverage across the basin
- Monitoring the baseline parameters will show evidence of change over the long term (before, during, and after drilling)



Protecting Drinking Water Supplies

Sensor Networks: Hudson River Projects

- 20 Water Quality Monitoring Systems
- 4 Buoy platforms to monitor turbidity dredging activities (PCB clean-up)
- 9 real time to monitoring water quality stations in the NYC area
- Ensures rapid response to any permit violations, mitigating environmental damage.



Monitoring Environmental Remediation

Sensor Networks: LaGuardia Airport

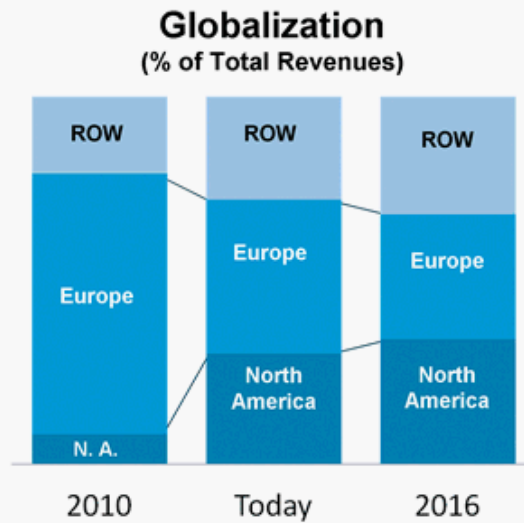
Port Authority, NY LaGuardia Airport

- Continuous Dissolved Oxygen Monitoring to study impact of de-icing fluid on Long Island Sound
- YSI provides instrumentation and performs monthly service through a maintenance contract



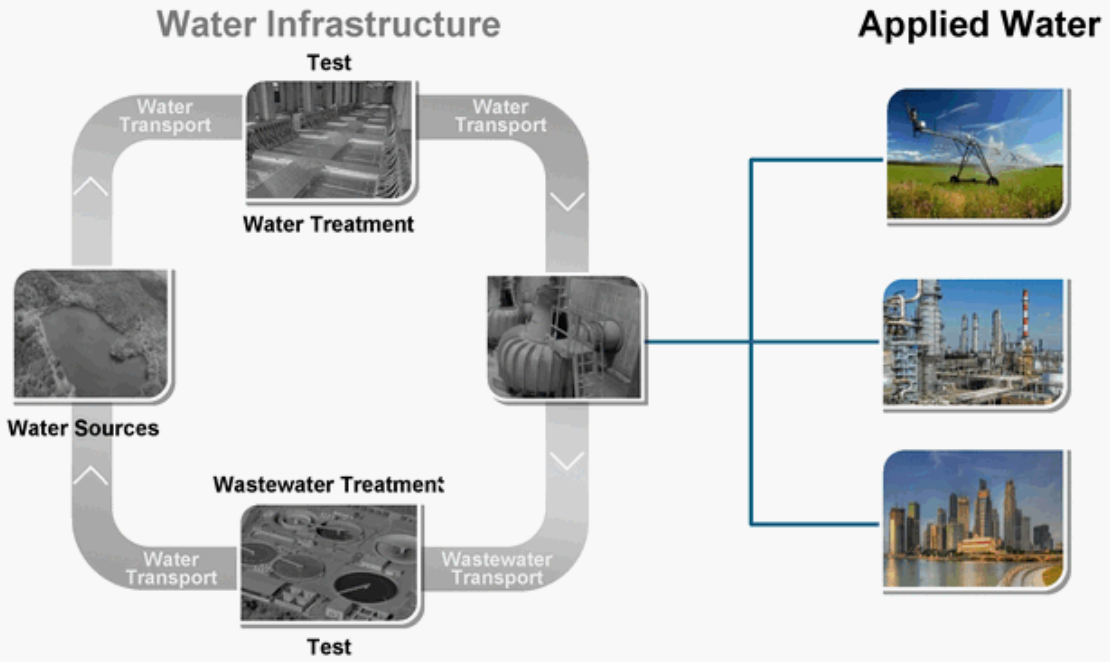
Protecting Natural Waters in Urban Areas

Creating the Future



Integrating Assets to Create a Global Analytics Leader

Participating in the Global Water Industry...



... Through Two Industry-Aligned Segments

Applied Water Overview



Applied Water
41%

Market Size: \$14B

2010 Revenues: \$1.3B

2010 Op Margin: 12%

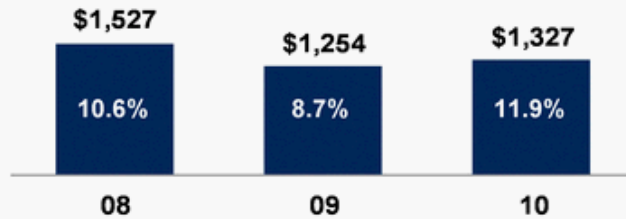
- Applications: Building Services, Industrial Water, Irrigation
- Customers: Residential & Commercial, Industrial Facilities, Agriculture
- Distribution: Primarily through World-Class Indirect Channels
- Strong Aftermarket & Replacement Contributions

Revenue by Application



Building Svcs	55%
Industrial Water	38%
Irrigation	7%

Sales (\$M)



Large Installed Base, Growth Despite Slow New Construction

Building Services

Ken Napolitano

xylem
Let's Solve Water

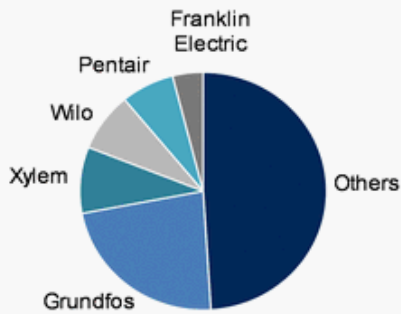
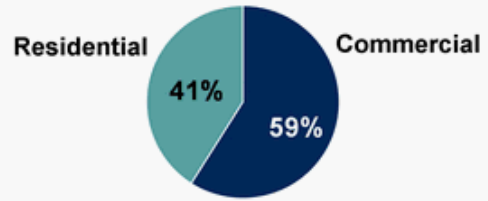
Building Services Overview

Market Size: \$8B

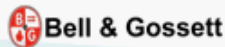
Market Growth: ↑ Low Single Digits

2010 Xylem Revenues: \$723M

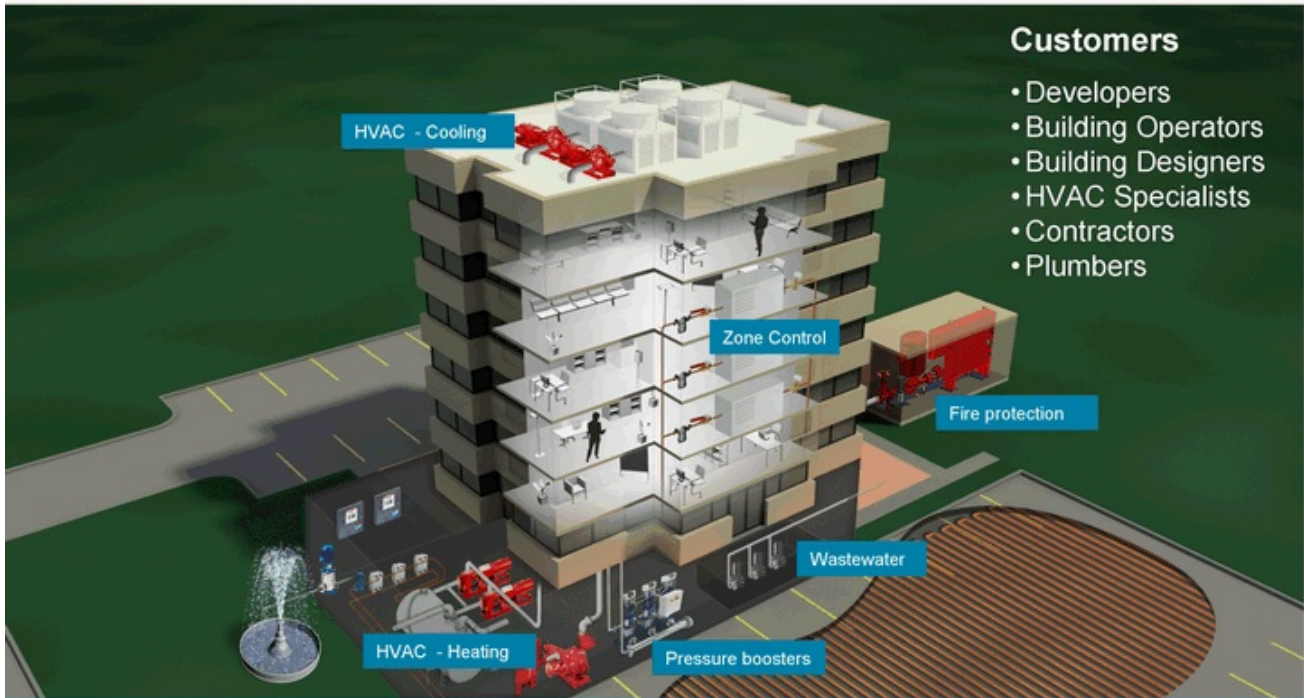
Revenue by End Market



- Strong, longstanding brands & channels
- Innovation in energy efficiency, reliability, life cycle cost
- Industry leading customer training support
- Application expertise drives enhanced solutions



Building Services Portfolio



Customers

- Developers
- Building Operators
- Building Designers
- HVAC Specialists
- Contractors
- Plumbers

Broad Offering, Large Installed Base, Application Expertise

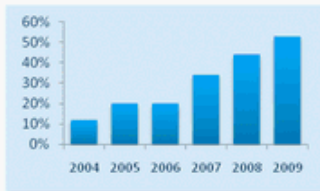
Building Services

Global Green Building Macro Trend

- High Efficiency Awareness
- Consumer Interest In Life Cycle Cost
- Energy Price Escalations
- High Efficiency Legislation
- Performance Standards for Pumps and Systems



Increasing Adoption



Appearance of Green Project Specifications in the US (LEED)

Best in class efficiencies

- Water Supply
 - eSV Multistage Pumps and Systems
- HVAC, heating and cooling
 - EcoCirc Circulators
- Wastewater removal
 - Impact Wastewater Pump Range

Building Services Growth Strategy: Multistage Pumps

Benefits

- Best in class efficiency and product range
- Available intelligent variable speed controller delivers 10-50% energy savings
- Lower maintenance costs from ability to replace mechanical seal without removing the motor (<15 min vs. 60+min)
- On board condition monitoring

Recognition

- Singapore Green Building Council Pump Efficiency Certification, first pump to earn the certification

eSV Pump

Launched Q4 2010



Growing 17% In a Flat Market

Building Services Growth Strategy: HVAC Circulators

Base

 **Bell & Gossett** *U.S.*

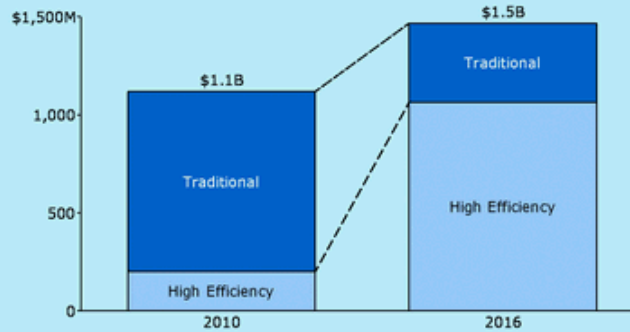
 **LOWARA** *Europe*

Acquired Q2'09



- Entry into attractive segment
- Small High-Eff. Circulators

Laing GmbH



Source: Global Small Circulator Market

HVAC High Efficiency Circulators

- 30%+ CAGR in High Efficiency Segment
- Global Large Circulator market \$800M following
- Expanding portfolio to take advantage of legislated technology shift

Goal: \$100M by 2016

Strategic Partnership Agreement



- Leading appliance retail chain in China
 - Revenue of more than \$15B
 - 1,000 chain stores in more than 300 cities
 - 120,000 employees
- Expansion into real estate development
 - 100 Commercial Complexes
 - 5 Star Hotels, Office, Residential, Retail
 - 10 Year Plan
- Green Building design standards
- Premium Equipment Mindset



Green Technology in Emerging Markets

Industrial Water

Bob Wolpert

xylem
Let's Solve Water

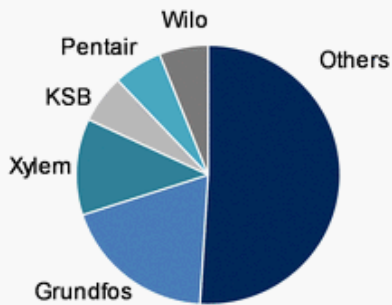
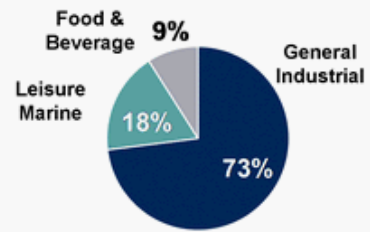
Industrial Water Overview

Market Size: \$4B

Market Growth: ↑ Low-mid Single Digits

2010 Xylem Revenues: \$509M

Revenue by Application



- Strong, longstanding brands & channels
- Wide product offering
- Global support
- Innovation in energy efficiency
- Application expertise



Core Technologies Leveraged Across Diverse Applications

Industrial Water Portfolio

General

Products

- Multistage Pumps
- End Suction Pumps
- Flexible Impeller Pumps
- Air & Electrical Operated Diaphragm Pumps
- Valves
- Heat Exchangers

Customers

- All Industrial Plants
- OEMs

Core Applications

- Pressure Boosting
- Cooling Water
- Boilers
- Wastewater

73%



Leisure Marine

Products

- Electric Diaphragm Pumps
- Centrifugal Pumps
- Flexible Impeller Pumps
- Waste Systems

Customers

- OEMs
- Aftermarket Channels

Core Applications

- Pressure Boosting
- Engine Cooling Water
- Bilge

18%



Food & Beverage

Products

- Flexible Impeller Pumps
- Air & Electrical Operated Diaphragm Pumps
- Rotary Lobe Pumps
- Membrane Filtration

Customers

- Coca-Cola
- PepsiCo
- Wine Producers
- F&B Processors

Core Applications

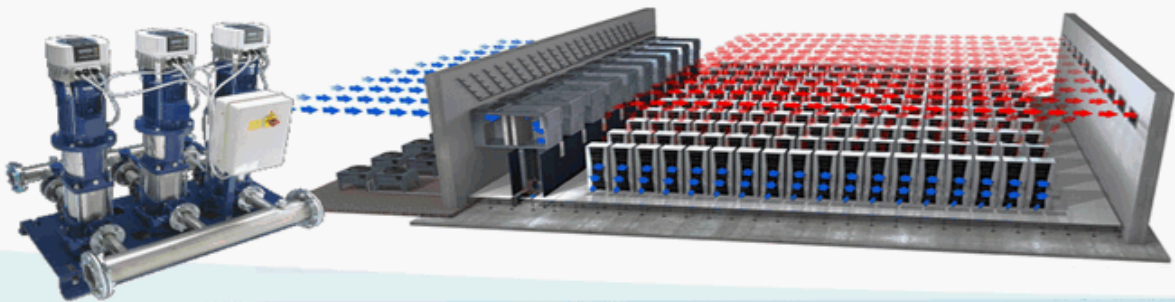
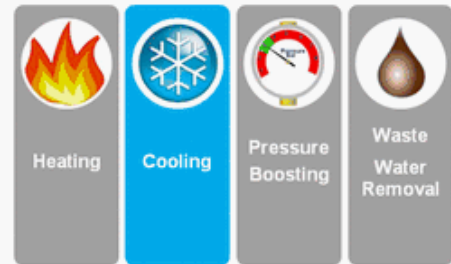
- Beverage Dispensing & Cooling
- Fluid & Solids
- Transfer

9%



Core Technology Leverage: General Industry

- **Customer:** Global Data Center, Singapore
- **Challenge:** Design most efficient cooling system against highly variable load
- **Solution:** Install platform of 60 eSV pump sets with intelligent variable speed controllers
- **Benefits:** 22% energy savings
Increased system reliability
Reduced maintenance costs



Core Technology Leverage: Diaphragm Pumping Solutions

Flojet G Series Diaphragm Pumps



- Patented design
- Global strategic account process
- Global supply chain

Leading Expert In Beverage Dispensing Pumps



- Beverage volume and scale provides advantaged cost position
- Beverage COEs
- Collaborative partnerships driving innovation & products

Leveraging Technology in Attractive Adjacent Segments





Irrigation

Bob Wolpert

xylem
Let's Solve Water

Irrigation Overview

Market Size: \$2B

Market Growth: ↑ Mid-high Single Digits

2010 Xylem Revenues: \$95M

Irrigation Strategy

- Expanding the Core
- Niche Player in Agriculture
- Essence of Life Initiative



Irrigation

Drivers

- Population Increase
- Water Availability and Quality
- Rising Energy Cost
- Bio-fuel Demand

Products

- Pumps
- Mixed Flow Pumps
- Boosting Systems

Customers

- Farmers
- OEM

“Essence of Life”

Affordable Irrigation Systems for Emerging Markets



An innovative pilot to demonstrate how Xylem can meet the water needs of rural populations.

Synergistic **Emerging Market** Focus
Hybrid Value Chain Partners
Differentiated Product Portfolio
Compelling Business Proposition
Sustainable Engagement Strategy

Stepper Pump



Low Cost Solar Pumps



Closing and Q&A

Gretchen McClain, CEO & President

xylem
Let's Solve Water

A Genuine Water Company

... with an Exciting Future

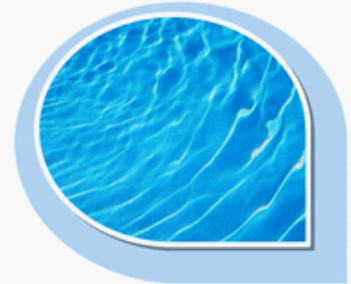
	Water as % of Total Revs	Water Infrastructure			Applied Water		
		Transport	Treatment	Test	Res/Comm'l	Industrial	Irrigation
Xylem	>90%	✓	✓	✓	✓	✓	✓
Danaher	~15%		✓	✓			
Franklin	~85%				✓		✓
Grundfos	~85%	✓			✓	✓	✓
KSB	~25%	✓				✓	✓
Pentair	~50%	✓	✓		✓	✓	✓
Siemens	~5%		✓				
Sulzer (ABS)	~50%	✓	✓				
Thermo	~5%			✓			
Wilo	~30%	✓			✓	✓	



Q&A

Key Takeaways

- Strong foundation set for launch as public company
- A genuine water company with scale
- Xylem is water's application solution leader
- Tremendous opportunities for profitable growth
- High-performing team delivering superior performance



Xylem ... Poised to Outperform



Thank you for your interest !

Appendix

Xylem Management Team



Gretchen W. McClain

Chief Executive Officer & President

- President of ITT's \$5.7B Fluid & Motion Control Division
- Member of the Strategic Council
- Former President, ITT Residential and Commercial Water
- Fortune 500 background (Honeywell, ITT)
- Experience in Engineering, Aerospace, and diverse facets of business
- As a member of the NASA Team, helped develop and launch the International Space Station Program
- BS in Mechanical Engineering from the University of Utah



Michael T. Speetzen

Chief Financial Officer

- CFO of ITT's \$5.7B Fluid & Motion Control Division
- Private company CFO Experience
- 18 years of financial management experience in complex and highly engineered manufacturing businesses
- Fortune 500 background (GE, Honeywell, ITT)
- Graduate of GE's Financial Management Program
- BS in Management, emphasis in finance from Purdue University
- MBA from Thunderbird's School of Global Management

Xylem Management Team



Colin Sabol

Chief Strategy and Growth Officer

- VP of Marketing and Business Development for Fluid & Motion Control Division
- Significant acquisition experience
- 10 years of experience in the water industry
- 23 years of experience in global industries
- Fortune 500 background (GE, ITT)
- BS in Materials Engineering from Alfred University



Robyn Mingle

Chief Human Resources Officer

- VP of Human Resources for Fluid & Motion Control Division
- More than 20 years of domestic and international human resources experience across multiple industries
- BS in Psychology/Industrial Relations from Bloomsburg University
- Master's Degree in Industrial Psychology from the University of Baltimore

Xylem Management Team



Angela Buonocore

Chief Communications Officer

- Senior Vice President and Chief Communications Officer for ITT Corp.
- Member of the Strategic Council
- Former Vice President, Corporate Communications for The Pepsi Bottling Group
- Fortune 300 background (Pepsi, IBM, GE, ITT)
- BS in Advertising from the University of Florida



Frank R. Jimenez

General Counsel & Secretary

- VP and General Counsel for ITT Corp.
- Diverse experience includes General Counsel of the Navy under Presidents Bush and Obama
- BS from University of Miami
- Law Degree from Yale Law School
- MBA from The Wharton School, University of Pennsylvania

Xylem Management Team



Mike Kuchenbrod

President, Water Solutions

- President of ITT's China Operations
- A 23 year veteran of ITT Corp., including leadership positions as President of ITT's Interconnect Solutions, President & GM of Koni shock absorbers, and VP & GM of Cannon
- Leadership roles in General Management, Business Development and Integration, Engineering and Operations.
- B.S. in Chemical Engineering from Montana State University



Chris McIntire

President, Analytics

- President of ITT's newly acquired and growing Analytics business
- Prior President & COO of Nova Analytics
- International experience includes CEO of WTW, a Munich-based company
- Over 20 years of Analytics industry experience focusing on acquisitions and turnarounds
- MBA from Northeastern University

Xylem Management Team



Ken Napolitano

President, Residential & Commercial Water

- Prior President of ITT's Industrial Process business
- Leadership roles included VP Sales, designing product strategies, and commercializing business technologies
- Led manufacturing projects in India & Saudi Arabia
- BS in Interdisciplinary Engineering and Management from Clarkson University



Bob Wolpert

President, Flow Control, China & India

- VP & General Manager of ITT's Interconnect Solutions
- Leadership experience includes Global VP of Six Sigma / Lean (ITT, Lockheed Martin, DST Systems)
- BS in Business from the University of Denver
- MBA from Harvard University

Non-GAAP Measures

Management views key performance indicators including revenue, segment operating income and margins, orders growth, and backlog, among others. In addition, we consider certain measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenues, operating income, net income or net cash from continuing operations as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

“Organic revenue” defined as revenue excluding the impact of foreign currency fluctuations and contributions from acquisitions and divestitures. Divestitures include sales of portion of our business that did not meet the criteria for classification as a discontinued operation or insignificant portions of our business that we did not classify as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations assumes no change in exchange rates from the prior period.

“EBITDA” defined as earnings before interest, taxes, depreciation and amortization expense. **“Adjusted EBITDA”** reflects the adjustment to EBITDA to exclude for one-time separation costs associated with the Xylem spin-off from ITT Corporation.

“Adjusted Operating Income” defined as operating income, adjusted to exclude one-time separation costs associated with the Xylem spin-off from ITT Corporation.

“Free cash flow” defined as net cash from operating activities, as reported in the Statement of cash Flow, less capital expenditures and other significant items that impact current results which management believes are not related to our ongoing operations and performance. Our definition of free cash flows does not consider non-discretionary cash payments, such as debt.

Non-GAAP Reconciliation: Organic Sales Revenues

Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic Net Sales
(\$ Millions)

	(As reported - GAAP)				(As Adjusted - Organic)			
	(A)	(B)			(C)	(D)	(E) = B+C+D	(F) = E/A
	Net Sales	Net Sales	Change	% Change	Acquisitions /	FX	Change	% Change
	2009	2008	2009 v. 2008	2009 v. 2008	Divestitures	Contribution	Adj. 2009 v. 2008	Adj. 2009 v. 2008
Years Ended 2009 & 2008								
Xylem Inc. - Combined	2,849	3,291	(442)	-13.4%	(7)	158	(291)	-8.8%
Water infrastructure	1,651	1,824	(173)	-9.5%	-	108	(65)	-3.6%
Applied Water	1,254	1,527	(273)	-17.9%	(7)	53	(227)	-14.9%
Years Ended 2010 & 2009								
	Net Sales	Net Sales	Change	% Change	Acquisitions /	FX	Change	% Change
	2010	2009	2010 v. 2009	2010 v. 2009	Divestitures	Contribution	Adj. 2010 v. 2009	Adj. 2010 v. 2009
Xylem Inc. - Combined	3,202	2,849	353	12.4%	(263)	6	96	3.4%
Water infrastructure	1,930	1,651	279	16.9%	(247)	(8)	24	1.5%
Applied Water	1,327	1,254	73	5.8%	(16)	16	73	5.8%
Six Months Ended June 30, 2011 & 2010								
	Net Sales	Net Sales	Change	% Change	Acquisitions /	FX	Change	% Change
	6M 2011	6M 2010	2011 v. 2010	2011 v. 2010	Divestitures	Contribution	Adj. 2011 v. 2010	Adj. 2011 v. 2010
Xylem Inc. - Combined	1,861	1,461	400	27.4%	(195)	(78)	127	8.7%
Water infrastructure	1,153	820	333	40.6%	(195)	(62)	76	9.3%
Applied Water	740	669	71	10.6%	-	(18)	53	7.9%

Non-GAAP Reconciliation: Adjusted EBITDA

Xylem, Inc. Non-GAAP Reconciliation
 Net Income vs. Adjusted EBITDA
 For the Six Month Periods Ended June 30, 2011 and 2010 and Years ended 2010, 2009 & 2008
 (\$ Millions)

	6 Months Ended June 30		Year Ended		
	2011	2010	2010	2009	2008
Net Income	150	141	329	263	224
Income Tax Expense	66	26	59	14	88
Depreciation & Amortization (1)	73	44	101	79	72
EBITDA	289	211	489	356	384
1x Spin-Related Costs	21	-	-	-	-
Adjusted EBITDA	310	211	489	356	384
Revenues	1,861	1,461	3,202	2,849	3,291
Adjusted EBITDA Margin	16.7%	14.4%	15.3%	12.5%	11.7%

Non-GAAP Reconciliation: Adjusted Operating Income

Xylem Inc. Non-GAAP Reconciliation
Operating Income vs. Adjusted Operating Income
Six Month Period Ended June 30, 2011
(\$ Millions)

	Six Months Ended 2011
Operating Income	216
One-Time Separation Costs	21
Adjusted Operating Income	237
Revenues	1,861
Adjusted Operating Margin	12.7%

Non-GAAP Reconciliation: Free Cash Flow

Xylem Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Free Cash Flow
Years ended 2010, 2009 & 2008
(\$ Millions)

	Year Ended		
	2010	2009	2008
Net Cash - Operating Activities	395	370	408
Capital Expenditures	(94)	(62)	(67)
Free Cash Flow	<u>301</u>	<u>308</u>	<u>341</u>
Income from Operations	<u>329</u>	<u>263</u>	<u>224</u>
Free Cash Flow Conversion	<u>91.5%</u>	<u>117.1%</u>	<u>152.2%</u>

Quarterly Financial Performance

	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11	Q2'11
Net Sales	686	775	806	935	3,202	890	971
COGS	431	484	497	576	1,988	553	592
Gross Profit	255	291	309	359	1,214	337	379
SG&A	164	170	183	220	737	213	237
R&D	18	17	18	21	74	24	26
Restructuring, net	4	3	1	7	15	-	-
Op Income	69	101	107	111	388	100	116
Other Non-Op	-2	-1	3	0	0	1	(1)
Income before Tax	67	100	110	111	388	101	115
Tax	11	15	19	14	59	23	43
Net Income	56	85	91	97	329	78	72

The quarterly financial performance illustrated above is considered preliminary until it has been filed as part of our Annual or Quarterly Reports with the SEC. We plan to file a third quarter report on Form 10-Q in November 2011, which will contain financial performance for the three months ended September 30, 2011 and 2010.