

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

Amendment No. 4
to

Form 10

GENERAL FORM FOR REGISTRATION OF SECURITIES PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

Xylem Inc.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of incorporation or organization)

45-2080495

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

1133 Westchester Avenue, Suite 2000
White Plains, New York

(Address of Principal Executive Offices)

10604

(Zip Code)

Registrant's telephone number, including area code:

(914) 304-1700

Securities to be registered pursuant to Section 12(b) of the Act:

Name of Each Exchange on Which

Common stock, par value \$0.01 per share

New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

INFORMATION REQUIRED IN REGISTRATION STATEMENT

CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10

Item 1. *Business*

The information required by this item is contained under the sections “Summary,” “Risk Factors,” “Special Note About Forward-Looking Statements,” “Unaudited Pro Forma Condensed Combined Financial Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “Management,” “Executive Compensation” and “Certain Relationships and Related Party Transactions” of the Information Statement filed as Exhibit 99.1 to this Registration Statement on Form 10 (the “Information Statement”). Those sections are incorporated herein by reference.

Item 1A. *Risk Factors*

The information required by this item is contained under the section “Risk Factors” of the Information Statement. That section is incorporated herein by reference.

Item 2. *Financial Information*

The information required by this item is contained under the sections “Summary — Summary Historical and Unaudited Pro Forma Condensed Combined Financial Data,” “Capitalization,” “Selected Historical Condensed Combined Financial and Other Data,” “Unaudited Pro Forma Condensed Combined Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Information Statement. Those sections are incorporated herein by reference.

Item 3. *Properties*

The information required by this item is contained under the section “Business — Properties” of the Information Statement. That section is incorporated herein by reference.

Item 4. *Security Ownership of Certain Beneficial Owners and Management*

The information required by this item is contained under the section “Security Ownership of Certain Beneficial Owners and Management” of the Information Statement. That section is incorporated herein by reference.

Item 5. *Directors and Executive Officers*

The information required by this item is contained under the section “Management” of the Information Statement. That section is incorporated herein by reference.

Item 6. *Executive Compensation*

The information required by this item is contained under the sections “Management” and “Executive Compensation” of the Information Statement. Those sections are incorporated herein by reference.

Item 7. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is contained under the sections “Management,” “Executive Compensation” and “Certain Relationships and Related Party Transactions” of the Information Statement. Those sections are incorporated herein by reference.

Item 8. *Legal Proceedings*

The information required by this item is contained under the section “Business — Legal Proceedings” of the Information Statement. That section is incorporated herein by reference.

Item 9. *Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters*

The information required by this item is contained under the sections "Risk Factors," "The Spin-Off," "Dividend Policy," "Executive Compensation" and "Description of Capital Stock" of the Information Statement. Those sections are incorporated herein by reference.

Item 10. *Recent Sales of Unregistered Securities*

Not applicable.

Item 11. *Description of Registrant's Securities to be Registered*

The information required by this item is contained under the sections "Risk Factors — Risks Relating to Our Common Stock," "Dividend Policy" and "Description of Capital Stock" of the Information Statement. Those sections are incorporated herein by reference.

Item 12. *Indemnification of Directors and Officers*

The information required by this item is contained under the sections "Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off — Distribution Agreement — Indemnification" and "Description of Capital Stock — Provisions of Our Amended and Restated Articles of Incorporation and Amended and Restated By-Laws That Could Delay or Prevent a Change in Control — Directors' Duties and Liability" of the Information Statement. Those sections are incorporated herein by reference.

Item 13. *Financial Statements and Supplementary Data*

The information required by this item is contained under the sections "Description of Capital Stock," "Selected Historical Condensed Combined Financial and Other Data," "Unaudited Pro Forma Condensed Combined Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Index to Financial Statements" and the statements referenced therein of the Information Statement. Those sections are incorporated herein by reference.

Item 14. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 15. *Financial Statements and Exhibits*

(a) *Financial Statements*

The information required by this item is contained under the section "Index to Financial Statements" beginning on page F-1 of the Information Statement. That section is incorporated herein by reference.

(b) Exhibits

The following documents are filed as exhibits hereto:

Exhibit

No.

- 2.1 Form of Distribution Agreement among ITT Corporation, Exelis Inc. and Xylem Inc.*
- 3.1 Form of Amended and Restated Articles of Incorporation of Xylem Inc.*
- 3.2 Form of Amended and Restated By-Laws of Xylem Inc.*
- 4.1 Indenture between Xylem Inc. and Union Bank, National Association, as trustee
- 10.1 Form of Benefits and Compensation Matters Agreement among ITT Corporation, Exelis Inc. and Xylem Inc.
- 10.2 Form of Tax Matters Agreement among ITT Corporation, Exelis Inc. and Xylem Inc.
- 10.3 Form of Master Transition Services Agreement among ITT Corporation, Exelis Inc. and Xylem Inc.
- 10.4 Forms of Master Lease Agreement and Master Sublease Agreement
- 10.5 Form of GOULDS Trademark License Agreement between Goulds Pumps Incorporated and Xylem Inc.
- 10.6 Form of Xylem Inc. 2011 Omnibus Incentive Plan*
- 10.7 Credit Agreement among Xylem Inc., the lenders party thereto, and J.P. Morgan Securities LLC and Citigroup Global Markets Inc., as lead arrangers and lead bookrunners
- 10.8 Offer Letter between Frank R. Jimenez and ITT Corporation, dated April 2, 2009
- 21.1 Subsidiaries of Xylem Inc.*
- 99.1 Information Statement, dated September 26, 2011

* Previously Filed.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Xylem Inc.

By: /s/ Gretchen W. McClain
Chief Executive Officer

Date: September 26, 2011

**XYLEM INC.,
ITT CORPORATION,
as Guarantor
and
UNION BANK, N.A., as Trustee
Indenture
Dated as of September 20, 2011
Providing for Issuance of Debt Securities**

TABLE OF CONTENTS

	Page
ARTICLE 1	
Definitions and Other Provisions of General Application	
Section 1.01. Definitions	1
Section 1.02. Officers' Certificates and Opinions	10
Section 1.03. Form of Documents Delivered to Trustee	11
Section 1.04. Acts of Securityholders	11
Section 1.05. Notices, etc., to Trustee and Company	13
Section 1.06. Notice to Securityholders; Waiver	13
Section 1.07. Conflict with Trust Indenture Act	14
Section 1.08. Effect of Headings and Table of Contents	14
Section 1.09. Successors and Assigns	14
Section 1.10. Separability Clause	14
Section 1.11. Benefits of Indenture	14
Section 1.12. Governing Law	14
Section 1.13. Counterparts	14
Section 1.14. Judgment Currency	14
Section 1.15. Legal Holidays	15
 ARTICLE 2 Security Forms	
Section 2.01. Forms Generally	15
Section 2.02. Forms of Securities	16
Section 2.03. Securities in Global Form	16
Section 2.04. Form of Trustee's Certificate of Authentication	16
 ARTICLE 3 The Securities	
Section 3.01. General Title; General Limitations; Issuable in Series; Terms of Particular Series	17
Section 3.02. Denominations and Currency	21
Section 3.03. Execution, Authentication and Delivery, and Dating	21
Section 3.04. Temporary Securities	23
Section 3.05. Registration, Transfer and Exchange	24
Section 3.06. Mutilated, Destroyed, Lost and Stolen Securities	27
Section 3.07. Payment of Interest; Interest Rights Preserved	28
Section 3.08. Persons Deemed Owners	29
Section 3.09. Cancellation	29
Section 3.10. Computation of Interest	30
Section 3.11. CUSIP Numbers	30

ARTICLE 4
Satisfaction And Discharge

Section 4.01. Satisfaction and Discharge of Indenture	30
Section 4.02. Discharge and Defeasance	32
Section 4.03. Covenant Defeasance	32
Section 4.04. Conditions to Defeasance or Covenant Defeasance	33
Section 4.05. Application of Trust Money; Excess Funds	35
Section 4.06. Paying Agent to Repay Moneys Held	35
Section 4.07. Return of Unclaimed Amounts	36
Section 4.08. Reinstatement	36

ARTICLE 5
Remedies

Section 5.01. Events of Default	36
Section 5.02. Acceleration of Maturity; Rescission, and Annulment	38
Section 5.03. Collection of Indebtedness and Suits for Enforcement by Trustee	39
Section 5.04. Trustee May File Proofs of Claim	40
Section 5.05. Trustee May Enforce Claims Without Possession of Securities	41
Section 5.06. Application of Money Collected	41
Section 5.07. Limitation on Suits	42
Section 5.08. Unconditional Right of Securityholders to Receive Principal, Premium, and Interest	42
Section 5.09. Restoration of Rights and Remedies	42
Section 5.10. Rights and Remedies Cumulative	43
Section 5.11. Delay or Omission Not Waiver	43
Section 5.12. Control by Securityholders	43
Section 5.13. Waiver of Past Defaults	43
Section 5.14. Undertaking for Costs	44
Section 5.15. Waiver of Stay or Extension Laws	44

ARTICLE 6
The Trustee

Section 6.01. Certain Duties and Responsibilities of Trustee	44
Section 6.02. Notice of Defaults	46
Section 6.03. Certain Rights of Trustee	46
Section 6.04. Not Responsible for Recitals or Issuance of Securities	47
Section 6.05. May Hold Securities	48
Section 6.06. Money Held in Trust	48
Section 6.07. Compensation and Reimbursement	48
Section 6.08. Disqualification; Conflicting Interests	49
Section 6.09. Corporate Trustee Required; Eligibility	49
Section 6.10. Resignation and Removal; Appointment of Successor	49
Section 6.11. Acceptance of Appointment by Successor	51

	<u>Page</u>
Section 6.12. Merger, Conversion, Consolidation or Succession to Business	52
Section 6.13. Preferential Collection of Claims Against Company	52
Section 6.14. Appointment of Authenticating Agent	52

ARTICLE 7

Securityholders' Lists and Reports by Trustee and Company

Section 7.01. Company to Furnish Trustee Names and Addresses of Securityholders	54
Section 7.02. Preservation of Information; Communications to Securityholders	54
Section 7.03. Reports by Trustee	55
Section 7.04. Reports by Company	56

ARTICLE 8

Consolidation, Merger, Conveyance or Transfer

Section 8.01. Company May Consolidate, etc., Only on Certain Terms	57
Section 8.02. Successor Corporation Substituted	57

ARTICLE 9

Supplemental Indentures

Section 9.01. Supplemental Indentures Without Consent of Securityholders	58
Section 9.02. Supplemental Indentures With Consent of Securityholders	59
Section 9.03. Execution of Supplemental Indentures	61
Section 9.04. Effect of Supplemental Indentures	61
Section 9.05. Conformity With the Trust Indenture Act	61
Section 9.06. Reference in Securities to Supplemental Indentures	61

ARTICLE 10

Covenants

Section 10.01. Payment of Principal, Premium and Interest	62
Section 10.02. Maintenance of Office or Agency	62
Section 10.03. Money or Security Payments to Be Held in Trust	62
Section 10.04. Certificate to Trustee	63
Section 10.05. Corporate Existence	63
Section 10.06. Waiver of Certain Covenants	63
Section 10.07. Limitation on Liens	64
Section 10.08. Limitation on Sale and Lease-Back Transactions	65

ARTICLE 11

Redemption of Securities

Section 11.01. Applicability of Article	66
Section 11.02. Election to Redeem; Notice to Trustee	66
Section 11.03. Selection by Trustee of Securities to be Redeemed	66

	<u>Page</u>
Section 11.04. Notice of Redemption	67
Section 11.05. Deposit of Redemption Price	68
Section 11.06. Securities Payable on Redemption Date	68
Section 11.07. Securities Redeemed in Part	68
Section 11.08. Provisions with Respect to any Sinking Funds	69

ARTICLE 12

Repayment at Option of Holders

Section 12.01. Applicability of Article	70
Section 12.02. Repayment of Securities	70
Section 12.03. Exercise of Option	71
Section 12.04. When Securities Presented for Repayment Become Due and Payable	71
Section 12.05. Securities Repaid in Part	71

ARTICLE 13

Subordination of Subordinated Securities

Section 13.01. Agreement to Subordinate	72
Section 13.02. Payment on Dissolution, Liquidation or Reorganization; Default on Senior Indebtedness	72
Section 13.03. Payment Prior to Dissolution or Default	75
Section 13.04. Securityholders Authorize Trustee to Effectuate Subordination of Securities	75
Section 13.05. Right of Trustee to Hold Senior Indebtedness	75
Section 13.06. Not to Prevent Events of Default	75
Section 13.07. No Fiduciary Duty of Trustee to Holders of Senior Indebtedness	76

ARTICLE 14

Guarantee of Securities

Section 14.01. Guarantee	76
Section 14.02. Waiver	76
Section 14.03. Guarantee of Payment	77
Section 14.04. No Discharge or Diminishment of Guarantee	77
Section 14.05. Defenses of Company Waived	77
Section 14.06. Continued Effectiveness	78
Section 14.07. Subrogation	78
Section 14.08. Subordination	78
Section 14.09. Release of Guarantor and Termination of Guarantee	79
Section 14.10. Limitation of Guarantors' Liability	79
Section 14.11. No Obligation to Take Action Against the Company	80
Section 14.12. Execution and Delivery	80

THIS INDENTURE, between Xylem Inc., an Indiana corporation (hereinafter called the “**Company**”) having its principal office at 1133 Westchester Avenue, Suite 2000, White Plains, New York 10604, ITT Corporation, an Indiana corporation, as guarantor (hereinafter called “**ITT**” or the “**Guarantor**”), and Union Bank, N.A., a national banking association, as trustee (hereinafter called the “**Trustee**”), is made and entered into as of this 20th day of September, 2011.

Recitals

The Company has duly authorized the execution and delivery of this Indenture (as hereinafter defined) to provide for the issuance of its unsecured debentures, notes, bonds, and other evidences of indebtedness, to be issued in one or more fully registered series.

The Guarantor has duly authorized its guarantee of the Securities (as hereinafter defined) (the “**Guarantee**”) and to provide therefor the Guarantor has duly authorized the execution and delivery of this Indenture.

All things necessary to make this Indenture a valid agreement of each of the Company and the Guarantor, in accordance with its terms, have been done.

Agreements of the Parties

To set forth or to provide for the establishment of the terms and conditions upon which the Securities are and are to be authenticated, issued, and delivered, and in consideration of the premises thereof, and the purchase of Securities by the Holders (as hereinafter defined) thereof, it is mutually covenanted and agreed as follows, for the equal and proportionate benefit of all Holders from time to time of the Securities or of any series thereof, as the case may be:

ARTICLE 1

Definitions and Other Provisions of General Application

Section 1.01. *Definitions.* For all purposes of this Indenture and of any indenture supplemental hereto, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article 1 have the meanings assigned to them in this Article 1, and include the plural as well as the singular;
- (b) all other terms used herein which are defined in the Trust Indenture Act (as hereinafter defined), either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation; and

(d) all references in this instrument to designated “**Articles**”, “**Sections**” and other subdivisions are to the designated Articles, Sections and other subdivisions of this Indenture as originally executed. The words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, or other subdivision.

“**Act**”, when used with respect to any Securityholder (as hereinafter defined), has the meaning specified in Section 1.04.

“**Additional Interest**” means all interest payable as a consequence of the failure to effectuate in a timely manner the exchange offer and/or shelf registration procedures set forth in the Registration Rights Agreement.

“**Affiliate**” of any specified Person (as hereinafter defined) means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**applicants**” has the meaning specified in Section 7.02.

“**Attributable Debt**” with regard to a sale and lease-back transaction with respect to any Principal Property means, at the time of determination, the present value of the total net amount of rent required to be paid under such lease during the remaining term thereof (including any period for which such lease has been extended), discounted at the rate of interest set forth or implicit in the terms of such lease (or, if not practicable to determine such rate, the weighted average interest rate per annum borne by all Outstanding Securities) compounded semi-annually. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall be the lesser of (x) the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but shall not include any rent that would be required to be paid under such lease subsequent to the first date upon which it may be so terminated) or (y) the net amount determined assuming no such termination.

“**Authenticating Agent**” means any Person authorized by the Trustee to authenticate Securities of one or more series under Section 6.14.

“**Authentication Order**” has the meaning specified in Section 3.03.

“**Board of Directors**” means (i) the board of directors of the Company, (ii) any duly authorized committee of that board, or (iii) any officer, director, or authorized representative of the Company, in each case duly authorized by such Board to act hereunder.

“**Board Resolution**” means a copy of a resolution certified by the Corporate Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means (except, with respect to any particular series of Securities, as may be otherwise provided in the form of such Securities) any day other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation, or executive order to be closed.

“**Chairman**” means the Company’s Chairman of the Board of Directors.

“**Commission**” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“**Company**” means Xylem Inc., unless and until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Company**” shall mean such successor corporation.

“**Company Common Stock**” means all of the outstanding shares of common stock, par value \$.01 per share, of the Company.

“**Company Request**” and “**Company Order**” mean, respectively, a written request or order signed in the name of the Company by its Chairman, Vice Chairman (as hereinafter defined), Chief Executive Officer, Chief Financial Officer, any Executive Vice President (as hereinafter defined) or Vice President, or by any other officer or officers of the Company pursuant to an applicable Board Resolution, and delivered to the Trustee.

“**Consolidated Net Tangible Assets**” means the total amount of assets (less applicable depreciation, amortization, and other valuation reserves) of the Company and its Restricted Subsidiaries, after deducting therefrom (i) all current liabilities of the Company and its Restricted Subsidiaries (excluding any such

liabilities that are intercompany items) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expenses and other like intangibles, all as set forth on the latest consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with United States generally accepted accounting principles.

“**Corporate Trust Office**” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 1251 Avenue of the Americas, 19th Floor, New York, New York 10020.

“**corporation**” means a corporation, association, company, joint-stock company, limited liability company or business trust.

“**Covenant Defeasance**” has the meaning specified in Section 4.03.

“**Debt**” means any indebtedness for borrowed money.

“**Defaulted Interest**” has the meaning specified in Section 3.07.

“**Defeasance**” has the meaning specified in Section 4.02.

“**Depository**” means with respect to the Securities of any series issuable or issued in whole or in part in global form, the Person designated as Depository by the Company pursuant to Section 3.01, unless and until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Depository**” shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, “**Depository**” as used with respect to the Securities of any such series shall mean the “**Depository**” with respect to the Securities of that series.

“**Distribution**” means the distribution on the Distribution Date to holders of record of shares of ITT Common Stock as of the Distribution Record Date of the Company Common Stock.

“**Distribution Date**” means the date on which ITT distributes all of the issued and outstanding shares of Company Common Stock to the holders of ITT Common Stock.

“**Distribution Record Date**” means such date as may be determined by the board of directors of ITT as the record date for the Distribution.

“**Entity**” means any corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust or unincorporated organization.

“**Equivalent Government Securities**” means, in relation to Securities denominated in a currency other than U.S. dollars, securities of the government

that issued the currency in which such Securities are denominated or securities of government agencies backed by the full faith and credit of such government.

“**Event of Default**” has the meaning specified in Article 5.

“**Exchange Act**” has the meaning specified in Section 3.03.

“**Executive Vice President**”, when used with respect to the Company or the Trustee, means any executive vice president, whether or not designated by a number or a word or words added before or after the title “executive vice president”.

“**Guarantee**” has the meaning specified in the second recital of this Indenture and more particularly means the Guarantee made by the Guarantor as set forth in Article 14 hereof.

“**Guarantor**” means ITT Corporation, an Indiana corporation.

“**Holder**”, “**Securityholder**” and “**Holder of Securities**” means a Person in whose name a Security is registered in the Security Register (as hereinafter defined).

“**Indenture**” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of any particular series of Securities established as contemplated by Section 3.01.

“**Interest Payment Date**”, when used with respect to any series of Securities, means any date on which an installment of interest on those Securities is scheduled to be paid.

“**Investment Company Act**” has the meaning specified in Section 4.04.

“**ITT Common Stock**” means the issued and outstanding shares of common stock of ITT, par value \$1 per share.

“**Judgment Currency**” has the meaning specified in Section 1.14.

“**Lien**” has the meaning specified in Section 10.07.

“**Maturity**” means, when used with respect to any Security, the date on which the principal amount outstanding under such Security or an installment of principal amount outstanding under such Security becomes due and payable, as therein or herein provided, whether on the Scheduled Maturity Date (as hereinafter defined), by declaration of acceleration, call for redemption, or otherwise.

“**Obligations**” has the meaning specified in Section 14.01.

“**Offering Memorandum**” means the offering memorandum, dated September 15, 2011, relating to the private offering of the Securities.

“**Officers’ Certificate**” means a certificate signed by any two of the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, any Executive Vice President or Vice President, the Treasurer, and any Assistant Treasurer of the Company, or by any other officer or officers of the Company pursuant to an applicable Board Resolution, and delivered to the Trustee.

“**Opinion of Counsel**” means a written opinion of counsel to the Company, which counsel may be an employee of the Company or other counsel who shall be reasonably acceptable to the Trustee.

“**Original Issue Discount Security**” means any Security which is initially sold at a discount from the principal amount thereof and the terms of which provide that upon redemption or acceleration of the Maturity thereof, an amount less than the principal amount thereof would become due and payable.

“**Outstanding**”, when used with respect to any particular Securities or to the Securities of any particular series means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

(i) such Securities theretofore canceled by the Trustee or delivered by the Company to the Trustee for cancellation;

(ii) such Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited in trust with the Trustee or with any Paying Agent (as hereinafter defined) other than the Company, or, if the Company shall act as its own Paying Agent, has been set aside and segregated in trust by the Company; *provided*, in any case, that if such Securities are to be redeemed prior to their Scheduled Maturity Date, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) such Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, or which shall have been paid, in each case, pursuant to the terms of Section 3.06 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a Person in whose hands such Security is a legal, valid, and binding obligation of the Company).

In determining whether the Holders of the requisite principal amount of such Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of any Original Issue

Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof. In determining whether the Holders of the requisite principal amount of such Securities Outstanding have given a direction concerning the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or concerning the exercise of any trust or power conferred upon the Trustee under this Indenture, or concerning a consent on behalf of the Holders of any series of Securities to the waiver of any past default and its consequences, Securities owned by the Company, any other obligor upon the Securities, or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Securities which a Responsible Officer assigned to the corporate trust department of the Trustee knows to be owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act as owner with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means, with respect to any Securities, any Person appointed by the Company to distribute amounts payable by the Company on such Securities. If at any time there shall be more than one such Person, "Paying Agent" as used with respect to the Securities of any particular series shall mean the Paying Agent with respect to Securities of that series. As of the date of this Indenture, the Company has appointed Union Bank, N.A. as Paying Agent with respect to all Securities issuable hereunder.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government, or any agency or political subdivision thereof.

"Place of Payment" means with respect to any series of Securities issued hereunder the city or political subdivision so designated with respect to the series of Securities in question in accordance with the provisions of Section 3.01.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in lieu of a lost, destroyed, mutilated, or stolen Security shall be deemed to evidence the same debt as the lost, destroyed, mutilated, or stolen Security.

"Principal Property" means any single manufacturing or processing plant, office building or warehouse owned or leased by the Company or a

Restricted Subsidiary which has a gross book value in excess of 2% of Consolidated Net Tangible Assets other than a plant, warehouse, office building, or portion thereof which, in the opinion of the Company's Board of Directors, is not of material importance to the business conducted by the Company and its Restricted Subsidiaries as an entirety.

"Record Date" means any date as of which the Holder of a Security will be determined for any purpose described herein, such determination to be made as of the close of business on such date by reference to the Security Register.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price specified in the Security at which it is to be redeemed pursuant to this Indenture.

"Registration Rights Agreement" means (i) that certain registration rights agreement dated as of September 20, 2011 by and among the Company, the Guarantor and the initial purchasers party thereto and (ii) with respect to any additional Securities, one or more substantially similar registration rights agreements among the Company and the other parties thereto, as such agreements may be amended from time to time.

"Repayment Date", when used with respect to any Security to be repaid, means the date fixed for such repayment pursuant to such Security.

"Repayment Price", when used with respect to any Security to be repaid, means the price at which it is to be repaid pursuant to such Security.

"Required Currency" has the meaning specified in Section 1.14.

"Responsible Officer", when used with respect to the Trustee, shall mean an officer of the Trustee in the Corporate Trust Office, having direct responsibility for the administration of this Indenture, and also, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means at any time any Subsidiary of the Company except a Subsidiary which is at the time an Unrestricted Subsidiary.

"Scheduled Maturity Date", when used with respect to any Security, means the date specified in such Security as the date on which all outstanding principal and interest will be due and payable.

“**Security**” or “**Securities**” means any note or notes, bond or bonds, debenture or debentures, or any other evidences of indebtedness, as the case may be, of any series authenticated and delivered from time to time under this Indenture.

“**Security Register**” has the meaning specified in Section 3.05.

“**Security Registrar**” means the Person who maintains the Security Register, which Person shall be the Trustee unless and until a successor Security Registrar is appointed by the Company.

“**Senior Indebtedness**” means all obligations or indebtedness of, or guaranteed or assumed by, the Company, whether or not represented by bonds, debentures notes or similar instruments, for borrowed money, and any amendments, renewals, extensions, modifications and refundings of any such obligations or indebtedness, unless in the instrument creating or evidencing any such indebtedness or obligations or pursuant to which the same is outstanding it is specifically stated, at or prior to the time the Company becomes liable in respect thereof, that any such obligation or indebtedness or such amendment, renewal, extension, modification and refunding thereof is not Senior Indebtedness.

“**Special Record Date**” for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07.

“**Specified Currency**” has the meaning specified in Section 3.01.

“**Spin-Off**” means (i) the series of transactions pursuant to which the Guarantor will allocate, transfer and assign, or cause to be allocated, transferred and assigned the assets and liabilities of the Guarantor’s water equipment and services business to the Company and its subsidiaries and (ii) the Distribution, each as described in the Offering Memorandum.

“**Subordinated Security**” means any security issued under this Indenture which is designated as a Subordinated Security.

“**Subsidiary**” of any specified corporation means any entity at least a majority of whose outstanding Voting Stock shall at the time be owned, directly or indirectly, by the specified corporation or by one or more of its Subsidiaries, or both.

“**Trust Indenture Act**” or “**TIA**” means the Trust Indenture Act of 1939, as amended, as in force as of the date hereof, except as provided in Section 9.05.

“**Trustee**” means the party named as such above until a successor becomes such pursuant to this Indenture and thereafter means or includes each party who is then a trustee hereunder, and if at any time there is more than one such party, “Trustee” as used with respect to the Securities of any series means

the Trustee with respect to Securities of that series. If Trustees with respect to different series of Securities are trustees under this Indenture, nothing herein shall constitute the Trustees co-trustees of the same trust, and each Trustee shall be the trustee of a trust separate and apart from any trust administered by any other Trustee with respect to a different series of Securities.

“**Unrestricted Subsidiary**” means any Subsidiary of the Company (not at the time designated a Restricted Subsidiary) (i) the major part of whose business consists of finance, banking, credit, leasing, insurance, financial services, or other similar operations, or any combination thereof, (ii) substantially all the assets of which consist of the capital stock of one or more such Subsidiaries engaged in the operations referred to in the preceding clause (i), or (iii) designated as such by the Company’s Board of Directors and which, in the opinion of the Company’s Board of Directors, is not of material importance to the business conducted by the Company and its Restricted Subsidiaries as an entity.

“**U.S. Government Obligations**” means (i) securities that are direct obligations of the United States of America, the payment of which is unconditionally guaranteed by the full faith and credit of the United States of America and (ii) securities that are obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed by the full faith and credit of the United States of America, and also includes depository receipts issued by a bank or trust company as custodian with respect to any of the securities described in the preceding clauses (i) and (ii), and any payment of interest or principal payable under any of the securities described in the preceding clauses (i) and (ii) that is held by such custodian for the account of the holder of a depository receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt, or from any amount received by the custodian in respect of such securities, or from any specific payment of interest or principal payable under the securities evidenced by such depository receipt.

“**Vice President**”, when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title “vice president”.

“**Voting Stock**”, as applied to the stock of any corporation, means stock of any class or classes (however designated), the outstanding shares of which have, by the terms thereof, ordinary voting power to elect a majority of the members of the board of directors (or other governing body) of such corporation, other than stock having such power only by reason of the happening of a contingency.

Section 1.02. *Officers’ Certificates and Opinions.* Every Officers’ Certificate, Opinion of Counsel, and other certificate or opinion to be delivered to the Trustee under this Indenture with respect to any action to be taken by the

Trustee (except for the Officers' Certificate required by Section 10.04) shall include the following:

(a) a statement that each individual signing such certificate or opinion has read all covenants and conditions of this Indenture relating to such proposed action, including the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.03. *Form of Documents Delivered to Trustee.* In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to the other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, legal counsel, unless such officer knows that any such certificate, opinion, or representation is erroneous. Any opinion of counsel for the Company may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company, unless such counsel knows that any such certificate, opinion, or representation is erroneous.

Where any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, such instruments may, but need not, be consolidated and form a single instrument.

Section 1.04. *Acts of Securityholders.* (a) Any request, demand, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing; and,

except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and (if expressly required by the applicable terms of this Indenture) to the Company. If any Securities are denominated in coin or currency other than that of the United States, then for the purposes of determining whether the Holders of the requisite principal amount of Securities have taken any action as herein described, the principal amount of such Securities shall be deemed to be that amount of United States dollars that could be obtained for such principal amount on the basis of the spot rate of exchange into United States dollars for the currency in which such Securities are denominated (as evidenced to the Trustee by a certificate provided by a financial institution, selected by the Company, that maintains an active trade in the currency in question, acting as conversion agent) as of the date the taking of such action by the Holders of such requisite principal amount is evidenced to the Trustee as provided in the immediately preceding sentence. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “ **Act**” of the Securityholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee, the Company and the Guarantor, if made in the manner provided in this Section 1.04.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness to such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall for all purposes be determined by reference to the Security Register, as such register shall exist as of the applicable date.

(d) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other action, the Company may, at its option, by Board Resolution, fix in advance a Record Date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other action, but the Company shall have no obligation to do so. If such Record Date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other action may be given before or after such Record Date, but only the Holders of record at the close of business on such Record Date shall be deemed to be Holders for the purpose of determining whether Holders of the requisite proportion of Securities Outstanding have authorized or agreed or consented to such request, demand, authorization,

direction, notice, consent, waiver or other action, and for that purpose the Securities Outstanding shall be computed as of such Record Date; *provided* that no such authorization, agreement or consent by the Holders on such Record Date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after such Record Date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind each subsequent Holder of such Security, and each Holder of any Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, with respect to anything done or suffered to be done by the Trustee or the Company in reliance upon such action, whether or not notation of such action is made upon such Security.

Section 1.05. *Notices, etc., to Trustee, Company and Guarantor.* Any request, order, authorization, direction, consent, waiver, or other action to be taken by the Trustee, the Company, the Guarantor or the Securityholders hereunder (including any Authentication Order), and any notice to be given to the Trustee, the Company or the Guarantor with respect to any action taken or to be taken by the Trustee, the Company, the Gurantor or the Securityholders hereunder, shall be sufficient if made in writing and:

(a) (if to be furnished or delivered to or filed with the Trustee by the Company or any Securityholder) delivered to the Trustee at its Corporate Trust Office, Attention: Corporate Finance, or

(b) (if to be furnished or delivered to the Company or the Guarantor by the Trustee or any Securityholder, and except as otherwise provided in Section 5.01(d) and, in the case of a request for repayment, except as specified in the Security carrying the right to repayment) mailed to the Company or the Guarantor, first-class postage prepaid, at its principal office (as specified in the first paragraph of this instrument), Attention: Treasurer, or at any other address hereafter furnished in writing by the Company or the Guarantor to the Trustee.

Section 1.06. *Notice to Securityholders; Waiver.* Where this Indenture or any Security provides for notice to Securityholders of any event, such notice shall be sufficiently given (unless otherwise expressly provided herein or in such Security) if in writing and mailed, first-class postage prepaid, to each Securityholder affected by such event, at his or her address as it appears in the Security Register as of the applicable Record Date, not later than the latest date or earlier than the earliest date prescribed by this Indenture or such Security for the giving of such notice. In any case where notice to Securityholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Securityholder shall affect the sufficiency of such notice with respect to other Securityholders. Where this Indenture or any Security provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver

shall be the equivalent of such notice. Waivers of notice by Securityholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or otherwise, it shall be impractical to mail notice of any event to any Securityholder when such notice is required to be given pursuant to any provision of this Indenture or the applicable Security, then any method of notification as shall be satisfactory to the Trustee and the Company shall be deemed to be sufficient for the giving of such notice.

Section 1.07. *Conflict with Trust Indenture Act.* If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Indenture by any of the provisions of the TIA, such required provision shall control.

Section 1.08. *Effect of Headings and Table of Contents.* The Article and Section headings herein and the Table of Contents hereof are for convenience only and shall not affect the construction of any provision of this Indenture.

Section 1.09. *Successors and Assigns.* All covenants and agreements in this Indenture by the Company and the Guarantor shall bind their successors and assigns, whether so expressed or not.

Section 1.10. *Separability Clause.* In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.11. *Benefits of Indenture.* Nothing in this Indenture or in any Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder, the Authenticating Agent, the Security Registrar, any Paying Agent, and the Holders of Securities (or such of them as may be affected thereby), any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.12. *Governing Law.* This Indenture, the Securities and the Guarantee shall be governed by and construed in accordance with the laws of the State of New York.

Section 1.13. *Counterparts.* This instrument may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all of which shall together constitute but one and the same instrument.

Section 1.14. *Judgment Currency.* The Company and the Guarantor agree, to the fullest extent that they may effectively do so under applicable law,

that (a) if for the purpose of obtaining judgment in any court with respect to the Securities of any series or the Guarantee it is necessary to convert the sum due in respect of the principal, premium, if any, or interest, if any, payable with respect to such Securities into a currency in which a judgment can be rendered (the “**Judgment Currency**”), the rate of exchange from the currency in which payments under such Securities is payable (the “**Required Currency**”) into the Judgment Currency shall be the highest bid quotation (assuming European-style quotation— *i.e.*, Required Currency per Judgment Currency) received by the Company or the Guarantor from three recognized foreign exchange dealers in the City of New York for the purchase of the aggregate amount of the judgment (as denominated in the Judgment Currency) on the Business Day preceding the date on which a final unappealable judgment is rendered, for settlement on such payment date, and at which the applicable dealer timely commits to execute a contract, and (b) the Company’s and the Guarantor’s obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or by any recovery pursuant to any judgment (whether or not entered in accordance with the preceding clause (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt by the judgment creditor of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable, and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture.

Section 1.15. *Legal Holidays.*

In any case where any Interest Payment Date, Redemption Date, Repayment Date or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date, Repayment Date or at Maturity; *provided*, that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Repayment Date or at Maturity, as the case may be.

ARTICLE 2
Security Forms

Section 2.01. *Forms Generally.* The Securities of each series shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as

may be required to comply with the rules of any securities exchange, or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities, if any, shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 2.02. *Forms of Securities.* Each Security shall be in one of the forms approved from time to time by or pursuant to any Board Resolution, or established in one or more indentures supplemental hereto. Prior to the delivery to the Trustee for authentication of any Security in any form approved by or pursuant to a Board Resolution, the Company shall deliver to the Trustee a copy of such Board Resolution, together with a true and correct copy of the form of Security which has been approved thereby, or, if a Board Resolution authorizes a specific officer or officers to approve a form of Security, together with a certificate of such officer or officers approving the form of Security attached thereto; *provided, however,* that with respect to all Securities issued pursuant to the same Board Resolution, the required copy of such Board Resolution, together with the appropriate attachment, need be delivered only once. Any form of Security approved by or pursuant to a Board Resolution must be acceptable as to form to the Trustee, such acceptance to be evidenced by the Trustee's authentication of Securities in that form or by a certificate signed by a Responsible Officer of the Trustee and delivered to the Company.

Section 2.03. *Securities in Global Form.* If Securities of a series are issuable in whole or in part in global form, the global security representing such Securities may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges or increased to reflect the issuance of additional Securities. Any endorsement of a Security in global form to reflect the amount (or any increase or decrease in the amount) of Outstanding Securities represented thereby shall be made in such manner and by such Person or Persons as shall be specified therein or in the Authentication Order delivered to the Trustee pursuant to Section 3.03 hereof.

Section 2.04. *Form of Trustee's Certificate of Authentication.* The form of Trustee's Certificate of Authentication for any Security issued pursuant to this Indenture shall be substantially as follows:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

UNION BANK, N.A., as Trustee,

By: _____
Authorized Signatory

ARTICLE 3
The Securities

Section 3.01. *General Title; General Limitations; Issuable in Series; Terms of Particular Series.* The aggregate principal amount of Securities that may be authenticated, delivered, and Outstanding at any time under this Indenture is not limited.

The Securities may be issued in one or more series in such aggregate principal amount as may from time to time be authorized by the Board of Directors. All Securities of a series issued under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof, without preference, priority, or distinction on account of the actual time of the authentication and delivery or Scheduled Maturity Date thereof.

Each series of Securities shall be created either by or pursuant to one or more Board Resolutions or by one or more indentures supplemental hereto. Any such Board Resolution or supplemental indenture (or, in the case of a series of Securities created pursuant to a Board Resolution, any officer or officers authorized by such Board Resolution) shall establish the terms of any such series of Securities, including the following (as and to such extent as may be applicable):

- (1) the title of such series;
- (2) the limit, if any, upon the aggregate principal amount or issue price of the Securities of such series;
- (3) the issue date or issue dates of the Securities of such series;
- (4) the Scheduled Maturity Date of the Securities of such series;
- (5) the place or places where the principal, premium, if any, interest, if any, and additional amounts, if any, payable with respect to the Securities of such series shall be payable;

- (6) whether the Securities of such series will be issued at par or at a premium over or a discount from their face amount;
- (7) the rate or rates (which may be fixed or variable) at which the Securities of such series shall bear interest, if any, and, if applicable, the method by which such rate or rates may be determined;
- (8) the date or dates (or the method by which such date or dates may be determined) from which interest, if any, shall accrue, and the Interest Payment Dates on which such interest shall be payable;
- (9) the rights, if any, to defer payments of interest on the Securities by extending the interest payment periods and the duration of such extension;
- (10) the period or periods within which, the Redemption Price(s) or Repayment Price(s) at which, and any other terms and conditions upon which the Securities of such series may be redeemed or repaid, in whole or in part, by the Company;
- (11) the obligation, if any, of the Company to redeem, repay, or purchase any of the Securities of such series pursuant to any sinking fund, mandatory redemption, purchase obligation, or analogous provision at the option of a Holder thereof, and the period or periods within which, the Redemption Price(s) or Repayment Price(s) or other price or prices at which, and any other terms and conditions upon which the Securities of such series shall be redeemed, repaid, or purchased, in whole or in part, pursuant to such obligation;
- (12) whether the Securities of such series are to be issued in whole or in part in global form and, if so, the identity of the Depositary for such global security and the terms and conditions, if any, upon which interests in the Securities represented by such global security may be exchanged, in whole or in part, for the individual Securities represented thereby (if other than as provided in Section 3.05);
- (13) whether such Securities are Subordinated Securities and if so, the provisions for such subordination if other than the provisions set forth in Article 13;
- (14) the denominations in which the Securities of such series will be issued (which may be any denomination as set forth in the terms of such Securities) if other than U.S.\$1,000 or an integral multiple thereof;
- (15) whether and under what circumstances additional amounts on the Securities of such series shall be payable in respect of any taxes, assessments, or other governmental charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts;

(16) the basis upon which interest shall be calculated;

(17) if the Securities of such series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security for a definitive Security of such series) only upon receipt of certain certificates or other documents or upon satisfaction of other conditions, then the form and terms of such certificates, documents, and/or conditions;

(18) the exchange or conversion of the Securities of that series, whether or not at the option of the Holders thereof, for or into new Securities of a different series or for or into any other securities which may include shares of capital stock of the Company or any Subsidiary of the Company or securities directly or indirectly convertible into or exchangeable for any such shares or securities of entities unaffiliated with the Company or any Subsidiary of the Company;

(19) if other than U.S. dollars, the foreign or composite currency or currencies (each such currency a “ **Specified Currency**”) in which the Securities of such series shall be denominated and in which payments of principal, premium, if any, interest, if any, or additional amounts, if any, payable with respect to such Securities shall or may be payable;

(20) if the principal, premium, if any, interest, if any, or additional amounts, if any, payable with respect to the Securities of such series are to be payable in any currency other than that in which the Securities are stated to be payable, whether at the election of the Company or of a Holder thereof, the period or periods within which, and the terms and conditions upon which, such election may be made;

(21) if the amount of any payment of principal, premium, if any, interest, if any, or other sum payable with respect to the Securities of such series may be determined by reference to the relative value of one or more Specified Currencies, commodities, securities, or instruments, the level of one or more financial or non- financial indices, or any other designated factors or formulas, the manner in which such amounts shall be determined;

(22) the exchange of Securities of such series, at the option of the Holders thereof, for other Securities of the same series of the same aggregate principal amount of a different authorized kind or different authorized denomination or denominations, or both;

(23) whether the Securities of such series will be guaranteed by any Person or Persons other than the Guarantor and, if so, the identity of such Person or Persons, the terms and conditions upon which such Securities shall be guaranteed and, if applicable, the terms and conditions upon which such guarantees may be subordinated to other indebtedness of the respective guarantors;

(24) the appointment by the Trustee of an Authenticating Agent in one or more places other than the Corporate Trust Office of the Trustee, with power to act on behalf of the Trustee, and subject to its direction, in the authentication and delivery of the Securities of such series;

(25) any trustees, depositaries, paying agents, transfer agents, exchange agents, conversion agents, registrars, or other agents with respect to the Securities of such series if other than the Trustee, Paying Agent and Security Registrar named herein;

(26) the portion of the principal amount of Securities of such series, if other than the principal amount thereof, that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.02 or provable in bankruptcy pursuant to Section 5.04;

(27) any Event of Default with respect to the Securities of such series, if not set forth herein, or any modification of any Event of Default set forth herein with respect to such series;

(28) any covenant solely for the benefit of the Securities of such series;

(29) the inapplicability of Sections 4.02 and 4.03 of this Indenture to the Securities of such series and if Section 4.03 is applicable, the covenants subject to Covenant Defeasance under Section 4.03; and

(30) any other terms not inconsistent with the provisions of this Indenture.

If all of the Securities issuable by or pursuant to any Board Resolution are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate and Opinion of Counsel required by Section 3.03 hereof at the time of issuance of each such Security, but such Officers' Certificate and Opinion of Counsel shall be delivered at or before the time of issuance of the first such Security.

If any series of Securities shall be established by action taken pursuant to any Board Resolution, the execution by the officer or officers authorized by such Board Resolution of an Authentication Order with respect to the first Security of such series to be issued, and the delivery of such Authentication Order to the Trustee at or before the time of issuance of the first Security of such series, shall constitute a sufficient record of such action. Except as otherwise permitted by Section 3.03, if all of the Securities of any such series are not to be issued at one time, the Company shall deliver an Authentication Order with respect to each subsequent issuance of Securities of such series, but such Authentication Orders may be executed by any authorized officer or officers of the Company, whether or not such officer or officers would have been authorized to establish such series pursuant to the aforementioned Board Resolution.

Unless otherwise provided by or pursuant to the Board Resolution or supplemental indenture creating such series (i) a series may be reopened for issuances of additional Securities of such series, *provided* that if the additional Securities of such series are not fungible with the Securities in such series for U.S. federal income tax purposes such additional Securities will have a separate CUSIP number and (ii) all Securities of the same series shall be substantially identical, except for the initial Interest Payment Date, issue price, initial interest accrual date and the amount of the first interest payment.

The form of the Securities of each series shall be established in a supplemental indenture or by or pursuant to the Board Resolution creating such series. The Securities of each series shall be distinguished from the Securities of each other series in such manner as the Board of Directors or its authorized representative or representatives may determine.

Unless otherwise provided with respect to Securities of a particular series, the Securities of any series may only be issuable in registered form, without coupons.

Section 3.02. *Denominations and Currency.* The Securities of each series shall be issuable in such denominations and currency as shall be provided in the provisions of this Indenture or by or pursuant to the Board Resolution or supplemental indenture creating such series. In the absence of any such provisions with respect to the Securities of any series, the Securities of that series shall be issuable only in fully registered form in denominations of U.S. \$2,000 and integral multiples of U.S. \$1,000 in excess thereof.

Section 3.03. *Execution, Authentication and Delivery, and Dating.* The Securities shall be executed on behalf of the Company by any two of the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, Executive Vice President and any Vice President of the Company and attested by its Secretary or any one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile. Typographical and other minor errors or defects in any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

Unless otherwise provided in the form of Security for any series, all Securities shall be dated the date of their authentication.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities to the Trustee for authentication, together with a Company Order for authentication and delivery (such Order an “**Authentication Order**”) with respect to such Securities, and the Trustee shall, upon receipt of such Authentication Order, in accordance with procedures acceptable to the Trustee set forth in the Authentication Order, and subject to the provisions hereof, authenticate and deliver such Securities to such recipients as may be specified from time to time pursuant to such Authentication Order. The material terms of such Securities shall be determinable by reference to such Authentication Order and procedures. If provided for in such procedures, such Authentication Order may authorize authentication and delivery of such Securities pursuant to oral instructions from the Company or its duly authorized agent, which instructions shall be promptly confirmed in writing. In authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to the provisions of Section 6.01 hereof) shall be fully protected in relying upon:

- (1) an executed supplemental indenture, if any;
- (2) an Officers’ Certificate, certifying as to the authorized form or forms and terms of such Securities; and
- (3) an Opinion of Counsel, stating that:

(a) the form or forms and terms of such Securities have been established by and in conformity with the provisions of this Indenture; *provided*, that if all such Securities are not to be issued at the same time, such Opinion of Counsel may state that such terms will be established in conformity with the provisions of this Indenture, subject to any conditions specified in such Opinion of Counsel; and

(b) such Securities and the related Guarantee, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company and the Guarantor, respectively, enforceable against the Company and the Guarantor, respectively, in accordance with their terms, subject to bankruptcy, insolvency, moratorium, reorganization, and other laws of general applicability relating to or affecting the enforcement of creditors’ rights and to general principles of equity;

provided, however, that if all Securities issuable by or pursuant to a Board Resolution or supplemental indenture are not to be originally issued at one time, it shall not be necessary to deliver the Officers’ Certificate or Opinion of Counsel otherwise required pursuant to this paragraph at or prior to the time of authentication of each such Security if such documents are delivered at or prior to the time of authentication upon original issuance of the first such Security to be

issued. After the original issuance of the first such Security to be issued, any separate request by the Company that the Trustee authenticate such Securities for original issuance will be deemed to be a certification by the Company that it is in compliance with all conditions precedent provided for in this Indenture relating to the authentication and delivery of such Securities.

The Trustee shall not be required to authenticate such Securities if the issue thereof will adversely affect the Trustee's own rights, duties, or immunities under the Securities and this Indenture.

If the Company shall establish pursuant to Section 3.01 that Securities of a series may be issued in whole or in part in global form, then the Company shall execute, and the Trustee shall (in accordance with this Section 3.03 and the Authentication Order with respect to such series) authenticate and deliver, one or more Securities in global form that (i) shall represent and shall be denominated in an aggregate amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by such one or more Securities in global form, (ii) shall be registered, in the name of the Depository for such Security or Securities in global form, or in the name of a nominee of such Depository, (iii) shall be delivered to such Depository or pursuant to such Depository's instruction, and (iv) shall bear a legend substantially as follows: "Unless and until it is exchanged in whole or in part for Securities in certificated form, this Security may not be transferred except as a whole by the Depository to a nominee of the Depository, or by a nominee of the Depository to the Depository or another nominee of the Depository, or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository." Each Depository designated pursuant to Section 3.01 for a Security in global form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and any other applicable statute or regulation.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 3.04. *Temporary Securities.* Pending the preparation of definitive Securities of any series, the Company may execute, and, upon receipt of the documents required by Sections 2.02, 3.01 and 3.03 hereof, together with an Authentication Order, the Trustee shall authenticate and deliver, temporary Securities of such series that are printed, lithographed, typewritten, mimeographed, or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued in registered form, without coupons, and with such appropriate insertions, omissions, substitutions, and other variations as the officers executing such

Securities may determine, as evidenced by their execution of such Securities. In the case of Securities of any series for which a temporary Security may be issued in global form, such temporary global security shall represent all of the Outstanding Securities of such series and tenor.

Except in the case of temporary Securities in global form, which shall be exchanged in accordance with the provisions thereof, if temporary Securities of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities of such series shall be exchangeable, at the Corporate Trust Office of the Trustee, or at such other office or agency as may be maintained by the Company in a Place of Payment pursuant to Section 10.02 hereof, for definitive Securities of such series having identical terms and provisions, upon surrender of the temporary Securities of such series, at the Company's own expense and without charge to the Holder; and upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of such series in authorized denominations containing identical terms and provisions. Unless otherwise specified as contemplated by Section 3.01 with respect to a temporary Security in global form, until so exchanged, the temporary Securities of such series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 3.05. *Registration, Transfer and Exchange.* With respect to the Securities of each series, the Trustee shall keep a register (herein sometimes referred to as the "**Security Register**") which shall provide for the registration of Securities of such series, and for registration of transfers of Securities of such series, in accordance with information to be provided to the Trustee by the Company, subject to such reasonable regulations as the Trustee may prescribe. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times the information contained in such register or registers shall be available for inspection, during normal business hours, at the Corporate Trust Office of the Trustee or at such other office or agency to be maintained by the Company pursuant to Section 10.02 hereof.

Upon due presentation for registration of transfer of any Security of any series at the Corporate Trust Office of the Trustee or at any other office or agency maintained by the Company with respect to that series pursuant to Section 10.02 hereof, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of such series of any authorized denominations, of like aggregate principal amount, tenor, terms and Scheduled Maturity Date.

Any other provision of this Section 3.05 notwithstanding, unless and until it is exchanged in whole or in part for the individual Securities represented

thereby, in definitive form, a Security in global form representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary, or by a nominee of such Depositary to such Depositary or another nominee of such Depositary, or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

At the option of the Holder, Securities of any series may be exchanged for other Securities of such series of any authorized denominations, of like aggregate principal amount, tenor, terms and Scheduled Maturity Date, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Securityholder making the exchange is entitled to receive.

If at any time the Depositary for the Securities of a series represented by one or more Securities in global form notifies the Company that it is unwilling or unable to continue as Depositary for the Securities of such series, or if at any time the Depositary for the Securities of such series shall no longer be eligible under Section 3.03 hereof, the Company, by Company Order, shall appoint a successor Depositary with respect to the Securities of such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 3.01 that such Securities be represented by one or more Securities in global form shall no longer be effective with respect to the Securities of such series and the Company will execute, and the Trustee, upon receipt of an Authentication Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series in definitive form, in authorized denominations, in an aggregate principal amount, and of like terms and tenor, equal to the principal amount of the Security or Securities in global form representing such series, in exchange for such Security or Securities in global form.

The Company may at any time and in its sole discretion and subject to the procedures of the Depositary determine that individual Securities of any series issued in global form shall no longer be represented by such Security or Securities in global form. In such event the Company will execute, and the Trustee, upon receipt of an Authentication Order for the authentication and delivery of definitive Securities of such series and of the same terms and tenor, will authenticate and deliver Securities of such series in definitive form, in authorized denominations, and in aggregate principal amount equal to the principal amount of the Security or Securities in global form representing such series in exchange for such Security or Securities in global form.

If specified by the Company pursuant to Section 3.01 with respect to a series of Securities issued in global form, the Depositary for such series of Securities may surrender a Security in global form for such series of Securities in

exchange in whole or in part for Securities of such series in definitive form and of like terms and tenor on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee upon receipt of an Authentication Order for the authentication and delivery of definitive Securities of such series, shall authenticate and deliver, without service charge:

(a) to each Person specified by such Depository, a new definitive Security or Securities of the same series and of the same tenor and terms, in authorized denominations, in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Security in global form; and

(b) to such Depository, a new Security in global form in a denomination equal to the difference, if any, between the principal amount of the surrendered Security in global form and the aggregate principal amount of the definitive Securities delivered to Holders pursuant to clause (a) above.

Upon the exchange of a Security in global form for Securities in definitive form, such Security in global form shall be canceled by the Trustee or an agent of the Company or the Trustee. Securities issued in definitive form in exchange for a Security in global form pursuant to this Section 3.05 shall be registered in such names and in such authorized denominations as the Depository for such Security in global form, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or an agent of the Company or the Trustee in writing. The Trustee or such agent shall deliver such Securities to or as directed by the Persons in whose names such Securities are so registered or to the Depository.

Whenever any securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for registration of transfer, exchange, redemption or payment shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise provided in the Security to be transferred or exchanged, no service charge shall be imposed for any registration of transfer or exchange of Securities, but the Company may (unless otherwise provided in such Security) require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities,

other than exchanges pursuant to Sections 3.04, 3.06, 9.06 and 11.07 hereof not involving any transfer.

The Company shall not be required to (i) issue, register the transfer of, or exchange any Security of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of such series selected for redemption under Section 11.03 and ending at the close of business on the date of such mailing, or (ii) register the transfer of or exchange any Security so selected for redemption in whole or in part, except in the case of any Security to be redeemed in part, the portion thereof not to be redeemed.

Section 3.06. *Mutilated, Destroyed, Lost and Stolen Securities*. If (i) any mutilated Security is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company may in its discretion execute and upon request of the Company the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security, a new Security of like tenor, terms, series, Scheduled Maturity Date, and principal amount, having the Guarantee noted therein, and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section 3.06, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section 3.06 in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company and the Guarantor, whether or not the mutilated, destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of the same series and Guarantee duly issued hereunder.

The provisions of this Section 3.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 3.07. *Payment of Interest; Interest Rights Preserved.* Interest on any Security which is payable and is punctually paid or duly provided for on any Interest Payment Date shall, if so provided in such Security, be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the applicable Record Date, notwithstanding any transfer or exchange of such Security subsequent to such Record Date and prior to such Interest Payment Date (unless such Interest Payment Date is also the date of Maturity of such Security).

The Company shall pay all Additional Interest, if any, in the same manner and on the same dates as interest at the stated rate in the Securities and in the amounts set forth in the Registration Rights Agreement. In the event the Company is required to pay Additional Interest, the Company shall provide written notice to the Trustee of the Company's obligation to pay Additional Interest no later than 15 days prior to the next Interest Payment Date, which notice shall set forth the amount of the Additional Interest to be paid by the Company.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the registered Holder on the applicable Record Date by virtue of his having been such Holder; and, except as hereinafter provided, such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or clause (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names any such Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each such Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this clause. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of each such Security at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such

Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Interest on Securities of any series that bear interest may be paid by mailing a check to the address of the Person entitled thereto at such address as shall appear in the Securities Register for such series or by such other means as may be specified in the form of such Security.

Subject to the foregoing provisions of this Section 3.07 and the provisions of Section 3.05 hereof, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.08. *Persons Deemed Owners.* Prior to due presentment of a Security for registration of transfer, the Company, the Trustee, and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered on the applicable Record Date(s) as the owner of such Security for the purpose of receiving payment of principal, premium, if any, interest, if any (subject to Sections 3.05 and 3.07 hereof), and any additional amounts payable with respect to such Security, and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee, nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Authenticating Agent, any Paying Agent, the Security Registrar, or any co-Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests and each of them may act or refrain from acting without liability on any information relating to such records provided by the Depositary.

Section 3.09. *Cancellation.* All Securities surrendered for payment, redemption, registration of transfer, exchange, or credit against a sinking or analogous fund shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and, if not already canceled, shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any

Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. Acquisition of such Securities by the Company shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are delivered to the Trustee for cancellation. No Security shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section 3.09, except as expressly permitted by this Indenture. The Trustee shall dispose of all canceled Securities in accordance with its customary procedures and deliver a certificate of such disposition to the Company.

Section 3.10. *Computation of Interest.* Unless otherwise provided as contemplated in Section 3.01, interest on the Securities shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 3.11. *CUSIP Numbers.* The Company in issuing the Securities may use “CUSIP” and “ISIN” numbers (if then generally in use), and, if so, the Trustee shall use the CUSIP or ISIN numbers, as the case may be, in notices of redemption as a convenience to Holders; provided, that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, as the case may be, either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities. The Company will promptly notify the Trustee in writing of any change in the CUSIP or ISIN number.

ARTICLE 4 Satisfaction and Discharge

Section 4.01. *Satisfaction and Discharge of Indenture.* This Indenture shall cease to be of further effect with respect to any series of Securities (except as to any surviving rights of conversion or transfer or exchange of Securities of such series expressly provided for herein or in the form of Security for such series), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series, when

(a) either

(i) all Securities of that series theretofore authenticated and delivered (other than (A) Securities of such series which have been destroyed, lost, or stolen and which have been replaced or paid as provided in Section 3.06, and (B) Securities of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or

discharged from such trust, as provided in Section 4.07) have been delivered to the Trustee canceled or for cancellation; or

(ii) all such Securities of that series not theretofore delivered to the Trustee canceled or for cancellation

(A) have become due and payable, or

(B) will, in accordance with their Scheduled Maturity Date, become due and payable within one year, or

(C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and, in any of the cases described in subparagraphs (A), (B), or (C) above, the Company has irrevocably deposited or caused to be deposited with the Trustee, as trust funds in trust for the purpose, (x) an amount in money sufficient, (y) U.S. Government Obligations or Equivalent Government Securities which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money sufficient, or (z) a combination of (x) and (y) sufficient, in the opinion with respect to (y) and (z) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the entire indebtedness on such Securities with respect to principal, premium, if any, and interest, if any, to the date of such deposit (in the case of Securities which have become due and payable), or to the Scheduled Maturity Date or Redemption Date, as the case may be; provided, however, that if such U.S. Government Obligations or Equivalent Government Securities are callable or redeemable at the option of the issuer thereof, the amount of such money, U.S. Government Obligations, and Equivalent Government Securities deposited with the Trustee must be sufficient to pay and discharge the entire indebtedness referred to above if such issuer elects to exercise such call or redemption provisions at any time prior to the Scheduled Maturity Date or Redemption Date, as the case may be. The Company, but not the Trustee, shall be responsible for monitoring any such call or redemption provision; and

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the obligations of the Company under paragraph (a) of this Section 4.01 and its obligations to the Trustee with respect to that series under Section 6.07 shall survive, and the obligations of the Trustee under Sections 4.05, 4.07 and 10.03 shall survive.

Section 4.02. Discharge and Defeasance

The provisions of this Section 4.02 and Section 4.04 (insofar as relating to this Section) shall apply to the Securities of each series unless specifically otherwise provided in a Board Resolution or indenture supplemental hereto provided pursuant to Section 3.01. In addition to discharge of this Indenture pursuant to Section 4.01, in the case of any series of Securities with respect to which the exact amount described in subparagraph (a) of Section 4.04 can be determined at the time of making the deposit referred to in such subparagraph (a), the Company shall be deemed to have paid and discharged the entire indebtedness with respect to all the Securities of such a series as provided in this Section 4.02 on and after the date the conditions set forth in Section 4.04 are satisfied, and the provisions of this Indenture with respect to the Securities of such series shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Securities of such series, (ii) substitution of mutilated, destroyed, lost or stolen Securities of such series, (iii) rights of Holders of Securities of such series to receive, solely from the trust fund described in subparagraph (a) of Section 4.04, payments of principal thereof, premium, if any, and interest, if any, thereon upon the original stated due dates or upon the Redemption Dates therefor (but not upon acceleration), and remaining rights of the Holders of Securities of such series to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) this Section 4.02 and Sections 4.07, 10.02 and 10.03 and (vi) the rights of the Holders of Securities of such series as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them) (hereinafter called “**Defeasance**”), and the Trustee at the cost and expense of the Company, shall execute proper instruments acknowledging the same.

Section 4.03. Covenant Defeasance.

The provisions of this Section 4.03 and Section 4.04 (insofar as relating to this Section) shall apply to the Securities of each series unless specifically otherwise provided in a Board Resolution or indenture supplemental hereto provided pursuant to Section 3.01. In the case of any series of Securities with respect to which the exact amount described in subparagraph (a) of Section 4.04 can be determined at the time of making the deposit referred to in such subparagraph (a), (i) the Company shall be released from its obligations under any covenants specified in or pursuant to Section 3.01 as being subject to Covenant Defeasance with respect to such series (except as to (a) rights of registration of transfer and exchange of Securities of such series and rights under Sections 4.07, 10.02 and 10.03, (b) substitution of mutilated, destroyed, lost or stolen Securities

of such series, (c) rights of Holders of Securities of such series to receive, from the Company pursuant to Section 10.01, payments of principal thereof and interest, if any, thereon upon the original stated due dates or upon the Redemption Dates therefor (but not upon acceleration), and remaining rights of the Holders of Securities of such series to receive mandatory sinking fund payments, if any, (d) the rights, obligations, duties and immunities of the Trustee hereunder and (e) the rights of the Holders of Securities of such series as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and (ii) the occurrence of any event specified in Section 5.01(d) (with respect to any of the covenants specified in or pursuant to Section 3.01 as being subject to Covenant Defeasance with respect to such series) shall be deemed not to be or result in a default or an Event of Default, in each case with respect to the Outstanding Securities of such series as provided in this Section 4.03 on and after the date the conditions set forth in Section 4.04 are satisfied (hereinafter called “**Covenant Defeasance**”), and the Trustee at the cost and expense of the Company, shall execute proper instruments acknowledging the same. For this purpose, such Covenant Defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant (to the extent so specified in the case of Section 5.01(d)), whether directly or indirectly by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, but the remainder of this Indenture and the Securities of such series shall be unaffected thereby.

Section 4.04. *Conditions to Defeasance or Covenant Defeasance .*

The following shall be the conditions to application of either Sections 4.02 or 4.03 to the Outstanding Securities:

(a) with reference to Sections 4.02 or 4.03, the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities of such series (i) money in an amount, or (ii) U.S. Government Obligations or Equivalent Government Securities which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (iii) a combination of (i) and (ii), sufficient, in the opinion (with respect to (ii) and (iii)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal (including mandatory sinking fund payments) of, premium, if any, and interest on, the Outstanding Securities of such series on the dates such installments of interest, premium or principal are due, including upon redemption; provided, however, that if such U.S. Government Obligations and Equivalent Government Securities are callable or redeemable at the option of the issuer thereof, the amount of such money, U.S. Government Obligations, and/or Equivalent Government Securities deposited with the Trustee must be sufficient to pay and discharge the entire

indebtedness referred to above if the issuer of any such U.S. Government Obligations or Equivalent Government Securities elects to exercise such call or redemption provisions at any time prior to the Scheduled Maturity Date or Redemption Date of such Securities, as the case may be. The Company, but not the Trustee, shall be responsible for monitoring any such call or redemption provision.

(b) in the case of Defeasance under Section 4.02, the Company has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (y) since the date hereof, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, Defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, Defeasance and discharge had not occurred;

(c) in the case of Covenant Defeasance under Section 4.03, the Company has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit and Covenant Defeasance had not occurred;

(d) no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit, after giving effect to such deposit or, in the case of a Defeasance under Section 4.02, no Event of Default specified in Sections 5.01(e) or 5.01(f) shall have occurred, at any time during the period ending on the 91st day after the date of such deposit or, if longer, ending on the day following the expiration of the longest preference period applicable to the Company in respect of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(e) such Defeasance or Covenant Defeasance will not cause the Trustee to have a conflicting interest within the meaning of the TIA, assuming all Securities of a series were in default within the meaning of the TIA;

(f) such Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Company is a party or by which it is bound;

(g) such Defeasance or Covenant Defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning

of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), unless the trust is registered under the Investment Company Act or exempt from registration;

(h) If the Securities of such series are to be redeemed prior to their Stated Maturity Date (other than from mandatory sinking fund payments or analogous payments), notice of such redemption shall have been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee shall have been made; and

(i) the Company shall have delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for herein relating to such Defeasance or Covenant Defeasance, as the case may be, have been complied with.

Section 4.05. *Application of Trust Money; Excess Funds.* All money and U.S. Government Obligations or Equivalent Government Securities (including the proceeds thereof) deposited with the Trustee pursuant to Sections 4.01 or 4.04 hereof shall be held in trust and applied by it, in accordance with the provisions of this Indenture and of the series of Securities in respect of which it was deposited, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent), as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and interest, if any, for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

The Company will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or U.S. Government Obligations or Equivalent Government Securities deposited pursuant to Sections 4.01 or 4.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the Outstanding Securities.

Anything in this Article 4 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Governmental Obligations or Equivalent Government Securities held by it as provided in Sections 4.01 or 4.04 which, in the opinion of a nationally recognized investment bank, appraisal firm or firm of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, (which may be the opinion delivered under Sections 4.01 or 4.04, as applicable), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent satisfaction and discharge, Covenant Defeasance or Defeasance of the applicable series.

Section 4.06. *Paying Agent to Repay Moneys Held.* Upon the satisfaction and discharge of this Indenture, all moneys then held by any Paying Agent of the Securities (other than the Trustee) shall, upon demand of the Company, be repaid

to it or paid to the Trustee, and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

Section 4.07. *Return of Unclaimed Amounts*. Any amounts deposited with or paid to the Trustee or any Paying Agent or then held by the Company, in trust for payment of the principal of, premium, if any, or interest, if any, on the Securities and not applied but remaining unclaimed by the Holders of such Securities for two years after the date upon which the principal of, premium, if any, or interest, if any, on such Securities, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on Company Request or (if then held by the Company) shall be discharged from such trust; and the Holder of any of such Securities shall thereafter look only to the Company for any payment which such Holder may be entitled to collect (until such time as such unclaimed amounts shall escheat, if at all, to the State of New York) and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease. Notwithstanding the foregoing, the Trustee or Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once a week for two successive weeks (in each case on any day of the week) in a newspaper printed in the English language and customarily published at least once a day at least five days in each calendar week and of general circulation in the Borough of Manhattan, in the City and State of New York, a notice that said amounts have not been so applied and that after a date named therein any unclaimed balance of said amounts then remaining will be promptly returned to the Company.

Section 4.08. *Reinstatement*. If the Trustee is unable to apply any money in accordance with Section 4.04(a) by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 4.04(a) until such time as the Trustee is permitted to apply all such money in accordance with Section 4.04(a); provided, however, that if the Company makes any payment of principal of (and premium, if any) or interest on any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of the Securities of such series to receive such payment from the money held by the Trustee.

ARTICLE 5 Remedies

Section 5.01. *Events of Default*. "**Event of Default**", wherever used herein, means with respect to any series of Securities any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any

judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), unless such event is either inapplicable to a particular series or it is specifically deleted or modified in the manner contemplated by Section 3.01:

(a) default in the payment of any interest or Additional Interest (as required by the Registration Rights Agreement) on any Security of such series when it becomes due and payable, and continuance of such default for a period of 30 days or more; or

(b) default in the payment of the principal amount of (or premium, if any, on) any Security of such series as and when the same shall become due, either at Maturity, upon redemption, by declaration, or otherwise; or

(c) default in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of such series and continuance of such default for a period of 30 days or more; or

(d) default in the performance or breach of any covenant or warranty of the Company or the Guarantor in this Indenture in respect of the Securities of such series (other than a covenant in respect of the Securities of such series a default in the performance of which or the breach of which is specifically dealt with in (a), (b) or (c) above), and continuance of such default or breach for a period of 90 days after or more there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in the aggregate principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the entry of an order for relief against the Company or the Guarantor under the Federal Bankruptcy Act by a court having jurisdiction in the premises or a decree or order by a court having jurisdiction in the premises adjudging the Company or the Guarantor a bankrupt or insolvent under any other applicable Federal or State law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or the Guarantor under the Federal Bankruptcy Code or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or the Guarantor or of any substantial part of the property of the Company or the Guarantor, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or

(f) the consent by the Company or the Guarantor to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy

Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or the Guarantor or of any substantial part of the property of the Company or the Guarantor, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or the Guarantor in furtherance of any such action;

(g) except as otherwise provided herein, the Guarantee of the Guarantor ceases to be in full force and effect or is declared to be null and void and unenforceable or the Guarantee is found to be invalid or the Guarantor denies its liability under the Guarantee (other than by reason of release of such Guarantee in accordance with the terms of this Indenture); or

(h) any other Event of Default provided for with respect to the Securities of such series in accordance with Section 3.01.

A default under any indebtedness of the Company other than the Securities will not constitute an Event of Default under this Indenture, and a default under one series of Securities will not constitute a default under any other series of Securities.

The Trustee shall not be charged with Knowledge of any Event of Default or Knowledge of any cure of any Event of Default unless either (i) a Responsible Officer of the Trustee has actual knowledge of such Event of Default or such cure or (ii) written notice of such Event of Default have been given to a Responsible Officer by the Company, the Guarantor or any Holder.

Section 5.02. *Acceleration of Maturity; Rescission, and Annulment*. If any Event of Default described in Section 5.01 above (other than Event of Default described in Sections 5.01(e) and 5.01(f)) shall have occurred and be continuing with respect to any series, then and in each and every such case, unless the principal of all the Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% (or such other percentage provided for in accordance with Section 3.01) in aggregate principal amount of the Securities of such series then Outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by Holders), may declare the principal amount (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of such series and any and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, any provision of this Indenture or the Securities of such series to the contrary notwithstanding. If an Event of Default specified in Sections 5.01(e) or 5.01(f) occurs, the principal amount of the Securities of such series and any and all accrued interest thereon shall immediately become and be due and payable without any declaration or

other act on the part of the Trustee or any Holder. No declaration of acceleration by the Trustee with respect to any series of Securities shall constitute a declaration of acceleration by the Trustee with respect to any other series of Securities, and no declaration of acceleration by the Holders of at least 25% (or such other percentage provided for in accordance with Section 3.01) in aggregate principal amount of the Outstanding Securities of any series shall constitute a declaration of acceleration or other action by any of the Holders of any other series of Securities, in each case whether or not the Event of Default on which such declaration is based shall have occurred and be continuing with respect to more than one series of Securities, and whether or not any Holders of the Securities of any such affected series shall also be Holders of Securities of any other such affected series.

At any time after such a declaration of acceleration has been made with respect to the Securities of any series and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article 5, the Holders of not less than a majority (or such other percentage provided for in accordance with Section 3.01) in aggregate principal amount of the Outstanding Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if all Events of Default with respect to such series of Securities, other than the nonpayment of the principal of the Securities of such series which have become due solely by such acceleration, have been cured or waived as provided in Section 5.13, if such cure or waiver does not conflict with any judgment or decree set forth in Sections 5.01(e) and 5.01(f) and if all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel have been paid.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.03. *Collection of Indebtedness and Suits for Enforcement by Trustee*. The Company covenants that if:

- (a) default is made in the payment of any installment of interest on any Security of any series when such interest becomes due and payable, or
- (b) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof, or
- (c) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due by the terms of the Securities of any series, and
- (d) any such default continues for any period of grace provided in relation to such default pursuant to Section 5.01,

then, with respect to the Securities of such series, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or the Holders of any such series in the case of clause (c) above), the whole amount then due and payable on any such Security (or on the Securities of any such series in the case of clause (c) above) for principal (and premium, if any) and interest, if any, with interest (to the extent that payment of such interest shall be legally enforceable) upon the overdue principal (and premium, if any) and upon overdue installments of interest, if any, at such rate or rates as may be prescribed therefor by the terms of any such Security (or of Securities of any such series in the case of clause (c) above); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and all other amounts due the Trustee under Section 6.07.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon the Securities of such series and collect the money adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any series of Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 5.04. *Trustee May File Proofs of Claim.* In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceedings or otherwise,

(a) to file and prove a claim for the whole amount of principal (or, with respect to Original Discount Securities, such portion of the principal amount as may be specified in the terms of such Securities), premium, if any, and interest, if any, owing and unpaid in respect of the Securities, and to file such other papers or documents as may be necessary and advisable in order to have the claims of the

Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel, and all other amounts due the Trustee under Section 6.07) and of the Securityholders allowed in such judicial proceedings, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Securityholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Securityholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Securityholder in any such proceeding.

Section 5.05. *Trustee May Enforce Claims Without Possession of Securities*. All rights of action and claims under this Indenture or the Securities of any series may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities, of the series in respect of which such judgment has been recovered.

Section 5.06. *Application of Money Collected*. Any money collected by the Trustee with respect to a series of Securities pursuant to this Article 5 shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, if any, upon presentation of the Securities of such series and the notation thereon of the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of all amounts due the Trustee under Section 6.07 hereof.

Second: To the payment of the amounts then due and unpaid upon the Securities of that series for principal, premium, if any, interest, if any, and additional amounts, if any, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind.

Section 5.07. *Limitation on Suits.* No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to Securities of such series;

(b) the Holders of not less than 25% (or such other percentage provided for in accordance with Section 3.01) in principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request, and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of such series; it being understood and intended that no one or more Holders of Securities of such series shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of such series, or to obtain or to seek to obtain priority or preference over any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and proportionate benefit of all the Holders of all Securities of such series.

Section 5.08. *Unconditional Right of Securityholders to Receive Principal, Premium, and Interest.* Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal, premium, if any, and (subject to Section 3.07) interest, if any, (and additional amounts, if any) on such Security on or after the respective payment dates expressed in such Security (or, in the case of redemption or repayment, on the Redemption Date or Repayment Date, as the case may be) and to institute suit for the enforcement of any such payment on or after such respective date, and such right shall not be impaired or affected without the consent of such Holder.

Section 5.09. *Restoration of Rights and Remedies.* If the Trustee or any Securityholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, then and in every such case the Company, the Trustee and Securityholders

shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Securityholders shall continue as though no such proceeding had been instituted.

Section 5.10. *Rights and Remedies Cumulative.* No right or remedy herein conferred upon or reserved to the Trustee or to the Securityholders is intended to be exclusive of any other right or remedy, and every right or remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.11. *Delay or Omission Not Waiver.* No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 5 or by law to the Trustee or to the Securityholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Securityholders, as the case may be.

Section 5.12. *Control by Securityholders.* The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series, *provided*, that:

(a) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, determines that the action so directed may not lawfully be taken or would conflict with this Indenture or if the Trustee in good faith shall, by a Responsible Officer, determine that the proceedings so directed would involve it in personal liability or be unjustly prejudicial to the Holders not taking part in such direction, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.13. *Waiver of Past Defaults.* The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may, on behalf of the Holders of all the Securities of such series, waive any past default hereunder with respect to such series and its consequences, except a default not theretofore cured:

(a) in the payment of principal, premium, if any, or interest, if any, on any Security of such series, or in the payment of any sinking or purchase fund or analogous obligation with respect to the Securities of such series, or

(b) in respect of a covenant or provision in this Indenture which, under Article 9 hereof, cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.14. *Undertaking for Costs.* All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.14 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder or group of Securityholders holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series to which the suit relates, or to any suit instituted by any Securityholder for the enforcement of the payment of principal, premium, if any, or interest, if any, on any Security on or after the respective payment dates expressed in such Security (or, in the case of redemption or repayment, on or after the Redemption Date or Repayment Date).

Section 5.15. *Waiver of Stay or Extension Laws.* The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law (other than any bankruptcy law) wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 6 The Trustee

Section 6.01. *Certain Duties and Responsibilities of Trustee.* (a) Except during the continuance of an Event of Default with respect to any series of Securities,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture with respect to the Securities of such series, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may, with respect to Securities of such series, conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to any series of Securities has occurred and is continuing, the Trustee shall exercise, with respect to the Securities of such series, such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section 6.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Outstanding Securities of any series relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee with respect to the Securities of such series, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01.

Section 6.02. *Notice of Defaults.* Within 90 days after the occurrence of any default hereunder with respect to Securities of any series, the Trustee shall transmit by mail to all Securityholders of such series, as their names and addresses appear in the Security Register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; *provided, however,* that, except in the case of a default in the payment of the principal, premium, if any, or interest, if any, on any Security of such series or in the payment of any sinking or purchase fund installment or analogous obligation with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Securityholders of such series and; *provided, further,* that, in the case of any default of the character specified in Section 5.01(d) with respect to Securities of such series, no such notice to Securityholders of such series shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section 6.02, the term “default”, with respect to Securities of any series, means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 6.03. *Certain Rights of Trustee.* Except as otherwise provided in Section 6.01 above:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction or order of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and any Opinion of Counsel shall be a full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Securityholders pursuant to this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the permissive rights of the Trustee enumerated herein shall not be construed as duties;

(i) the Trustee may request that Company deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such Officers' Certificate previously delivered and not superseded;

(j) in no event shall the Trustee be liable, directly or indirectly, for any special, indirect or consequential damages, even if the Trustee has been advised of the possibility of such damages; and

(k) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

Section 6.04. Not Responsible for Recitals or Issuance of Securities . The recitals contained herein and in the Securities, except the certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or the Guarantee. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 6.05. *May Hold Securities*. The Trustee or any Paying Agent, Security Registrar, or other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.08 and 6.13 hereof, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar, or such other agent.

Section 6.06. *Money Held in Trust*. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 6.07. *Compensation and Reimbursement*. The Company covenants and agrees:

(a) to pay the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly *provided herein*, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee incurs expenses or renders services in connection with an Event of Default specified in Sections 5.01(e) and 5.01(f) above, such expenses (including the reasonable charges and expenses of its counsel) and compensation for such services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency, reorganization, or other similar law.

The Trustee shall have a lien prior to the Securities upon all property and funds held or collected by it as such for any amount owing to it or any predecessor Trustee pursuant to this Section 6.07, except with respect to funds held in trust for the benefit of the Holders of particular Securities.

The provisions of this Section 6.07 shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture.

Section 6.08. *Disqualification; Conflicting Interests.* If the Trustee has or shall acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such interest or resign as Trustee with respect to one or more series of Securities, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 6.09. *Corporate Trustee Required; Eligibility.* There shall at all times be a Trustee hereunder with respect to each series of Securities that shall be a corporation organized and doing business under the laws of the United States of America or of any State or Territory thereof or of the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal or State authority, if there be such a corporation willing to act as Trustee on customary and usual terms. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to any series of Securities shall cease to be eligible in accordance with the provisions of this Section 6.09, it shall resign immediately in the manner and with the effect hereinafter specified in this Article 6.

Section 6.10. *Resignation and Removal; Appointment of Successor.*

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article 6 shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign with respect to any one or more series of Securities at any time by giving at least 60 days' written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed with respect to any series of Securities at any time by Act of the Holders of 66 2/3% in principal amount of the Outstanding Securities of that series, delivered to the Trustee and to the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 6.08 above with respect to any series of Securities after written request therefor by the

Company or by any Securityholder who has been a bona fide Holder of a Security of that series for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 6.09 above with respect to any series of Securities and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(iii) the Trustee shall become incapable of acting with respect to any series of Securities, or

(iv) the Trustee shall be adjudged as bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case (A) the Company may remove the Trustee, with respect to the series or, in the case of clause (iv), with respect to all series, or (B) subject to Section 5.14, any Securityholder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to the series or, in the case of clause (iv), with respect to all series.

(e) If the Trustee shall resign, be removed or become incapable of acting with respect to any series of Securities, or if a vacancy shall occur in the office of Trustee with respect to any series of Securities for any cause, the Company shall promptly appoint a successor Trustee for that series of Securities. If, within one year after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor Trustee with respect to such series of Securities shall be appointed by Act of the Holders of 66 2/3% in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to such series and supersede the successor Trustee appointed by the Company with respect to such series. If no successor Trustee with respect to such series shall have been so appointed by the Company or the Securityholders of such series and accepted appointment in the manner hereinafter provided, any Securityholder who has been bona fide Holder of a Security of that series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to any series and each appointment of a successor Trustee with respect to any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities of that series as their names and addresses appear in the Security Register. Each notice

shall include the name of the successor Trustee and the address of its principal Corporate Trust Office.

Section 6.11. *Acceptance of Appointment by Successor.* Every successor Trustee appointed hereunder with respect to all series of Securities shall execute, acknowledge and deliver to the Company and to the predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the predecessor Trustee with respect to any such series; but, on request of the Company or the successor Trustee, such predecessor Trustee shall, upon payment of its reasonable charges, if any, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the predecessor Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such predecessor Trustee hereunder.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the predecessor Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which (1) shall contain such provisions as shall be deemed necessary or desirable to transfer and to conform to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the appointment of such successor Trustee relates and (2) if the predecessor Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Trustee with respect to the Securities of any series as to which the predecessor Trustee is not being succeeded shall continue to be vested in the predecessor Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; and, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Trustee with respect to any series of Securities shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible with respect to that series under this Article 6.

Section 6.12. *Merger, Conversion, Consolidation or Succession to Business.* Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder; *provided*, that such corporation shall be otherwise qualified and eligible under this Article 6, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor Trustee by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 6.13. *Preferential Collection of Claims Against Company.* If and when the Trustee shall be or shall become a creditor, of the Company (or of any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or against any such other obligor, as the case may be).

Section 6.14. *Appointment of Authenticating Agent.* At any time when any of the Securities remain Outstanding the Trustee, with the approval of the Company, may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.06, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as an Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and, if other than the Company itself, subject to supervision or

examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section 6.14, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.14, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section 6.14.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent; *provided*, that such corporation shall be otherwise eligible under this Section 6.14, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and, if other than the Company, to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and, if other than the Company, to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.14, the Trustee, with the approval of the Company, may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section 6.14.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section 6.14.

If an appointment with respect to one or more series is made pursuant to this Section 6.14, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

UNION BANK, N.A., as Trustee

By: _____
As Authenticating Agent

By: _____
Authorized Signatory

ARTICLE 7

Securityholders' Lists and Reports by Trustee and Company

Section 7.01. *Company to Furnish Trustee Names and Addresses of Securityholders.* The Company will furnish or cause to be furnished to the Trustee:

(a) semiannually, not more than 15 days after January 1 and July 1, respectively in each year, in such form as the Trustee may reasonably require, a list of the names and addresses of the Holders of Securities of each series as of such date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished; *provided*, that if the Trustee shall be the Security Registrar for such series, such list shall not be required to be furnished.

Section 7.02. *Preservation of Information; Communications to Securityholders.* (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of Securities contained in the most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders of Securities received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(b) If three or more Holders of Securities of any series (hereinafter referred to as “**applicants**”) apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Securities of such series or with the Holders of all Securities with respect to their rights under this Indenture or under such Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application, at its election, either:

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 7.02(a), or

(ii) inform such applicants as to the approximate number of Holders of Securities of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a), and as to the approximate cost of mailing to such Securityholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of a Security of such series or to all Securityholders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 7.02(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Securities of such series or all Securityholders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Securityholders of such series or all Securityholders, as the case may be, with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 7.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 7.02(b).

Section 7.03. *Reports by Trustee.* (a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto. If required by Section 313(a) of the Trust

Indenture Act, the Trustee shall, within 60 days after each May 15 following the date of this Indenture, deliver to each Holder, as provided in the Trust Indenture Act Section 313(c), a brief report dated as of such May 15, which complies with the provisions of such Section 313(a).

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Company as required by the Trust Indenture Act Section 313(d). The Company will promptly notify the Trustee when any Securities are listed on any stock exchange.

Section 7.04. *Reports by Company*. The Company will:

(a) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(c) transmit by mail to all Securityholders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (a) and (b) of this Section 7.04 as may be required by rules and regulations prescribed from time to time by the Commission.

(d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates)

ARTICLE 8

Consolidation, Merger, Conveyance or Transfer

Section 8.01. *Company May Consolidate, etc., Only on Certain Terms.* The Company shall not consolidate with or merge with or into any other corporation or convey or transfer all or substantially all of its properties and assets to any Person, unless:

(a) either the Company shall be the continuing corporation, or the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer all or substantially all of the properties and assets of the Company shall be a corporation organized and validly existing under the laws of any State of the the United States of America or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal, premium, if any, and interest, if any, on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction, no Event of Default, default or other event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

(c) the Company has delivered to the Trustee an Opinion of Counsel as conclusive evidence stating that any such consolidation, merger, conveyance or transfer and such supplemental indenture, if any, and any assumption permitted or required by this Article 8 complies with the provisions of this Article 8. The Trustee shall be entitled to conclusively rely on and shall accept such Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent set forth in this clause (c), in which event it shall be conclusive and binding on the Holders.

Section 8.02. *Successor Corporation Substituted.* Upon any consolidation or merger, or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Company in accordance with Section 8.01, the successor corporation formed by such consolidation or into which the Company is merged or the Person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein and the Company shall thereupon be released from all obligations hereunder and under the Securities. Such successor corporation thereupon may cause to be signed and may issue any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been

signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE 9
Supplemental Indentures

Section 9.01. *Supplemental Indentures Without Consent of Securityholders.* Without the consent of the Holders of any Securities, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto (which shall conform to the provisions of the TIA as in force at the date of execution thereof), in form satisfactory to the Trustee, for any of the following purposes:

- (a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by any such successor of the covenants, agreements and obligations of the Company pursuant to Article 8 hereof; or
- (b) to add to the covenants of the Company such further covenants, restrictions or conditions for the protection of the Holders of the Securities of any or all series as the Company and the Trustee shall consider to be for the protection of the Holders of the Securities of any or all series or to surrender any right or power herein conferred upon the Company (and if such covenants or the surrender of such right or power are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included or such surrenders are expressly being made solely for the benefit of one or more specified series); or
- (c) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or in any supplemental indenture, or to make any other provisions with respect to matters or questions arising under this Indenture that do not adversely affect the interests of the Holders of Securities of any series in any material respect; or
- (d) to add to this Indenture such provisions as may be expressly permitted by the TIA, excluding, however, the provisions referred to in Section 316(a)(2) of the TIA as in effect at the date as of which this instrument is

executed or any corresponding provision in any similar federal statute hereafter enacted; or

(e) to add guarantors or co-obligors with respect to any series of Securities; or

(f) to secure any series of Securities; or

(g) to establish any form of Security, as provided in Article 2 hereof, and to provide for the issuance of any series of Securities, as provided in Article 3 hereof, and to set forth the terms thereof, and/or to add to the rights of the Holders of the Securities of any series; or

(h) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee hereunder with respect to one or more series of Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 6.11 hereof; or

(i) to add any additional Events of Default in respect of the Securities of any or all series (and if such additional Events of Default are to be in respect of less than all series of Securities, stating that such Events of Default are expressly being included solely for the benefit of one or more specified series); or

(j) to comply with the requirements of the Commission in connection with the qualification of this Indenture under the TIA; or

(k) to make any change in any series of Securities that does not adversely affect in any material respect the interests of the Holders of such Securities.

Section 9.02. *Supplemental Indentures With Consent of Securityholders.* With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture or indentures, by Act of said Holders delivered to the Company and the Trustee, the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities of each such series under this Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(a) change the Scheduled Maturity Date or the stated payment date of any payment of premium or interest payable on any Security, or reduce the principal amount thereof, or any amount of interest or premium payable thereon, or

(b) change the method of computing the amount of principal of any Security or any interest payable thereon on any date, or change any Place of Payment where, or the coin or currency in which, any Security or any payment of premium or interest thereon is payable, or

(c) impair the right to institute suit for the enforcement of any payment described in clauses (a) or (b) on or after the same shall become due and payable, whether at Maturity or, in the case of redemption or repayment, on or after the Redemption Date or the Repayment Date, as the case may be; or

(d) change or waive the redemption or repayment provisions of any series;

(e) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences, provided for in this Indenture; or

(f) modify any of the provisions of this Section 9.02 or Sections 5.13 or 10.06, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; *provided, however,* that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to “the Trustee” and concomitant changes in this Sections 9.02 and Section 10.06, or the deletion of this proviso, in accordance with the requirements of Sections 6.11 and 9.01(h); or

(g) adversely affect the ranking or priority of any series;

(h) release any guarantor or co-obligor from any of its obligations under its guarantee of the Securities or this Indenture, except in compliance with the terms of this Indenture;

(i) modify the terms of the Guarantee in a manner adverse to the Holders of Securities of a series; or

(j) waive any Event of Default pursuant to Sections 5.01(a), 5.01(b) or 5.01(c) hereof with respect to such Security.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture that has expressly been included solely for the benefit of one or more particular series of Securities, or that modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Securityholders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.03. *Execution of Supplemental Indentures.* Upon request of the Company and upon filing with the Trustee of evidence of an Act of Securityholders as aforementioned, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, powers, trusts, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article 9 or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture.

Section 9.04. *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture under this Article 9, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and the respective rights, limitation of rights, duties, powers, trusts and immunities under this Indenture of the Trustee, the Company, and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be determined, exercised and enforced thereunder to the extent provided therein.

Section 9.05. *Conformity With the Trust Indenture Act.* Every supplemental indenture executed pursuant to this Article 9 shall conform to the requirements of the TIA as then in effect.

Section 9.06. *Reference in Securities to Supplemental Indentures.* Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 9 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE 10
Covenants

Section 10.01. *Payment of Principal, Premium and Interest.* With respect to each series of Securities, the Company will duly and punctually pay or cause to be paid the principal, premium, if any, and interest, if any, on such Securities in accordance with their terms and this Indenture, and will duly comply with all the other terms, agreements and conditions contained in the Indenture for the benefit of the Securities of such series. The Company shall pay all Additional Interest, if any, in the same manner and on the same dates as interest at the stated rate in the Securities and in the amounts set forth in the Registration Rights Agreement.

Section 10.02. *Maintenance of Office or Agency.* So long as any of the Securities remain outstanding, the Company will maintain an office or agency in each Place of Payment where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange, and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and of any change in the location, of such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee and its agent to receive all such presentations, surrenders, notices and demands.

Section 10.03. *Money or Security Payments to Be Held in Trust.* If the Company shall at any time act as its own Paying Agent for any series of Securities, it will, on or before each due date of the principal, premium, if any, or interest, if any, on any of the Securities of such series, segregate and hold in trust for the benefit of the Holders of the Securities of such series a sum sufficient to pay such principal, premium, or interest so becoming due until such sums shall be paid to such Holders of such Securities or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it will, on or prior to each due date of the principal, premium, if any, or interest, if any, on any Securities of such series, deposit with a Paying Agent a sum sufficient to pay such principal, premium, or interest so becoming due, such sum to be held in trust for the benefit of the Holders of the Securities entitled to the same and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee for any series of Securities to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 10.03, that such Paying Agent will:

(a) hold all sums held by it for the payment of principal, premium, if any, or interest, if any, on Securities of such series in trust for the benefit of the Holders of the Securities entitled thereto until such sums shall be paid to such Holders of such Securities or otherwise disposed of as herein provided;

(b) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any such payment of principal, premium, if any, or interest, if any, on the Securities of such series; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may, at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture with respect to any series of Securities or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent in respect of each and every series of Securities as to which it seeks to discharge this Indenture or, if for any other purpose, all sums so held in trust by the Company in respect of all Securities, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Section 10.04. *Certificate to Trustee.* The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company (beginning in 2012), an Officers' Certificate, one of whose signatories shall be the Company's principal executive, accounting or financial officer, stating that in the course of the performance by the signers of their duties as officers of the Company they would normally have knowledge of any default by the Company in the performance of any of its covenants, conditions or agreements contained herein (without regard to any period of grace or requirement of notice provided hereunder), stating whether or not they have knowledge of any such default and, if so, specifying each such default of which the signers have knowledge and the nature thereof.

Section 10.05. *Corporate Existence.* Subject to Article 8 the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 10.06. *Waiver of Certain Covenants.* The Company may omit in respect of any series of Securities, in any particular instance, to comply with any covenant or condition set forth in Section 10.07 or 10.08, if before or after the time for such compliance the Holders of at least a majority in principal amount of the Securities at the time Outstanding of such series shall, by Act of such Securityholders, either waive such compliance in such instance or generally waive compliance with such covenant or condition; *provided*, that no waiver by the

Holders of the Securities of such series shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

Section 10.07. *Limitation on Liens.* Unless otherwise provided in a particular series of Securities, so long as any of the senior Securities shall be Outstanding, neither the Company nor any Restricted Subsidiary of the Company will incur, suffer to exist, or guarantee any Debt, secured by a mortgage, pledge or lien (a “**Lien**”) on any Principal Property or on any shares of stock of (or other interests in) any Restricted Subsidiary of the Company unless the Company or such first mentioned Restricted Subsidiary secures or the Company causes such Restricted Subsidiary to secure the senior Securities (and any other Debt of the Company or such Restricted Subsidiary, at the option of the Company or such Restricted Subsidiary, as the case may be, not subordinate to the senior Securities), equally and ratably with (or prior to) such secured Debt, for so long as such secured Debt shall be so secured. This restriction will not, however, apply to Debt secured by:

- (a) Liens existing prior to the issuance of the applicable senior Securities hereunder;
- (b) Liens on property of or shares of stock of (or other interests in) or debt of any Entity existing at the time such Entity becomes a Restricted Subsidiary of the Company;
- (c) Liens on property of or shares of stock of (or other interests in) or debt of any Entity existing at the time of acquisition thereof (including acquisition through merger or consolidation);
- (d) Liens on property of or shares of stock of (or other interests in) or debt of any Entity securing the payment of all or any part of the purchase price of any property or shares of stock of (or other interests in) any Entity or the cost of construction of such property (or additions, repairs, alterations, or improvements thereto),
- (e) Liens on property of or shares of stock of (or other interests in) or debt of any Entity securing indebtedness incurred to finance all or any part of the purchase price of any property or shares of stock of (or other interests in) any Entity or the cost of construction of such property (or additions, repairs, alterations or improvements thereto), *provided* that such Lien and the indebtedness secured thereby are incurred prior to, at the time of, or within 180 days after the later of the acquisition, the completion of construction (or addition, repair, alteration or improvement) or the commencement of full operation of such property or within 180 days after the acquisition of such shares (or other interests);

- (f) Liens in favor of the Company or any of its Restricted Subsidiaries;
- (g) Liens in favor of, or required by contracts with, governmental entities; or
- (h) any extension, renewal, or refunding referred to in any of the preceding clauses (a) through (g).

Notwithstanding the foregoing, the Company or any of its Restricted Subsidiaries may incur, suffer to exist or guarantee any Debt secured by a Lien on any Principal Property or on any shares of stock of (or other interests in) any Restricted Subsidiary of the Company if, after giving effect thereto, and together with the value of Attributable Debt outstanding pursuant to Section 10.08(b), the aggregate amount of such Debt does not exceed 15% of Consolidated Net Tangible Assets of the Company.

The transfer of a Principal Property to an Unrestricted Subsidiary or the change in designation of a Subsidiary which owns a Principal Property from Restricted Subsidiary to Unrestricted Subsidiary shall not be restricted except as set forth herein.

Section 10.08. *Limitation on Sale and Lease-Back Transactions*. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, sell or transfer, directly or indirectly, except to the Company or a Restricted Subsidiary of the Company, any Principal Property as an entirety, or any substantial portion thereof, with the intention of taking back a lease of all or substantial part of such property, except a lease for a period of three years or less at the end of which it is intended that the use of such property by the lessee will be discontinued; *provided*; that, notwithstanding the foregoing, the Company or any of its Restricted Subsidiaries may sell a Principal Property (as such term is defined with respect to the Company) and lease it back for a period longer than three years (i) if the Company or such Restricted Subsidiary would be entitled, pursuant to Section 10.07, to create a Lien on the property to be leased securing Debt in an amount equal to the Attributable Debt with respect to the sale and lease-back transaction without equally and ratably securing the Outstanding Securities or (ii) if (A) the net proceeds of such sale and lease-back transactions are at least equal to the fair value (as determined by a Board Resolution) of such property and (B) the Company causes an amount equal to the net proceeds of such sale and lease-back transactions to be applied within 180 days of such sale and lease-back transaction to any (or a combination) of (i) the prepayment or retirement of the Outstanding Securities, (ii) the prepayment or retirement (other than any mandatory retirement, mandatory prepayment or sinking fund payment or by payment at maturity) of other Debt of the Company or its Restricted Subsidiaries (other than Debt that is subordinated to the Outstanding Securities or Debt owed to the Company or one of its Restricted Subsidiaries) that matures more than 12 months after its creation or matures less than 12 months after its creation but by its terms being renewable or extendible, at the option of the obligor in respect

thereof, beyond 12 months from its creation or (iii) the purchase, construction, development, expansion or improvement of other comparable property.

(b) Notwithstanding Section 10.08(a), the Company or any Restricted Subsidiary of the Company may enter into sale and lease-back transactions in addition to those permitted by Section 10.08(a), and without any obligation to retire any outstanding Debt or to any purchase property or assets; *provided*, that at the time of entering into such sale and lease-back transactions and after giving effect thereto, the Attributable Debt with respect to such transaction, together with all Debt outstanding pursuant to the second paragraph of Section 10.07, without duplication, does not exceed 15% of Consolidated Net Tangible Assets of the Company.

Article 11
Redemption of Securities

Section 11.01. *Applicability of Article.* The Company may reserve the right to redeem and pay before the Scheduled Maturity Date all or any part of the Securities of any series, either by optional redemption, sinking or purchase fund or analogous obligation or otherwise, by provision therefor in the form of Security for such series established and approved pursuant to Sections 2.02 and 2.03 or as otherwise provided in Section 3.01, and on such terms as are specified in such form or in the indenture supplemental hereto with respect to Securities of such series as provided in Section 3.01. Redemption of Securities of any series shall be made in accordance with the terms of such Securities and, to the extent that this Article 11 does not conflict with such terms, the succeeding Sections of this Article 11.

Section 11.02. *Election to Redeem; Notice to Trustee.* In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee) notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 11.03. *Selection by Trustee of Securities to be Redeemed.* If fewer than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate, which may include provision for the selection for redemption

of portions of the principal of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. Unless otherwise provided in the terms of a particular series of Securities, the portions of the principal of Securities so selected for partial redemption shall be equal to the minimum authorized denomination of the Securities of such series, or an integral multiple thereof, and the principal amount which remains outstanding shall not be less than the minimum authorized denomination for Securities of such series.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal of such Security which has been or is to be redeemed.

Section 11.04. *Notice of Redemption.* Notice of redemption shall be given by first-class mail, postage prepaid, mailed not fewer than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his or her address appearing in the Security Register on the applicable Record Date.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price, or if not then ascertainable, the manner of calculation thereof;
- (3) if fewer than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Securities to be redeemed, from the Holder to whom the notice is given and that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of the same series in the aggregate principal amount equal to the unredeemed portion thereof will be issued in accordance with Section 11.07;
- (4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security, and that unless the Company defaults in payment of the Redemption Price, interest, if any, thereon shall cease to accrue from and after said date;
- (5) the place where such Securities are to be surrendered for payment of the Redemption Price, which shall be the office or agency maintained by the Company in the Place of Payment pursuant to Section 10.02 hereof;

- (6) that the redemption is on account of a sinking or purchase fund, or other analogous obligation, if that be the case; and
- (7) the CUSIP number, if any, printed on the Securities redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 11.05. *Deposit of Redemption Price.* On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 10.03) an amount of money sufficient to pay the Redemption Price of all the Securities which are to be redeemed on that date.

Section 11.06. *Securities Payable on Redemption Date.* Notice of Redemption having been given as aforesaid, the Securities to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Company shall default in the payment of the Redemption Price) such Securities shall cease to bear interest. Upon surrender of such Securities for redemption in accordance with the notice, such Securities shall be paid by the Company at the Redemption Price. Any installment of interest due and payable on or prior to the Redemption Date shall be payable to the Holders of such Securities registered as such on the relevant Record Date according to the terms and the provisions of Section 3.07 above; unless, with respect to an Interest Payment Date that falls on a Redemption Date, such Securities provide that interest due on such date is to be paid to the Person to whom principal is payable.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security, or as otherwise provided in such Security.

Section 11.07. *Securities Redeemed in Part.* Any Security that is to be redeemed only in part shall be surrendered at the office or agency maintained by the Company in the Place of Payment pursuant to Section 10.02 hereof with respect to that series (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge and at the expense of the Company, a new Security or Securities of the same series, tenor, terms and Scheduled Maturity Date, of any authorized denomination as requested by such Holders in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

Section 11.08. *Provisions with Respect to any Sinking Funds.* Unless the form or terms of any series of Securities shall provide otherwise, in lieu of making all or any part of any mandatory sinking fund payment with respect to such series of Securities in cash, the Company may at its option (a) deliver to the Trustee for cancellation any Securities of such series theretofore acquired by the Company, or (b) receive credit for any Securities of such series (not previously so credited) acquired or redeemed by the Company (other than through operation of a mandatory sinking fund) and theretofore delivered to the Trustee for cancellation, and if it does so then: (i) Securities so delivered or credited shall be credited at the applicable sinking fund Redemption Price with respect to Securities of such series, and (ii) on or before the 60th day next preceding each sinking fund Redemption Date with respect to such series of Securities, the Company will deliver to the Trustee (A) an Officers' Certificate specifying the portions of such sinking fund payment to be satisfied by payment of cash and by the delivery or credit of Securities of such series acquired or redeemed by the Company, and (B) such Securities, to the extent not previously surrendered. Such Officers' Certificate shall also state the basis for any such credit and that the Securities for which the Company elects to receive credit have not been previously so credited and were not acquired by the Company through operation of the mandatory sinking fund, if any, provided with respect to such Securities and shall also state that no Event of Default with respect to Securities of such series has occurred and is continuing. All Securities so delivered to the Trustee shall be canceled by the Trustee and no Securities shall be authenticated in lieu thereof.

If the sinking fund payment or payments (mandatory or optional) with respect to any series of Securities made in cash plus any unused balance of any preceding sinking fund payments with respect to Securities of such series made in cash shall exceed \$50,000 (or a lesser sum if the Company shall so request), unless otherwise provided by the terms of such series of Securities, that cash shall be applied by the Trustee on the sinking fund Redemption Date with respect to Securities of such series next following the date of such payment to the redemption of Securities of such series at the applicable sinking fund Redemption Price with respect to Securities of such series, together with accrued interest, if any, to the date fixed for redemption, with the effect provided in Section 11.06. The Trustee shall select, in the manner provided in Section 11.03, for redemption on such sinking fund Redemption Date a sufficient principal amount of Securities of such series to utilize that cash and shall thereupon cause notice of redemption of the Securities of such series for the sinking fund to be given in the manner provided in Section 11.04 (and with the effect provided in Section 11.06) for the redemption of Securities in part at the option of the Company. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Securities of such series shall be added to the next cash sinking fund payment with respect to Securities of such series received by the Trustee and, together with such payment, shall be applied in accordance with the provisions of this Section 11.08. Any and all sinking fund moneys with respect to Securities of any series held by

the Trustee at the Maturity of Securities of such series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity.

On or before each sinking fund Redemption Date provided with respect to Securities of any series, the Company shall pay to the Trustee in cash a sum equal to all accrued interest, if any, to the date fixed for redemption on Securities to be redeemed on such sinking fund Redemption Date pursuant to this Section 11.08.

The Trustee shall not redeem any Securities with sinking fund moneys or give any notice of redemption of Securities by operation of the applicable sinking fund during the continuance of a default in payment of interest on Securities of such series or of any Event of Default with respect to such series, except that if the notice of redemption of any Securities shall theretofore have been mailed in accordance with the provisions hereof, the Trustee shall redeem such Securities if cash sufficient for that purpose shall be deposited with the Trustee for that purpose in accordance with the terms of this Article 11. Except as aforesaid, any moneys in the sinking fund with respect to Securities of any series at the time when any such default or Event of Default with respect to such series shall occur, and any moneys thereafter paid into such sinking fund shall, during the continuance of such default or Event of Default with respect to such series, be held as security for the payment of all Securities of such series; *provided, however*, that in case such default or Event of Default with respect to such series shall have been cured or waived as provided herein, such moneys shall thereafter be applied on the next sinking fund payment date on which such moneys may be applied pursuant to the provisions of this Section 11.08.

ARTICLE 12

Repayment at Option of Holders

Section 12.01. *Applicability of Article.* Repayment of Securities of any series before their Scheduled Maturity Date at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Article 12.

Section 12.02. *Repayment of Securities.* Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest thereon accrued to the Repayment Date specified in the terms of such Securities. On or before the Repayment Date, the Company will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold

in trust as provided in Section 10.03) an amount of money sufficient to pay the Repayment Price of all the Securities which are to be repaid on such date.

Section 12.03. *Exercise of Option.* Securities of any series subject to repayment at the option of the Holders thereof will contain an “Option to Elect Repayment” form on the reverse of such Securities. To be repaid at the option of the Holder, any Security so providing for such repayment, with the “Option to Elect Repayment” form on the reverse of such Security duly completed by the Holder, must be received by the Company at the Place of Payment therefor specified in the terms of such Security (or at such other place or places of which the Company shall from time to time notify the Holders of such Securities) not earlier than 30 days nor later than 15 days prior to the Repayment Date. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of \$1,000 unless otherwise specified in the terms of such Security, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid must be specified. The principal amount of any Security providing for repayment at the option of the Holder thereof may not be repaid in part, if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

Section 12.04. *When Securities Presented for Repayment Become Due and Payable.* If Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in this Article 12 and as provided by the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) interest on such Securities or the portions thereof, as the case may be, shall cease to accrue.

Section 12.05. *Securities Repaid in Part.* Upon surrender of any Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Security or Securities of the same series, tenor, terms and Scheduled Maturity Date, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

ARTICLE 13
Subordination of Subordinated Securities

Section 13.01. *Agreement to Subordinate.* The Company covenants and agrees, and each Holder of any Subordinated Security issued hereunder by his acceptance thereof, whether upon original issue or upon transfer or assignment, likewise covenants and agrees, that the principal of (and premium, if any) and interest on each and all of the Subordinated Securities issued hereunder are hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness.

Section 13.02. *Payment on Dissolution, Liquidation or Reorganization; Default on Senior Indebtedness.*

Upon any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities, upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other similar proceedings, or upon any assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Company or otherwise, all principal of (and premium, if any) and interest then due upon all Senior Indebtedness shall first be paid in full, or payment thereof provided for in money or money's worth, before the Holders of the Subordinated Securities or the Trustee on their behalf shall be entitled to receive any assets or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, junior to, or the payment of which is subordinated at least to the extent provided in this Article 13 to the payment of, all Senior Indebtedness which may at the time be outstanding or any securities issued in respect thereof under any such plan of reorganization or readjustment) in respect of the Subordinated Securities (for principal, premium or interest). Upon any such dissolution or winding up or liquidation or reorganization, any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities (other than as aforesaid), to which the Holders of the Subordinated Securities or the Trustee on their behalf would be entitled, except for the provisions of this Article 13, shall be made by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, direct to the holders of Senior Indebtedness or their representatives to the extent necessary to pay all Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness. In the event that, notwithstanding the foregoing, the Trustee or the Holder of any Subordinated Security shall, under the circumstances described in the two preceding sentences, have received any payment or distribution of assets or securities of the Company of any kind or character, whether in cash, property or securities (other than as aforesaid) before all Senior Indebtedness is paid in full or payment thereof provided for in money or money's worth, and if such fact shall

then have been made known to the Trustee or, as the case may be, such Holder, then such payment or distribution of assets or securities of the Company shall be paid over or delivered forthwith to the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making payment or distribution of assets or securities of the Company for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

Subject to the payment in full of all Senior Indebtedness, the Holders of the Subordinated Securities (together with the holders of any indebtedness of the Company which is subordinate in right of payment to the payment in full of all Senior Indebtedness and which is not subordinate in right of payment to the Subordinated Securities) shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distribution of assets or securities of the Company applicable to Senior Indebtedness until the principal of (and premium, if any) and interest on the Senior Indebtedness shall be paid in full. No such payments or distributions applicable to Senior Indebtedness shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Subordinated Securities, be deemed to be a payment by the Company to or on account of the Subordinated Securities, it being understood that the provisions of this Article 13 are and are intended solely for the purpose of defining the relative rights of the Holders of the Subordinated Securities, on the one hand, and the holders of Senior Indebtedness, on the other hand. Nothing contained in this Article 13 or elsewhere in this Indenture or in the Subordinated Securities is intended to or shall impair, as between the Company and the Holders of Subordinated Securities, the obligation of the Company, which is unconditional and absolute, to pay to the Holders of the Subordinated Securities the principal of (and premium, if any) and interest on the Subordinated Securities as and when the same shall become due and payable in accordance with their terms, or to affect (except to the extent specifically provided above in this paragraph) the relative rights of the Holders of the Subordinated Securities and creditors of the Company other than the holders of Senior Indebtedness. Nothing contained herein shall prevent the Trustee or the Holder of any Subordinated Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 13, of the holders of Senior Indebtedness in respect of assets or securities of the Company of any kind or character, whether cash, property or securities, received upon the exercise of any such remedy.

Upon any payment or distribution of assets or securities of the Company referred to in this Article 13, the Trustee and the Holders of the Subordinated Securities shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such

payment or distribution, delivered to the Trustee or to the Holders of the Subordinated Securities for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 13.

If:

(i) there shall have occurred a default in the payment on account of the principal of (or premium, if any) or interest on or other monetary amounts due and payable on any Senior Indebtedness, or

(ii) any other default shall have occurred concerning any Senior Indebtedness which permits the holder or holders thereof to accelerate the maturity of such Senior Indebtedness following notice, the lapse of time, or both, or

(iii) during any time Senior Indebtedness is outstanding, the principal of, and accrued interest on, any series of Subordinated Securities shall have been declared due and payable upon an Event of Default pursuant to Section 5.02 hereof (and such declaration shall not have been rescinded or annulled pursuant to this Indenture);

then, unless and until such default shall have been cured or waived or shall have ceased to exist, or such declaration shall have been waived, rescinded or annulled, no payment shall be made by the Company on account of the principal (or premium, if any) or interest on the Subordinated Securities.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a representative of such holder or a trustee under any indenture under which any instruments evidencing any such Senior Indebtedness may have been issued) to establish that such notice has been given by a holder of such Senior Indebtedness or such representative or trustee on behalf of such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article 13, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the right of such Person under this Article 13, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment or distribution.

Section 13.03. *Payment Prior to Dissolution or Default.* Nothing contained in this Article 13 or elsewhere in this Indenture, or in any of the Subordinated Securities, shall prevent (a) the Company, at any time except under the conditions described in Section 13.02 or during the pendency of any dissolution or winding up or total or partial liquidation or reorganization proceedings therein referred to, from making payments at any time of principal of (or premium, if any) or interest on Subordinated Securities or from depositing with the Trustee or any Paying Agent moneys for such payments, or (b) the application by the Trustee or any Paying Agent of any moneys deposited with it under this Indenture to the payment of or on account of the principal of (or premium, if any) or interest on Subordinated Securities to the Holders entitled thereto if such payment would not have been prohibited by the provisions of Section 13.02 on the day such moneys were so deposited.

Notwithstanding the provisions of Section 13.01 or any other provision of this Indenture, the Trustee and any Paying Agent shall not be charged with knowledge of the existence of any Senior Indebtedness, or of the occurrence of any default with respect to Senior Indebtedness of the character described in Section 13.02, or of any other facts which would prohibit the making of any payment of moneys to or by the Trustee or such Paying Agent, unless and until the Trustee shall have received, no later than three Business Days prior to such payment, written notice thereof from the Company or from a holder of such Senior Indebtedness and the Trustee shall not be affected by any such notice which may be received by it on or after such third Business Day.

Section 13.04. *Securityholders Authorize Trustee to Effectuate Subordination of Securities.* Each Holder of Subordinated Securities by his or her acceptance thereof authorizes and expressly directs the Trustee on his or her behalf to take such action in accordance with the terms of this Indenture as may be necessary or appropriate to effectuate the subordination provisions contained in this Article 13 and to protect the rights of the Holders of Subordinated Securities pursuant to this Indenture, and appoints the Trustee his or her attorney-in-fact for such purpose.

Section 13.05. *Right of Trustee to Hold Senior Indebtedness.* The Trustee shall be entitled to all of the rights set forth in this Article 13 in respect of any Senior Indebtedness at any time held by it to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

Section 13.06. *Article 13 Not to Prevent Events of Default.* The failure to make a payment on account of principal of, premium, if any, or interest on the Subordinated Securities by reason of any provision of this Article 13 shall not be construed as preventing the occurrence of an Event of Default under Section 5.01 or an event which with the giving of notice or lapse of time, or both, would become an Event of Default or in any way prevent the Holders of Subordinated

Securities from exercising any right hereunder other than the right to receive payment on the Subordinated Securities.

Section 13.07. *No Fiduciary Duty of Trustee to Holders of Senior Indebtedness.* The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness, and shall not be liable to any such holders (other than for its willful misconduct, bad faith or negligence) if it shall in good faith mistakenly pay over or distribute to the Holders of Subordinated Securities or the Company or any other Person, cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article 13 or otherwise. Nothing in this Section 13.07 shall affect the obligation of any other such Person to hold such payment for the benefit of, and to pay such payment over to, the holders of Senior Indebtedness or their representative. Nothing in this Article 13 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.07 of the Indenture.

ARTICLE 14 Guarantee of Securities

Section 14.01. *Guarantee.* The Guarantor hereby fully and unconditionally guarantees to each Holder of a Security authenticated and delivered by the Trustee hereunder, and to the Trustee on behalf of each such Holder, the due and punctual payment in full of the principal of and premium, if any, and interest on such Security and all other amounts payable by the Company under the Indenture when and as the same shall become due and payable, whether at the Stated Maturity, by declaration of acceleration, call for redemption or otherwise, and interest on the overdue principal and (to the extent permitted by law) interest, if any, on such Security (collectively, the “**Obligations**”), in accordance with the terms of such Security and this Indenture. If the Company shall fail to pay when due any Obligations, for whatever reason, the Guarantor shall be obligated to pay in cash the same promptly. An Event of Default under this Indenture or the Security of any series shall entitle the Holders of such Securities to accelerate the Obligations of the Guarantor hereunder in the same manner and to the same extent as the Obligations of the Company.

Section 14.02. *Waiver.* To the fullest extent permitted by applicable law, the Guarantor hereby waives the benefits of diligence, presentment, demand for payment, any requirement that the Trustee or any of the Holders exhaust any right or take any action against the Company or any other Person, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any Security or the indebtedness evidenced thereby and all demands whatsoever, and covenants that the Guarantee will not be discharged in respect of any Security except as provided in this Article 14.

Section 14.03. *Guarantee of Payment.* The Guarantee shall constitute a guarantee of payment when due and not a guarantee of collection. The Guarantor hereby agrees that, in the event of a default in payment of principal of or premium, if any, or interest on any Security, whether at its Stated Maturity, by declaration of acceleration, call for redemption or otherwise, legal proceedings may be instituted by the Trustee on behalf of, or by, the Holder of such Security, subject to the terms and conditions set forth in this Indenture, directly against the Guarantor to enforce the Guarantee without first proceeding against the Company.

Section 14.04. *No Discharge or Diminishment of Guarantee.* Subject to Section 14.09, the obligations of the Guarantor hereunder shall be absolute and unconditional and not be subject to any reduction, limitation, termination, impairment or for any reason (other than the payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Securities, this Indenture or the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Trustee or any Holder of the Notes to assert any claim or demand or to enforce any remedy under this Indenture or any Security, any other guarantee or any other agreement, by any waiver, modification or indulgence of any provision thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations or by any other act or omission or delay to do any other act that may or might in any manner or to any extent vary the risk of the Guarantor or that would otherwise operate as a discharge of the Guarantor as a matter of law or equity (other than the payment in full in cash of all the Obligations); provided, however, that notwithstanding the foregoing, no such waiver, modification or indulgence shall, without the consent of the Guarantor, increase the principal amount of such Security, or increase the interest rate thereon, change any redemption provisions thereof (including any change to increase any premium payable upon redemption thereof) or change the Stated Maturity of any payment thereon, or increase the principal amount of any Original Issue Discount Security that would be due and payable upon a declaration of acceleration or the maturity thereof pursuant to Section 5.02 of this Indenture.

Section 14.05. *Defenses of Company Waived.* To the extent permitted by applicable law, the Guarantor waives any defense based on or arising out of any defense of the Company or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Company, other than final payment in full in cash of the Obligations. The Guarantor waives any defense arising out of any such election even though such election operates to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of the Guarantor against the Company or any security.

Section 14.06. *Continued Effectiveness*. Subject to Section 14.09, the Guarantor further agrees that its Guarantee with respect to any Security hereunder shall remain in full force and effect and continue to be irrevocable notwithstanding any petition filed by or against the Company for liquidation or reorganization, the Company becoming insolvent or making an assignment for the benefit of creditors or a receiver or trustee being appointed for all or any significant part of the Company's assets, and shall, to the fullest extent permitted by law, continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored or returned by the Trustee or any Holder of any Security, whether as a "voidable preference," "fraudulent transfer" upon bankruptcy or reorganization of the Company or otherwise, all as though such payment or performance had not been made, until the date upon which the entire Obligation, if any, and interest on such Security has been, or has been deemed pursuant to the provisions of this Indenture to have been paid in full. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned on any Security, such Security shall, to the fullest extent permitted by law, be reinstated and deemed paid only by such amount paid and not so rescinded, reduced, restored or returned.

Section 14.07. *Subrogation*. In furtherance of the foregoing and not in limitation of any other right of the Guarantor by virtue hereof, upon the failure of the Company to pay any Obligation when and as the same shall become due, the Guarantor hereby promises to and will, upon receipt of written demand by the Trustee or any Holder of the Securities of any series, forthwith pay, or cause to be paid, to the Holders in cash the amount of such unpaid Obligations, and thereupon the Holders shall, assign (except to the extent that such assignment would render a Guarantor a "creditor" of the Company within the meaning of Section 547 of Title 11 of the United States Code as now in effect or hereafter amended or any comparable provision of any successor statute) the amount of the Obligations owed to it and paid by the Guarantor pursuant to this Guarantee to the Guarantor, such assignment to be pro rata to the extent the Obligations in question were discharged by the Guarantor, or make such other disposition thereof as the Guarantor shall direct (all without recourse to the Holders, and without any representation or warranty by the Holders). If (a) the Guarantor shall make payment to the Holders of all or any part of the Obligations and (b) all the Obligations and all other amounts payable under this Indenture shall be paid in full, the Trustee will, at the Guarantor's request, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment by the Guarantor.

Section 14.08. *Subordination*. Upon payment by the Guarantor of any sums to the Holders, as provided above, all rights of the Guarantor against the Company, arising as a result thereof by way of right of subrogation or otherwise, shall in all respects be subordinated and junior in right of payment to the prior

payment in full in cash of all the Obligations to the Trustee; provided, however, that any right of subrogation that the Guarantor may have pursuant to this Indenture is subject to Section 14.07.

Section 14.09. *Release of Guarantor and Termination of Guarantee.* The Guarantor shall be automatically and unconditionally released and discharged from all obligations under this Indenture and the Guarantee without any action required on the part of the Trustee or any Holder upon the occurrence of the Distribution (so long as the other transactions constituting the Spin-Off have occurred).

The Company will deliver a certificate to the Trustee stating that the Distribution and the transactions constituting the Spin-Off have occurred in accordance with the agreements related to the Spin-Off as described in the Offering Memorandum, and the Trustee may conclusively rely on such certificate.

The Trustee shall deliver an appropriate instrument evidencing such release upon receipt of a request of the Company accompanied by an Officers' Certificate certifying as to the compliance with this Section.

Section 14.10. *Limitation of Guarantors' Liability.* The Guarantor, and by its acceptance hereof each Holder, hereby confirms that it is the intention of all such parties that the Guarantee by the Guarantor not constitute a fraudulent transfer or conveyance for purposes of Title 11 of the United States Code, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Guarantor. To effectuate the foregoing intention, the Holders and the Guarantor hereby irrevocably agree that the obligations of the Guarantor under this Indenture and the Guarantee shall be limited to the maximum aggregate amount which, after giving effect to all other contingent and fixed liabilities of the Guarantor, will result in the obligations of the Guarantor under the Guarantee not constituting such fraudulent transfer or conveyance.

The Guarantee is expressly limited so that in no event, including the acceleration of the Maturity of the Securities, shall the amount paid or agreed to be paid in respect of interest on the Securities (or fees or other amounts deemed payment for the use of funds) exceed the maximum permissible amount under applicable law, as in effect on the date hereof and as subsequently amended or modified to allow a greater amount of interest (or fees or other amounts deemed payment for the use of funds) to be paid under the Guarantee. If for any reason the amount in respect of interest (or fees or other amounts deemed payment for the use of funds) required by the Guarantee exceeds such maximum permissible amount, the obligation to pay interest under the Guarantee (or fees or other amounts deemed payment for the use of funds) shall be automatically reduced to such maximum permissible amount and any amounts collected by any holder of

any Security in excess of the permissible amount shall be automatically applied to reduce the outstanding principal on such Security.

Section 14.11. *No Obligation to Take Action Against the Company.* Neither the Trustee, any Holder nor any other Person shall have any obligation to enforce or exhaust any rights or remedies or take any other steps under any security for the Obligations or against the Company or any other Person or any Property of the Company or any other Person before the Trustee, such Holder or such other Person is entitled to demand payment and performance by the Guarantor of its liabilities and obligations under the Guarantee.

Section 14.12. *Execution and Delivery.* To evidence the Guarantee set forth in this Article 14, the Guarantor hereby agrees that this Indenture shall be executed on behalf of the Guarantor by an Officer of the Guarantor.

The Guarantor hereby agrees that the Guarantee set forth in this Article XIV shall remain in full force and effect notwithstanding the absence of the endorsement of any notation of the Guarantee on any Securities.

If an Officer whose signature is on this Indenture no longer holds that office at the time the Trustee authenticates any Security, the Guarantee shall be valid nevertheless.

The delivery of any Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Guarantee set forth in this Indenture on behalf of the Guarantor.

* * *

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed; all as of the day and year first above written.

XELM INC.

By: /s/ Michale Speetzen
Name: Michale Speetzen
Title: Chief Financial Officer

ITT CORPORATION, as Guarantor

By: /s/ Colleen Ostrowski
Name: Colleen Ostrowski
Title: Vice President and Treasurer

UNION BANK, N.A., as Trustee

By: /s/ Eva Aryeetey
Name: Eva Aryeetey
Title: Vice President

State of New York

ss.:

County of

On the 20th day of September 2011 before me personally came Michael Speetzen, to me known, who, being by me duly sworn, did depose and say that he resides at 478 Branchville Road, Ridgefield, Connecticut 06877; that he is the Chief Financial Officer of Xylem Inc., one of the parties described in and which executed the above instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

/s/ Margaret A. Bersito
Notary Public

[Notarial Stamp]

[Notarial Seal]

State of New York

ss.:

County of

On the 20th day of September 2011 before me personally came Colleen Ostrowski, to me known, who, being by me duly sworn, did depose and say that he/she resides at 102 Joyce Road, Eastchester, NY 10709; that she is the Vice President and Treasurer of ITT Corporation, one of the parties described in and which executed the above instrument; and that she signed his/her name thereto by authority of the board of directors of said corporation.

/s/ Margaret A. Bersito

Notary Public

[Notarial Stamp]

[Notarial Seal]

State of New York

ss.:

County of New York

On the 19th day of September 2011 before me personally came Eva Aryeety to me known, who, being by me duly sworn, did depose and say that she resides at 1251 Avenue of the Americas, 19th Floor, New York, New York 10020; that he/she is a Vice President of UNION BANK, N.A., one of the parties described in and which executed the above instrument; and that she signed his/her name thereto by authority of the board of directors of said corporation.

/s/ Ivy L. Wegener

Notary Public

[Notarial Stamp]

[Notarial Seal]

BENEFITS AND COMPENSATION MATTERS AGREEMENT

DATED AS OF [], 2011,

AMONG

ITT CORPORATION,

XYLEM INC.

AND

EXELIS INC.

Table of Contents

	<u>Page</u>
1. EMPLOYEES	1
2. BENEFIT PROGRAM PARTICIPATION	2
3. DEFINED BENEFIT PLANS	4
4. DEFINED CONTRIBUTION PLANS	8
5. EMPLOYEE HEALTH AND WELFARE BENEFIT PLANS	11
6. INCENTIVE PLANS	14
7. STOCK OPTIONS AND OTHER AWARDS	15
8. COLI	17
9. DIRECTOR PLANS	18
10. COLLECTIVE BARGAINING AGREEMENTS	18
11. TRANSITION SERVICES	19
12. ALLOCATION OF BALANCE SHEET ACCOUNTS	19
13. ACCESS TO INFORMATION AND DATA EXCHANGE	20
14. NOTICES; COOPERATION	21
15. FURTHER ASSURANCES	22
16. INDEMNIFICATION	22
17. DISPUTE RESOLUTION	23
18. MISCELLANEOUS	23
19. DEFINITIONS	1

BENEFITS AND COMPENSATION MATTERS AGREEMENT dated as of [], 2011, among ITT CORPORATION, an Indiana corporation (which, together with its subsidiaries, is herein referred to as “ITT”), Xylem Inc., an Indiana corporation, (which, together with its subsidiaries, is herein referred to as “Water”), and Exelis Inc., an Indiana corporation (which, together with its subsidiaries, is herein referred to as “Defense”).

WHEREAS, the Board of Directors of ITT (the “Board”) has determined that it is appropriate, desirable and in the best interests of ITT, its shareholders and its other constituents, to separate ITT into three separate, publicly traded companies, one for each of (i) the ITT Retained Business, which shall be owned and conducted, directly or indirectly, by ITT, (ii) the Defense Business, which shall be owned and conducted, directly or indirectly, by Defense and (iii) the Water Business, which shall be owned and conducted, directly or indirectly, by Water;

WHEREAS, the Board of Directors of ITT has determined that it is appropriate and desirable to distribute to the holders of shares of common stock, par value \$1.00 per share, of ITT (the “ITT Common Stock”), on a pro rata basis (in each case without consideration being paid by such shareholders) (A) all of the outstanding shares of common stock, par value \$.01 per share, of Water (the “Water Common Stock”) and (B) all of the outstanding shares of common stock, par value \$.01 per share, of Defense (the “Defense Common Stock”) (such transactions as they may be amended or modified from time to time, the “Distribution”);

WHEREAS, ITT, Water and Defense have executed a distribution agreement dated as of the date hereof (the “Distribution Agreement”) to effectuate such Distribution and allocate and assign certain responsibilities; and

WHEREAS, each of ITT, Water and Defense has determined that it is necessary and desirable to allocate and assign responsibility for certain employee benefit liabilities in respect of the activities of the businesses of such entities on the Distribution Date (as defined herein) and those liabilities in respect of other businesses and activities of ITT and its former subsidiaries and certain other matters.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, ITT, Water and Defense agree as follows:

1. EMPLOYEES. (a) General. Effective as of the Distribution Date, ITT shall transfer all employees listed on Schedule 1(a)(i) to Water and all such employees shall become Water Employees. Effective as of the Distribution Date, ITT shall transfer all employees listed on Schedule 1(a)(ii) to Defense and all such employees shall become Defense Employees. All Preexisting ITT Employees employed by legal entities that became legal entities of ITT following the Distribution Date shall be ITT Employees. All Preexisting ITT Employees employed by legal entities that became legal entities of Water following the Distribution Date shall be Water Employees. All Preexisting ITT Employees employed by legal entities that became legal entities of Defense following the Distribution Date shall be Defense Employees. Except as expressly identified in this Agreement, Defense shall be liable for all liabilities, claims or controversies involving Defense Employees, Water shall be liable for all liabilities, claims or

controversies involving Water Employees and ITT shall be liable for all liabilities, claims or controversies involving ITT Employees and ITT Retirees.

(b) Schedule of Water Employees and Defense Employees. As of the date of this Agreement, ITT, Water and Defense shall have in good faith determined which individuals who are Preexisting ITT Employees shall become Water Employees and Defense Employees on no later than the Distribution Date. Such lists may be modified only by written consent by each of ITT, Water and Defense on or following the Distribution Date. Prior to the Distribution Date, ITT may modify such lists without the consent of Water and Defense.

(c) Non-Termination of Employment. Except as otherwise expressly provided herein and in compliance with Section 2(d) of this Agreement, no provision of, or event arising under, this Agreement, the Distribution Agreement or any of the Ancillary Agreements shall be construed to create any right, or accelerate entitlement, to any compensation or benefit whatsoever on the part of any Preexisting ITT Employee or other future, present, or former employee of ITT, Water or Defense and any of their respective Subsidiaries.

(d) Employment Agreements. As soon as practicable on or after the execution of this Agreement, ITT, Water and Defense shall use their reasonable best efforts to enter into, or have in place, an employment agreement with each of the Preexisting ITT Employees listed on Schedule 1(d) attached hereto, which employment agreements shall become effective on the Close of the Distribution Date. Water shall assume from ITT the employment agreement of Frank Jimenez, along with the pension assets and liabilities identified in such agreement. Defense shall assume from ITT the employment agreement of Chris Bernhardt. ITT shall continue to be bound by the employment agreement of Denise Ramos.

(e) No Solicit; No Hire. As described in Section 5.1 of the Distribution Agreement and agreed to by ITT, Defense and Water, none of ITT, Water or Defense shall solicit or hire Preexisting ITT Employees for such period following the Effective Time as specified therein, without receiving the written consent of the affected prior employer. In respect of countries whose local laws declare as invalid or unenforceable or prohibit any agreement between employers not to hire employees of the other, ITT, Defense and Water will not have an agreement not to hire employees of the other but agree not to actively solicit the services of each other's employees for such period following the Effective Time as specified in the Distribution Agreement.

2. BENEFIT PROGRAM PARTICIPATION. (a) Except as specifically provided herein with respect to particular compensation or benefit programs, all Water Employees and Defense Employees will cease participation in all ITT benefit plans and programs no later than immediately prior to the Distribution Date; provided that certain Water Employees who participate in the ITT Industries Pension Plan for UK Expatriates, Godwin Pumps Limited Pension Scheme and ITT Retirement Savings Plan, as identified as Items 23 and 24 on Schedule 3(a)(iii) and Item 14 of Schedule 4(a)(iii) shall continue to participate in their respective plans following the Distribution Date, subject to the terms of such plans. As soon as reasonably practicable, ITT will retain liability for all incurred but not yet reported claims of Water Employees and Defense Employees who participate in the ITT welfare benefit plans and programs through the earlier of (i) December 31, 2011 or (ii) the date on which two separate

liability accounts for Water and Defense are created. The separate liability accounts shall correspond to the new bank accounts established by Water and by Defense for new incurred but not yet reported claims. The balance of the new accounts shall be transferred as soon as reasonably practicable following the Distribution Date.

(b) (i) Water shall cause to be recognized each Water Employee's service with ITT for purposes of determining (x) eligibility for vacation benefits, short-term disability and severance benefits and (y) eligibility for vesting under all other employee benefit plans and policies of Water applicable to such Water Employees, to the extent such service was recognized by ITT for such purposes.

(ii) Defense shall cause to be recognized each Defense Employee's service with ITT for purposes of determining (x) eligibility for vacation benefits, short-term disability and severance benefits and (y) eligibility for vesting under all other employee benefit plans and policies of Defense applicable to such Defense Employees, to the extent such service was recognized by ITT for such purposes.

(c) Nothing in this Agreement shall be construed or interpreted to restrict ITT's, Water's or Defense's right or authority to amend or terminate any of its employee benefit plans, policies or programs effective as of a date following the Distribution Date, except neither Defense nor any successor entity to Defense may amend or alter the eligibility schedule described for Preexisting ITT Employees under Sections 3(b)(vii) and 3(c)(iv) or the requirement not to reduce or eliminate health benefits under Section 5(b)(ix).

(d) Any Preexisting ITT Employee who, on the Distribution Date, is employed by ITT, Defense or Water shall not be deemed either to have terminated employment or to be in retirement status under any employee benefit plan operated by ITT, Water or Defense. Except to the extent required by law and as otherwise stated in Section 3(b)(vii), any Preexisting ITT Employee who, on the Distribution Date, is employed by ITT, Defense or Water shall not, solely as a result of the Distribution or related transactions, be eligible to receive payment of, or exercise any portability rights in respect of, his or her vested benefit or retirement allowance under any employee benefit plan operated by ITT, Water or Defense; provided, that each Water Employee and each Defense Employee shall receive credit for their service with ITT prior to the Distribution Date from Water or Defense as provided in this Article II. As permitted by Final Treasury Regulation Section 1.409A-1(h)(4), ITT, Water and Defense agree that any employee and any other "service provider" within the meaning of the term as defined in Section 409A of the Code who provides services to ITT immediately before the transactions contemplated hereby and provides services to ITT, Water or Defense after and in connection with such transactions shall not be treated as separating from service for purposes of Section 409A of the Code.

(e) Except as otherwise specified on any of the Schedules, which are specifically incorporated by reference to this Agreement, (i) any ITT Plan maintained by ITT prior to the Distribution Date will continue to be maintained by ITT following the Distribution Date, (ii) any Defense Plan maintained by Defense prior to the Distribution Date will continue to be maintained by Defense following the Distribution Date and (iii) any Water Plan maintained by Water prior to the Distribution Date will continue to be maintained by Water following the Distribution Date. Unless otherwise specified in this Agreement, all assets and liabilities of any

Plan, Defense Plan or Water Plan will remain with and be assumed by the entity maintaining such plan.

3. DEFINED BENEFIT PLANS. (a) List of Defined Benefit Plans. (i) Certain current and former employees of ITT, Water and Defense participate in ITT Group tax qualified defined benefit pension plans made available for certain ITT Group employees in the United States. Schedule 3(a)(i) lists each defined benefit pension plan applicable to Preexisting ITT Employees (the “US Qualified DB Plans”).

(ii) Certain current and former employees of ITT, Water and Defense participate in ITT Group tax non-qualified defined benefit pension plans made available for certain ITT Group employees in the United States. Schedule 3(a)(ii) lists each defined benefit pension plan applicable to Preexisting ITT Employees (the “US Non-Qualified DB Plans”).

(iii) Certain current and former employees of ITT, Water and Defense participate in ITT Group defined benefit pension plans made available for certain ITT Group employees outside of the United States. Schedule 3(a)(iii) lists each defined benefit pension plan applicable to Preexisting ITT Employees (the “Non-US DB Plans”).

(b) US Qualified DB Plans. (i) Continuation of US Qualified DB Plans. Following the Distribution Date, ITT shall continue to sponsor the ITT US Qualified DB Plans as so identified on Schedule 3(a)(i). Following the Distribution Date, Defense shall continue to sponsor the Defense US Qualified DB Plans as so identified on Schedule 3(a)(i). Following the Distribution Date, Water shall continue to sponsor the Water US DB Qualified Plans as so identified on Schedule 3(a)(i). Each of ITT, Defense and Water shall assume all liabilities associated with such plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date; provided, that Defense shall recognize the additional service credit as specified in Section 3(b)(v) of this Agreement. Each of ITT, Defense and Water shall retain all accrued benefits associated with such plans that it sponsors following the Distribution Date, whether accrued prior to, on or following the Distribution Date.

(ii) Adoption of US Qualified DB Plan. Effective as of the Distribution Date, Water shall adopt New ITT Pension Plan for Bargaining Unit Employees, Seneca Falls, New York, which shall have terms similar in all material respects to the ITT Pension Plan for Bargaining Unit Employees, Seneca Falls, New York maintained by ITT and identified as Item 16 on Schedule 3(a)(i). As soon as practicable on or after the Distribution Date, ITT shall transfer to Water the assets and liabilities associated with Water Employees who participated in the ITT Pension Plan for Bargaining Unit Employees, Seneca Falls, New York as identified as Item 16 on Schedule 3(a)(i). Such assets will be transferred in kind to the maximum extent practicable. The plan actuary for such plan shall be responsible for determining the appropriate amount of assets and liabilities to be allocated per employee transferred, in each case in accordance with applicable law.

(iii) Adoption of New Master Trusts. As soon as practicable on or after the Distribution Date, Water shall adopt a new trust that is substantially similar in all material respects to the Master Trust (the “New Water Trust”). Effective as of the Distribution Date, ITT

shall adopt a new trust that is substantially similar in all material respects to the Master Trust (the “New ITT Trust”).

(iv) Transfer of Master Trust and Assets. As soon as practicable on or after the Distribution Date, ITT shall transfer to Defense the Master Trust, and Defense shall assume all liabilities associated with such Master Trust. As soon as practicable on or after the Distribution Date, the interests of the US Qualified DB Plans identified on Schedule 3(b)(iv) will be liquidated and cash will be transferred from the Master Trust to the New Water Trust in the amount identified on Schedule 3(b)(iv) and to the New ITT Trust in the amount identified on Schedule 3(b)(iv). All other interests will remain in the Master Trust at Defense.

(v) Transfer of US Qualified DB Plans to Defense. Effective as of the Distribution Date, ITT shall transfer to Defense the defined benefit pension plans identified as Items 1-7 on Schedule 3(a)(i), and Defense shall assume all liabilities associated with such plans, including with respect to accrued benefits thereof.

(vi) Transfer of US Qualified DB Plans to Water. Effective as of the Distribution Date, ITT shall transfer to Water the ITT US Qualified DB Plans identified as Items 19-22 on Schedule 3(a)(i), and Water shall assume all liabilities associated with such plans, including with respect to accrued benefits thereof.

(vii) Additional Retirement Eligibility. (A) Effective as of the Distribution Date, any ITT Employee or any Water Employee who has accrued benefits under the ITT Salaried Retirement Plan as reflected on that plan’s records as of the Distribution Date and who is eligible to receive retirement benefits thereunder may elect to commence receipt of that person’s retirement benefits under the ITT Salaried Retirement Plan on or after the Distribution Date. Any ITT Employee or Water Employee shall cease earning additional eligibility service at the earliest of the fifth anniversary of the Distribution Date, the date on which the employee is terminated, the date on which benefits attributable to the Traditional Pension Plan formula commence, the date of death or a Change in Control of ITT or Water, respectively (the “Eligibility End Date”). Any ITT Employee or any Water Employee who is eligible to begin retirement as of the Distribution Date who elects to commence receipt of that person’s retirement benefits under the ITT Salaried Retirement Plan shall not continue to earn eligibility service following the later of the Distribution Date and the last month preceding the annuity start date. Following the Eligibility End Date, no ITT Employee or Water Employee will receive credit toward the retirement criteria specified in the ITT Salaried Retirement Plan. Except as provided in this Section 3(b)(vii), all accrued benefits under the ITT Salaried Retirement Plan will be frozen with respect to any ITT Employee or any Water Employee as of the Distribution Date.

(B) Effective as of the later of the Distribution Date and January 1, 2012, any Defense Employee who has accrued benefits under the ITT Salaried Retirement Plan may make a one-time irrevocable election either to (x) continue earning eligibility and benefit service under the Traditional Pension Plan formula defined in the ITT Salaried Retirement Plan or (y) choose to begin participation in the enhanced employer-contribution portion of the defined contribution plan identified as Item 1 on Schedule 4(a)(i).

(C) Following the Distribution Date, all unvested benefits accrued by Preexisting ITT Employees under the ITT Salaried Retirement Plan who have at least one year of service credit as of the Distribution Date, which are attributable to ITT Employees and Water Employees (other than the ability to continue earning eligibility service for up to five years as described above) shall be vested as of the Distribution Date. Unvested benefits attributable to Defense Employees shall remain unchanged and Defense shall remain liable for all benefits (unvested or vested) attributable to Defense Employees.

(c) US Non-Qualified DB Plans. (i) Continuation of US Non-Qualified DB Plans. Following the Distribution Date, ITT shall continue to sponsor the ITT US Non-Qualified DB Plans as so identified on Schedule 3(a)(ii). Following the Distribution Date, Defense shall sponsor the Defense US Non-Qualified DB Plans as so identified on Schedule 3(a)(ii). Following the Distribution Date, Water shall sponsor the Water US Non-Qualified DB Plans as so identified on Schedule 3(a)(ii). Each of ITT, Defense and Water shall assume all liabilities associated with such plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date; provided, that Defense shall recognize the additional service credit as specified in Section 3(c)(iv) of this Agreement. Each of ITT, Defense and Water shall be liable for all accrued benefits associated with such plans that it sponsors following the Distribution Date, whether accrued prior to, on or following the Distribution Date.

(ii) Excess Pension Plans. Effective as of the Distribution Date, ITT shall cause the transfer of the sponsorship of the ITT US Non-Qualified DB Plans identified as Items 1-7 on Schedule 3(a)(ii) to Defense; provided, that Defense shall recognize the additional service credit as specified in Section 3(c)(iv) of this Agreement.

Defense does hereby assume liability for all benefits accrued prior to the Distribution Date under the ITT Excess Pension Plans, the ITT Enhanced Pension Plan, Federal Labs Unfunded 1, EDO Excess Plan — SERP and the Retirement Plan for Non-Management Directors of ITT Corp. identified as Items 1, 3-7 on Schedule 3(a)(ii) for all Preexisting ITT Employees, except as provided in the Ancillary Agreements.

(iii) Ex Gratia Plan. Effective as of the Distribution Date, ITT shall cause the transfer of the Ex Gratia Plan to Defense identified as Item 2 on Schedule 3(a)(ii) along with all liabilities accrued under the plan with the exception of any liabilities identified on Schedule 3(a)(ii).

(iv) Additional Retirement Eligibility. Effective as of the Distribution Date, any ITT Employee and any Water Employee who has accrued benefits under the ITT Excess Pension Plan shall have his or her benefit accruals under the Excess Pension Plans cease as of the date immediately preceding the Distribution Date; provided that, solely for purposes of determining the amount of an employee's Excess Pension Plans benefit under the Excess Pension Plans, such Water Employee or ITT Employee shall be deemed to have incurred a Termination of Employment (as defined in the Excess Pension Plans) as of the Distribution Date; provided however, that for purposes of determining such employee's eligibility for a benefit under the Excess Pension Plans, such Water Employee or ITT Employee shall be credited with the same eligibility service he or she is credited with under the ITT Salaried Retirement Plan as

described in Section 3(b)(vii) herein. Notwithstanding the previous sentence, a Water Employee shall not incur a Termination of Employment under the terms of the Excess Pension Plans until such Water Employee incurs a Termination of Employment with Water and (b) an ITT Employee shall not incur a Termination of Employment under the terms of the Excess Pension Plans until such ITT Employee incurs a Termination of Employment with ITT.

Effective as of the Distribution Date, all accrued benefits under the Excess Pension Plans for ITT Employees and Water Employees who have at least one year of service credit as of the Distribution Date shall become 100 percent vested and nonforfeitable as of the Distribution Date. Unvested benefits attributable to Defense Employees shall remain unchanged and Defense shall be liable for all benefits (unvested or vested) attributable to Defense Employees.

(v) Springing Rabbi Trust. It is contemplated that Defense will enter into a rabbi trust agreement following the Distribution Date that will, only in the event of a Change in Control of Defense, be fully funded with the amounts payable under the ITT Excess Pension Plans identified as Item 1 on Schedule 3(a)(ii) and will pay to each participant the lump-sum amount payable following a Change in Control in accordance with such plans.

(d) Non-US DB Plans. (i) Continuation of Non-US DB Plans. Following the Distribution Date, ITT shall continue to sponsor the ITT Non-US DB Plans as so identified on Schedule 3(a)(iii). Following the Distribution Date, Defense shall continue to sponsor the Defense Non-US DB Plans as so identified on Schedule 3(a)(iii). Following the Distribution Date, Water shall continue to sponsor the Water Non-US DB Plans as so identified on Schedule 3(a)(iii). Each of ITT, Defense and Water shall assume all liabilities associated with such plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date. Each of ITT, Defense and Water shall retain all accrued benefits associated with such plans that it sponsors following the Distribution Date, whether accrued prior to, on or following the Distribution Date. For any ITT Non-US DB Plan not identified on Schedule 3(a)(iii), the entity that maintained such ITT Non-US DB Plan prior to the Distribution Date shall continue to maintain such plan and assume all liabilities associated with such plan following the Distribution Date.

(ii) Adoption of Non-US DB Plan. Effective as of the Distribution Date, Water shall adopt a benefits plan for Water Employees, which shall have terms similar in all material respects to the benefit plan identified on Item 3 of Schedule 3(a)(iii). Each of ITT, Defense and Water shall assume all liabilities associated with the plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date.

(iii) Transfer of Non-US DB Plans. Effective as of the Distribution Date, ITT shall transfer to Water the Non-US DB Plan identified as Item 22 of Schedule 3(a)(iii) (the "British DB Plan"), and Water shall assume all liabilities associated with such plan; provided that the transfer of such plan will be made in accordance with a deed of substitution between Lowara UK Limited, ITT Industries Limited and Pension Trustee Management Limited and a scheme apportionment arrangement deed between the Trustee and the employers participating in such plan.

(iv) Transfer of Non-US Assets and Liabilities. As soon as practicable on or after the Distribution Date, ITT shall transfer to Water the assets and liabilities associated with Water Employees who participated in the Non-US Pension Plans identified as Items 8, 23 and 24 of Schedule 3(a)(iii) prior to the Distribution. Such assets will be transferred in kind to the maximum extent practicable. The plan actuary for each such transfer shall be responsible for determining the appropriate amount of assets and liabilities to be allocated per employee transferred, in each case in accordance with applicable local law.

(v) Transfer of Other Non-US Assets. Notwithstanding any other provision of this Article III, the Plan Actuary for each such Non-US DB Plan shall be responsible for determining the appropriate amount of assets and liabilities to be allocated to comparable plans to be established and adopted by the companies as required pursuant to the provisions of this Article III, in each case in accordance with applicable local law.

(vi) Canadian DB Plans. Effective as of the Distribution Date, any ITT Employee who has accrued benefits under the Non-US DB Plans identified as Items 14 and 15 on Schedule 3(a)(iii) (the "Canadian Salaried DB Plans") will cease participation in the Canadian Salaried DB Plans as of the Distribution Date, shall be vested as of the Distribution Date and shall cease to accrue further benefits under the Canadian Salaried DB Plans following the Distribution Date. Benefit entitlements of ITT Employees under the Canadian Salaried DB Plans shall be determined in accordance with the terms of the plans and applicable local law.

(vii) Additional Retirement Eligibility for British DB Plan. Effective as of September 30, 2011 (or as soon as reasonably practicable after this date), any ITT Employee, Defense Employee or any Water Employee who has accrued benefits under the Non-US DB Plan identified as the British DB Plan as Item 22 on Schedule 3(a)(iii) shall be vested and will be credited for benefit service through December 31, 2011. Such plan will be frozen as of September 30, 2011 (or as soon as reasonably practicable after this date) and Water will continue to sponsor and administer the plan.

Effective as of the Distribution Date, all ITT Employees who participate in the Non-US DB Plan identified as the British DB Plan as Item 22 on Schedule 3(a)(iii) will cease participation in the British DB Plan as of the Distribution Date, shall be vested as of the Distribution Date and shall not continue to earn eligibility service following the Distribution Date. Unvested benefits attributable to Water Employees under the British DB Plan shall remain unchanged and Water shall remain liable for all benefits (unvested or vested) attributable to Water Employees.

4. DEFINED CONTRIBUTION PLANS.

(a) List of Defined Contribution Plans. (i) Certain current and former employees of ITT, Water and Defense participate in ITT Group tax qualified defined contribution plans made available for certain ITT Group employees in the United States. Schedule 4(a)(i) lists each defined contribution plan applicable to Preexisting ITT Employees (the "US Qualified DC Plans").

(ii) Certain current and former employees of ITT, Water and Defense participate in ITT Group non-tax qualified defined contribution plans made available for certain ITT Group employees in the United States. Schedule 4(a)(ii) lists each defined contribution plan applicable to Preexisting ITT Employees (the “US Non-Qualified DC Plans”).

(iii) Certain current and former employees of ITT, Water and Defense participate in ITT Group defined contribution plans made available for certain ITT Group employees outside of the United States. Schedule 4(a)(iii) lists each defined contribution plan applicable to Preexisting ITT Employees (the “Non-US DC Plans”).

(b) US Qualified DC Plans. (i) Continuation of Existing US Qualified DC Plans. Following the Distribution Date, ITT shall continue to sponsor the US Qualified DC Plans so identified on Schedule 4(a)(i). Following the Distribution Date, Defense shall continue to sponsor the US Qualified DC Plans so identified on Schedule 4(a)(i). Following the Distribution Date, Water shall sponsor the US Qualified DC Plans so identified on Schedule 4(a)(i). All employees who participate in the ITT Salaried Investment and Savings Plan identified as Item 1 on Schedule 4(a)(i) shall be vested immediately on the Distribution Date.

(ii) Adoption of New US Qualified DC Plans. Effective as of the Distribution Date, ITT shall adopt a new defined contribution plan for ITT Employees who participated in the defined contribution plan identified as Item 1 on Schedule 4(a)(i). Effective as of the Distribution Date, Water shall adopt new defined contribution plans for Water Employees who participated in the defined contribution plans identified as Items 1 and 14 on Schedule 4(a)(i).

(iii) Transfer of US Qualified DC Plans. As soon as practicable on or after the Distribution Date, ITT shall cause the transfer of the sponsorship of the ITT Salaried Investment and Savings Plan identified as Item 1 on Schedule 4(a)(i) to Defense and Defense shall cause the transfer of the accounts of all ITT Employees and Water Employees from such plan to the defined contribution plans adopted by ITT and Water, as applicable.

ITT shall cause the transfer of the accounts of all Water Employees from the Goulds Pumps, Inc. Retirement Savings and Investment Plan identified as Item 14 on Schedule 4(a)(i) to a new defined contribution plan maintained by Water. Assets attributable to the accounts identified in this Section 4(b)(iii) will be transferred in kind to the maximum extent practicable. Each of ITT, Defense and Water shall assume all liabilities associated with the plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date.

(iv) ITT Stock Funds. As soon as practicable on or after the Distribution Date, each U.S. Qualified DC Plan identified on Schedule 4(a)(i) that invests in ITT Common Stock will maintain stock funds for each of ITT Common Stock, Water Common Stock and Defense Common Stock (each as adjusted for the Distribution) for a period as determined by the fiduciaries of each such U.S. Qualified DC Plan. Following the Distribution Date, the applicable fiduciaries of each such U.S. Qualified DC Plan shall determine the proper treatment of the stock funds maintained in such U.S. Qualified DC Plans and shall determine the timing of the disposition of shares held in such stock funds and the treatment of the proceeds of sale of such shares.

(c) US Non-Qualified DC Plans. (i) Continuation of Existing US Non-Qualified DC Plans. Following the Distribution Date, ITT shall continue to sponsor the defined contribution plans so identified on Schedule 4(a)(ii). Following the Distribution Date, Defense shall sponsor the defined contribution plans so identified on Schedule 4(a)(ii). Following the Distribution Date, Water shall sponsor the defined contribution plans so identified on Schedule 4(a)(ii).

(ii) Deferred Compensation Plans. Effective as of the Distribution Date, ITT shall remain liable for benefits accrued under the ITT Deferred Compensation Plan identified as Item 2 on Schedule 4(a)(ii) prior to the Distribution Date with respect to ITT Employees and ITT Retirees. Effective as of the Distribution Date, Water shall adopt the Water Deferred Compensation Plan identified as Item 2 on Schedule 4(a)(ii), which shall be identical in all material respects to the ITT Deferred Compensation Plan as in effect immediately prior to the Distribution Date. Effective as of the Distribution Date, Defense shall adopt the Defense Deferred Compensation Plan, which shall be identical in all material respects to the ITT Deferred Compensation Plan identified as Item 2 on Schedule 4(a)(ii) as in effect immediately prior to the Distribution Date. ITT shall cause the transfer of all liabilities for benefits accrued under the ITT Deferred Compensation Plan for such Defense Employees and ITT Retirees listed on Schedule 4(c)(iii) to Defense and for such Water Employees and ITT Retirees listed on Schedule 4(c)(iii) to Water as soon as practicable following the Distribution Date.

Water does hereby assume liability for benefits accrued prior to the Distribution Date under the ITT Deferred Compensation Plan with respect to Water Employees and specific ITT Retirees listed on Schedule 4(c)(iii), including without limitation, such liabilities incurred prior to 1995 identified in the 1995 Employee Matters Agreement. Defense does hereby assume liability for benefits accrued prior to the Distribution Date under the ITT Deferred Compensation Plan with respect to Defense Employees and specific ITT Retirees listed on Schedule 4(c)(iii), including without limitation, such liabilities incurred prior to 1995 identified in the 1995 Employee Matters Agreement.

(iii) Excess Savings Plans. Effective as of the Distribution Date, ITT shall remain liable for benefits accrued under the ITT Excess Savings Plan identified as Item 3 on Schedule 4(a)(ii) prior to the Distribution Date with respect to ITT Employees and ITT Retirees. Effective as of the Distribution Date, Water shall adopt a new excess savings plan, which shall be identical in all material respects to the ITT Excess Savings Plan identified as Item 3 on Schedule 4(a)(ii) as in effect immediately prior to the Distribution Date. Effective as of the Distribution Date, Defense shall adopt a new excess savings plan, which shall be identical in all material respects to the ITT Excess Savings Plan identified as Item 3 on Schedule 4(a)(ii) as in effect immediately prior to the Distribution Date. ITT shall cause the transfer of all liabilities for benefits accrued under the ITT Excess Savings Plan for Defense Employees as reflected on the plan's records to Defense and for Water Employees as reflected on the plan's records to Water as soon as practicable following the Distribution Date. Water does hereby assume liability for benefits accrued prior to the Distribution Date under the ITT Excess Savings Plan with respect to Water Employees, and Defense does hereby assume liability for benefits accrued prior to the Distribution Date under the ITT Excess Savings Plan with respect to Defense Employees.

(d) Non-US DC Plans. (i) Continuation of Non-US DC Plans. Following the Distribution Date, ITT shall continue to sponsor the ITT Non-US DC Plans as so identified on Schedule 4(a)(iii). Following the Distribution Date, Defense shall continue to sponsor the Defense Non-US DC Plans as so identified on Schedule 4(a)(iii). Following the Distribution Date, Water shall continue to sponsor the Water Non-US DC Plans as so identified on Schedule 4(a)(iii). Each of ITT, Defense and Water shall assume all liabilities associated with such plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date. Each of ITT, Defense and Water shall retain all accrued benefits associated with such plans that it sponsors following the Distribution Date, whether accrued prior to, on or following the Distribution Date. For any ITT Non-US DC Plan not identified on Schedule 4(a)(iii), the entity that maintained such ITT Non-US DC Plan prior to the Distribution Date shall continue to maintain such plan and assume all liabilities associated with such plan following the Distribution Date.

(ii) Adoption of Non-US DC Plans. Effective as of the Distribution Date, ITT shall adopt benefits plans for ITT Employees, which shall have terms similar in all material respects to the benefit plans identified on Items 9, 10, 13 and 14 of Schedule 4(a)(iii). Effective as of the Distribution Date, Defense shall adopt benefits plans for Defense Employees, which shall have terms similar in all material respects to the benefit plan identified as the ITT Retirement Savings Plan — ITT Industries (UK) on Item 14 of Schedule 4(a)(iii). Effective as of the Distribution Date, Water shall adopt benefits plans for Water Employees, which shall have terms similar in all material respects to the benefit plans identified on Items 2 and 3 of Schedule 4(a)(iii). Each of ITT, Defense and Water shall assume all liabilities associated with the plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date.

(iii) Transfer of Non-US Assets and Liabilities. As soon as practicable on or after the Distribution Date, ITT shall transfer to Defense the assets and liabilities associated with Defense ITT Group employees who participated in the Non-US DC Plan identified as the ITT Retirement Savings Plan — ITT Industries (UK) as Item 14 of Schedule 4(a)(iii) prior to the Distribution, unless any such employee elects otherwise. As soon as practicable on or after the Distribution Date, ITT shall transfer to Water the assets and liabilities associated with Water ITT Group employees who participated in the Non-US DC Plans identified as Items 2 and 3 of Schedule 4(a)(iii) prior to the Distribution, unless any such employee elects otherwise. As soon as practicable on or after the Distribution Date, Water shall transfer to ITT the assets and liabilities associated with ITT Employees who participated in the Non-US DC Plans identified as Items 7, 8, 13 and 14 of Schedule 4(a)(iii) prior to the Distribution, unless any such employee elects otherwise. Such assets will be transferred in kind to the maximum extent practicable.

5. EMPLOYEE HEALTH AND WELFARE BENEFIT PLANS.

(a) List of Health and Welfare Plans. (i) Certain current and former employees of ITT, Water and Defense participate in ITT Group health and welfare plans made available for certain ITT Group employees in the United States. Schedule 5(a)(i) lists each health and welfare plan applicable to Preexisting ITT Employees (the “US H&W Plans”).

(ii) Certain current and former employees of ITT, Water and Defense participate in ITT Group health and welfare plans made available for certain ITT Group employees outside of the United States. Schedule 5(a)(ii) lists each health and welfare plan applicable to Preexisting ITT Employees (the “Non-US H&W Plans”).

(b) US H&W Plans. (i) Continuation of Existing US H&W Plans. Following the Distribution Date, ITT shall continue to sponsor the health and welfare plans so identified on Schedule 5(a)(i). Following the Distribution Date, Defense shall continue to sponsor the health and welfare plans so identified on Schedule 5(a)(i). Following the Distribution Date, Water shall continue to sponsor the health and welfare plans so identified on Schedule 5(a)(i). Each of ITT, Defense and Water shall retain all accrued benefits associated with such plans that it sponsors following the Distribution Date, whether accrued prior to, on or following the Distribution Date.

(ii) Adoption of New US H&W Plans. Effective on the earlier of the Distribution Date and December 31, 2011, Defense shall adopt new health and welfare plans, which shall have terms similar in all material respects to the health and welfare plans identified as Items 14, 21, 22, 23, 24, 26, 42, 43, 45 and 46 on Schedule 5(a)(i). Effective on the earlier of the Distribution Date and December 31, 2011, Water shall adopt new health and welfare plans, which shall have terms similar in all material respects to the health and welfare plans identified as Items 14, 21, 22, 23, 24, 26, 42, 43, 45, 46 and 47 on Schedule 5(a)(i).

(iii) Goulds Plans. Effective as of the Distribution Date, Water shall adopt new health and welfare plans substantially similar in all material ways to the Goulds Postretirement Medical Plan and the Goulds Postretirement Life Plan, identified as Items 33 and 39 on Schedule 5(a)(i), respectively. As soon as practicable following the Distribution Date, ITT shall transfer to Water 25% of the assets and 25% of the liabilities of the Goulds Postretirement Medical Plan and the Goulds Postretirement Life Plan, and Water shall be liable for such assets and liabilities as of the date of such transfer.

(iv) Transfer of ITT Employee Benefit Trust. As soon as practicable on or after the Distribution Date, ITT shall transfer to Defense the ITT Employee Benefit Trust, and Defense shall assume all liabilities associated with such trust. As soon as practicable following the Distribution Date, ITT shall transfer to Defense all of the assets and liabilities of the ITT Employee Benefit Trust related to the retiree portion of the plan, and Defense shall be liable for all such assets and liabilities as of the date of such transfer.

(v) ITT Salaried Retiree Health Plan. Effective as of the Distribution Date, the ITT Salaried Retiree Health Plan identified as Item 13 on Schedule 5(a)(i) will provide that for purposes of determining eligibility for post-retirement medical benefits under the ITT Salaried Retiree Health Plan with respect to an eligible salaried Preexisting ITT Employee who on the Distribution Date, becomes a Water Employee or remains an ITT Employee, such Water Employee or ITT Employee shall be credited with the same eligibility service he or she is credited with under the ITT Salaried Retirement Plan as described in Section 3(b)(vii) herein.

(vi) Severance. Effective as of the Distribution Date, each of ITT, Water and Defense shall provide severance plans for all Preexisting ITT Employees which are substantially equivalent to those ITT severance plans covering such employees immediately prior to the

Distribution Date identified as Items 15-19 of Schedule 5(a)(i), with no restriction as to modification by each of ITT, Water and Defense.

(vii) Long-Term Disability Insurance. Effective as of the Distribution Date, Water and Defense shall each adopt long-term disability plans, identical in all material respects to the ITT Long-Term Disability Plan and the ITT Corporation Excess Long-Term Disability Plan identified as Items 23 and 24 of Schedule 5(a)(i), each as in effect on the Distribution Date, covering eligible Water Employees and Defense Employees, respectively.

(viii) Liabilities. ITT shall transfer all liability to Defense with respect to, and all Code Section 501(c)(9) assets attributable to, retiree life insurance and medical benefits under the ITT employee welfare benefit plans, except that (x) ITT shall transfer to Water the liability of ITT with respect to, and any assets attributable to, certain Preexisting ITT Employees identified on Schedule 1(a)(i) whose employment is transferred to Water in connection with the Distribution, and Water does hereby assume such liability, and (y) ITT shall transfer to Defense the liability with respect to, and assets attributable to, certain Preexisting ITT Employees identified on Schedule 1(a)(ii) whose employment is transferred to Defense in connection with the Distribution, and Defense does hereby assume such liability.

(ix) Change in Control. If there is a Change in Control of ITT, Water or Defense during the five-year period following the Distribution Date, then the company in which such Change in Control occurred shall not, during the balance of such five-year period, reduce or eliminate health benefits in effect immediately prior to such Change in Control provided to former employees who retired from ITT or any of its Affiliates on or prior to the Distribution Date (or as set forth in the next succeeding sentence), or increase associated retiree contributions, unless the other companies consent in writing to such a reduction, elimination or cost increase; provided, however, that the company in which the Change in Control occurred may, in its sole discretion, modify such benefits in accordance with the changes contemplated in the assumptions in effect immediately prior to the Change in Control that are used to establish such company's Accumulated Postretirement Benefit Obligation (as defined in Financial Accounting Standards Board ASC 715). Persons who are receiving severance payments in connection with the Distribution and who are or become eligible to retire on or before the end of such severance period shall be afforded the treatment of this Section 5(b)(ix).

(x) Indemnity. In the event that any of ITT, Water or Defense is asked to consent to a reduction, elimination or cost increase with respect to retiree health benefits after a Change in Control as described in clause (iii) above, each such company shall determine whether to provide such consent in its sole and absolute discretion. Each of ITT, Water and Defense does hereby agree to indemnify any other company asked by it to provide such consent against any and all liability that might arise with respect to the granting or withholding of such consent.

(c) Non-US H&W Plans. (i) Continuation of Non-US H&W Plans. Following the Distribution Date, ITT shall continue to sponsor the ITT Non-US H&W Plans as so identified on Schedule 5(a)(ii). Following the Distribution Date, Defense shall continue to sponsor the Defense Non-US H&W Plans as so identified on Schedule 5(a)(ii). Following the Distribution Date, Water shall continue to sponsor the Water Non-US H&W Plans as so identified on Schedule 5(a)(ii). Each of ITT, Defense and Water shall assume all liabilities associated with

such plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date. Each of ITT, Defense and Water shall retain all accrued benefits associated with such plans that it sponsors following the Distribution Date, whether accrued prior to, on or following the Distribution Date. For any ITT Non-US H&W Plan not identified on Schedule 5(a)(ii), the entity that maintained such ITT Non-US H&W Plan prior to the Distribution Date shall continue to maintain such plan and assume all liabilities associated with such plan following the Distribution Date.

(ii) Adoption of Non-US H&W Plans. Effective as of the Distribution Date, ITT shall adopt benefits plans for ITT Employees, which shall have terms similar in all material respects to the benefit plans identified on Items 27, 30-35 and 42 of Schedule 5(a)(ii). Effective as of the Distribution Date, Defense shall adopt benefits plans for Defense Employees, which shall have terms similar in all material respects to the benefit plans identified on Items 7, 8, 22 and 23 of Schedule 5(a)(ii). Effective as of the Distribution Date, Water shall adopt benefits plans for Water Employees, which shall have terms similar in all material respects to the benefit plans identified on Items 7-11, 22 and 23 of Schedule 5(a)(ii). Each of ITT, Defense and Water shall assume all liabilities associated with the plans that it sponsors following the Distribution Date, whether incurred prior to, on or following the Distribution Date.

6. INCENTIVE PLANS. (a) ITT currently maintains certain annual incentive plans and certain long-term performance plans, each as listed on Schedule 6(a) (the “Incentive Plans”), pursuant to which certain Preexisting ITT Employees employed by ITT might become entitled to payments after the Distribution Date with respect to their performance with ITT prior to the Distribution Date.

(b) Effective as of the Distribution Date, ITT shall be and remain liable for all payments accrued prior to the Distribution Date for ITT Employees under the Incentive Plans, including any such payments to be made following the Distribution Date. Effective as of the Distribution Date, Water shall be and remain liable for all payments accrued prior to the Distribution Date for Water Employees under the Incentive Plans, including any such payments to be made following the Distribution Date. Effective as of the Distribution Date, Defense shall be and remain liable for all payments accrued prior to the Distribution Date for Defense Employees under the Incentive Plans, including any such payments to be made following the Distribution Date. ITT, Water and Defense shall cause any such payments under the Incentive Plans to be recognized as compensation without regard to the source of such payments.

As soon as practicable following the Distribution Date, ITT shall transfer any amounts accrued under the Incentive Plans for (i) Water Employees to Water and (ii) Defense Employees to Defense.

(c) All multi-year cash performance awards under the Incentive Plans (the “TSR Awards”) shall be terminated effective as of the Distribution Date. ITT shall determine the amount to be paid in cash, if any, to each eligible Preexisting ITT Employee under outstanding TSR Awards as described in this Section 6(c). The amount to be paid under the TSR Awards shall be paid in cash on the normal payment schedule of the original TSR Award. ITT shall be liable for and make any such payments to ITT Employees, including any such payments to be made following the Distribution Date. Water shall be liable for and make any such

payments to Water Employees, including any such payments to be made following the Distribution Date. Defense shall be liable for and make any such payments to Defense Employees, including any such payments to be made following the Distribution Date.

For the TSR Awards granted in 2009, ITT shall pay such award in cash to the extent payment is earned according to the original vesting and payment schedule to each eligible Preexisting ITT Employee based on (i) actual performance for the pro rata percentage of the performance period completed on the Distribution Date and (ii) target value for the remaining uncompleted performance period following the Distribution Date.

For the TSR Awards granted in 2010, (i) ITT shall pay such award in cash to the extent payment is earned to each eligible Preexisting ITT Employee based on actual performance for the pro rata percentage of the performance period completed on the Distribution Date, which shall be paid according to the original vesting and payment schedule, and (ii) following the Distribution Date, ITT, Water or Defense shall award to such Preexisting ITT Employee (thereafter, an ITT Employee, a Water Employee or Defense Employee, as applicable) a restricted stock unit (“RSU”) for the remaining target value, which RSU shall vest on December 31, 2012 and shall be settled in ITT shares, Water shares or Defense shares, as applicable.

For the TSR Awards granted in 2011, (i) ITT shall pay such award in cash to the extent payment is earned to each eligible Preexisting ITT Employee based on actual performance for the pro rata percentage of the performance period completed on the Distribution Date, which shall be paid according to the original vesting and payment schedule, and (ii) following the Distribution Date, ITT, Water or Defense will award to such Preexisting ITT Employee (thereafter, an ITT Employee, a Water Employee or Defense Employee, as applicable) an RSU for the remaining target value, which RSU shall vest on December 31, 2013 and shall be settled in ITT shares, Water shares or Defense shares, as applicable.

(d) Effective as of the Distribution Date, ITT shall accrue, be and remain liable for all payments for ITT Employees under the ITT Corporation Retention Program as identified on Item 4 of Schedule 6(a). Effective as of the Distribution Date, Water shall accrue, be and remain liable for all payments for Water Employees under the ITT Corporation Retention Program as identified on Item 4 of Schedule 6(a). Effective as of the Distribution Date, Defense shall accrue, be and remain liable for all payments for Defense Employees under the ITT Corporation Retention Program as identified on Item 4 of Schedule 6(a).

7. STOCK OPTIONS AND OTHER AWARDS. (a) Effective as of the Distribution Date, outstanding stock options (whether vested or unvested), stock appreciation rights, RSUs and restricted stock awards (together, “ITT stock awards”) under the ITT stock plans listed on Schedule 7(a), as each plan may have been amended from time to time (the “ITT Stock Plans”), shall be treated as follows:

(i) ITT Employees; Retirees. ITT stock awards held by ITT Employees and ITT Retirees shall be adjusted to reflect the Distribution, as provided pursuant to the terms of the ITT Stock Plans, such that they retain ITT stock awards (but not stock awards payable in Water or Defense shares) following the Distribution Date.

(ii) Water Employees. Water Employees holding ITT stock awards shall receive substitute stock awards in respect of Water Common Stock pursuant to the terms of a stock plan to be adopted by Water as of the Distribution Date (the “Water Stock Plan”), which are deemed adjusted to reflect the Distribution, as provided pursuant to the terms of the ITT Stock Plans and as described in Section 7(a)(i).

(iii) Defense Employees. Defense Employees holding ITT stock awards shall receive substitute stock awards in respect of Defense Common Stock pursuant to the terms of a stock plan, to be adopted by Defense as of the Distribution Date (the “Defense Stock Plan”), which are deemed adjusted to reflect the Distribution, as provided pursuant to the terms of the ITT Stock Plans and as described in Section 7(a)(i).

(iv) ITT Non-Employee Directors. The Compensation and Personnel Committee of the Board of Directors of ITT has approved the adjustment of any ITT stock awards held by such non-employee directors that have not been exercised as of the Distribution Date to reflect the Distribution, as provided pursuant to the terms of the ITT Stock Plans following the conversion formula used for common shareholders of ITT stock. Such ITT stock awards held by a non-employee director will be adjusted on an “as distributed basis” such that each ITT stock award will be converted into a like number of ITT stock awards based on shares of each of ITT, Water and Defense following the Distribution Date. Generally, vesting and exercisability terms will remain the same, although certain adjustments may be made as the Board of Directors of ITT or the applicable committee thereof shall approve.

(v) Other Provisions. Effective as of the Distribution Date, Water Employees and Defense Employees shall cease active participation in all ITT Stock Plans; provided, however, that Water Employees and Defense Employees shall receive full credit under any substitute stock awards in respect of Water Common Stock and Defense Common Stock, respectively, for their service to ITT Group prior to the Distribution. To the extent that any Preexisting ITT Employee continues to be entitled to future ITT awards following the Distribution Date, such grants may be made in forms that are acceptable to ITT, Water or Defense, as such entity deem adequate.

(b) Manner of Substitution. (i) With respect to each cancelled ITT stock award, the number and exercise price of substitute stock awards granted under the Water Stock Plan or the Defense Stock Plan with respect thereto, and the other terms and conditions of the substitute stock awards, shall be equitably determined to preserve the economic value of the cancelled ITT stock award.

(ii) Each holder of ITT Common Stock on the Distribution Record Date (or such holder’s designated transferee or transferees) shall be entitled to receive in the Water Distribution a substitute stock award representing [•] [of a] share[s] of Water Common Stock granted under the Water Stock Plan for every stock award representing one (1) share of ITT Common Stock granted under the ITT Stock Plan held by such holder. No action by any such holder shall be necessary for such holder to receive the applicable substitute stock award representing shares of Water Common Stock such holder is entitled in the Water Distribution.

(iii) Each holder of ITT Common Stock on the Distribution Record Date (or such holder's designated transferee or transferees) shall be entitled to receive in the Defense Distribution a substitute stock award representing [•] [of a] share[s] of Defense Common Stock granted under the Defense Stock Plan for every stock award representing one (1) share of ITT Common Stock granted under the ITT Stock Plan held by such holder. No action by any such holder shall be necessary for such holder to receive the applicable substitute stock award representing shares of Defense Common Stock such holder is entitled in the Defense Distribution.

(c) Fractional Shares(d) . ITT holders of stock awards under ITT incentive plans on the Distribution Record Date, which would entitle such holders to receive a substitute stock award representing less than one whole share of Water Common Stock or Defense Common Stock, as the case may be, in the applicable Distribution, shall receive (x) if such holders are entitled to receive a substitute stock award representing less than one-half of a whole share of Water Common Stock or Defense Common Stock, as the case may be, such number shall be rounded down to the next whole share of Water Common Stock or Defense Common Stock, or (y) if such holders are entitled to receive a substitute stock award representing at least one-half of a whole share of Water Common Stock or Defense Common Stock, as the case may be, such number shall be rounded up to the next whole share of Water Common Stock or Defense Common Stock, as the case may be. Fractional shares of Water Common Stock or Defense Common Stock shall not be distributed in the Distribution nor credited to book-entry accounts, provided however that fractional shares of ITT, Water or Defense held for the benefit of employees in book-entry accounts with the Company's external administrator may be credited to such accounts. The Distribution Agent shall, as soon as practicable after the Distribution Date distribute to each such holder, or for the benefit of each such beneficial owner, such holder or owner's ratable share of such stock awards, based upon the average gross selling price per share of Water Common Stock or Defense Common Stock, as the case may be, after making appropriate deductions for any amount required to be withheld for United States federal income tax purposes. Notwithstanding the foregoing, in the event of any adjustment, stock split, reverse stock split or other adjustment or change to the capitalization of shares of ITT, Water or Defense that occurs at or following the Distribution, ITT, Water or Defense, as applicable, shall provide for an adjustment of the applicable stock awards then held to reflect such adjustment, stock split, reverse stock split or other adjustment or change to the capitalization of shares prior to the subsequent distribution and the terms of the applicable equity incentive plans will continue to apply to the applicable stock awards.

8. COLI. (a) Effective as of the Distribution Date, the COLI policies underwritten by Northwestern Mutual Life Insurance Company and New York Life covering certain Preexisting ITT Employees who are eligible for participation in the ITT Deferred Compensation Plan shall be allocated among the three companies in accordance with Schedule 8(a).

(b) Effective as of the Distribution Date, COLI policies underwritten by Penn Insurance and Annuity Company as set forth in Schedule 8(b) purchased in connection with supplemental executive life benefits known as "Options C and D" will remain with ITT.

9. DIRECTOR PLANS. (a) Treatment of Current Director Plans. (i) Effective as of the Distribution Date, ITT shall continue the director plans identified on Schedule 9(a) (the “ITT Director Plans”). With respect to any non-employee director of ITT immediately following the Distribution who is not also a director of Water or Defense at such time and who has an accrued benefit under the suspended ITT Directors Retirement Plan, ITT shall provide such accrued benefit in accordance with the terms of such plan, but only to the extent such accrued benefit is not duplicated under a plan maintained by Water or Defense.

(ii) Effective as of the Distribution Date, Defense shall adopt benefits plans for non-employee directors of Defense, which shall have terms similar in all material respects to the ITT Director Plans set forth on Schedule 9(a) (the “Defense Director Plans”), and Water shall adopt benefits plans for non-employee directors of Defense, which shall have terms similar in all material respects to the ITT Director Plans set forth on Schedule 9(a) (the “Water Director Plans”).

(iii) As soon as practicable on or after the Distribution Date, ITT shall cause the transfer of the accounts of all non-employee directors of Defense from the ITT Directors Plans to the Defense Director Plans. As soon as practicable on or after the Distribution Date, ITT shall cause the transfer of the accounts of all non-employee directors of Water from the ITT Directors Plans to the Water Director Plans. Such assets will be transferred in kind to the maximum extent practicable.

(b) Adoption of Water Director Plans. Effective as of the Distribution Date, Water shall adopt plans and programs for non-employee directors that are identical in all material respects to the ITT Director Plans. With respect to any non-employee director of Water immediately following the Distribution who has an accrued benefit under any ITT Director Plan, Water shall provide such accrued benefit in accordance with the terms of such plan, but only to the extent such accrued benefit is not duplicated under a plan maintained by ITT or Defense.

(c) Adoption of Defense Director Plans. Effective as of the Distribution Date, Defense shall adopt plans and programs for non-employee directors that are identical in all material respects to the ITT Director Plans(d) . With respect to any non-employee director of Defense immediately following the Distribution who has an accrued benefit under any suspended ITT Director Plan, Defense shall provide such accrued benefit in accordance with the terms of such plan, but only to the extent such accrued benefit is not duplicated under a plan maintained by ITT or Water.

10. COLLECTIVE BARGAINING AGREEMENTS. (a) ITT Collective Bargaining Agreements. ITT shall retain all collective bargaining agreements and associated liabilities so identified on Schedule 10(a) and for each such collective bargaining agreement in effect as of the Distribution Date. For each such collective bargaining agreement in effect as of the Distribution Date, ITT shall continue to recognize the union which is a party to such collective bargaining agreement as the exclusive collective bargaining representative for the ITT Employees covered under the terms of each such collective bargaining agreement.

(b) Water Collective Bargaining Agreements. Water shall expressly assume all collective bargaining agreements and associated liabilities so identified on Schedule 10(a)

effective as of the Distribution Date. For each such collective bargaining agreement in effect as of the Distribution Date, Water agrees to recognize the union which is a party to each such collective bargaining agreement as the exclusive collective bargaining representative for the Water Employees covered under the terms of each such collective bargaining agreement.

(c) Defense Collective Bargaining Agreements. Defense shall expressly assume all collective bargaining agreements and associated liabilities so identified on Schedule 10(a) effective as of the Distribution Date. For each such collective bargaining agreement in effect as of the Distribution Date, Defense agrees to recognize the union which is a party to each such collective bargaining agreement as the exclusive collective bargaining representative for the Defense Employees covered under the terms of each such collective bargaining agreement.

(d) EU Directive. Notwithstanding anything to the contrary in this Section 10, in countries in which the European Union Acquired Rights Directive applies, collective bargaining agreements and any other agreements with employee representatives will continue to apply after the Distribution Date to the extent and in the manner provided for by local law.

11. TRANSITION SERVICES. Each of ITT, Water and Defense shall provide such transition services as required by the Transition Services Agreement.

12. ALLOCATION OF BALANCE SHEET ACCOUNTS. Effective as of the Distribution Date, certain balance sheet accounts attributable to employee benefit plans for which responsibility is being transferred from ITT to Water and/or Defense shall be allocated to the balance sheets of Water or Defense, as appropriate, on the following basis:

(a) All accruals on the balance sheets of Water (including accruals on the balance sheet of Water) and Defense (including accruals on the balance sheet of Defense) which relate to benefit plans sponsored by the respective companies shall be unaffected by the provisions of this Section 12.

(b) With regard to the liabilities recorded by ITT with respect to the ITT Excess Savings Plan that will, in accordance with Section 4(c)(iii), be assumed by Water and Defense, respectively, ITT shall allocate to the respective new employing entity an amount equal to the sum of the plan balances for such affected employees.

(c) For each category of balance sheet account enumerated in this Section 12, there has been recorded a corresponding deferred tax debit or credit, as the case may be, which shall also be allocated to the respective companies based on the amount allocated for the stated reason above.

(d) To the extent that a balance sheet account requiring allocation among the companies exists that is not specifically included in this Section 12, ITT shall make the allocation on a reasonable basis, subject to the agreement of the party in whose favor the allocation is being made.

13. ACCESS TO INFORMATION AND DATA EXCHANGE. (a) Provision of Corporate Records. (i) Consistent with Section 6.3 of the Distribution Agreement, upon the prior written request by Water or Defense for specific and identified agreements, documents, books, records or files including, without limitation, computer files, microfiche, tape recordings and photographs (collectively, “Records”), relating to or affecting Water or Defense, as applicable, ITT shall arrange, as soon as reasonably practicable following the receipt of such request, for the provision of appropriate copies of such Records (or the originals thereof if the party making the request has a reasonable need for such originals) in the possession of ITT or any of its Subsidiaries, but only to the extent such items are not already in the possession of the requesting party; provided, however, that as soon as practicable following the Distribution Date, ITT shall provide copies of all necessary employee documentation for the Water Employees listed on Schedule 1(a)(i) to Water and shall provide copies of all necessary employee documentation for the Water Employees listed on Schedule 1(a)(ii) to Defense.

(ii) After the Distribution Date, upon the prior written request by ITT or Defense for specific and identified Records relating to or affecting ITT or Defense, as applicable, Water shall arrange, as soon as reasonably practicable following the receipt of such request, for the provision of appropriate copies of such Records (or the originals thereof if the party making the request has a need for such originals) in the possession of Water or any of its Subsidiaries, but only to the extent such items are not already in the possession of the requesting party.

(iii) After the Distribution Date, upon the prior written request by ITT or Water for specific and identified Records relating to or affecting ITT or Water, as applicable, Defense shall arrange, as soon as reasonably practicable following the receipt of such request, for the provision of appropriate copies of such Records (or the originals thereof if the party making the request has a need for such originals) in the possession of Defense or any of its Subsidiaries, but only to the extent such items are not already in the possession of the requesting party.

(b) Access to Information. (i) From and after the Distribution Date and consistent with Section 6.3 of the Distribution Agreement, each of ITT, Water and Defense shall afford to the other and its authorized accountants, counsel and other designated representatives reasonable access during normal business hours, subject to appropriate restrictions for classified, privileged or confidential information, to the personnel, properties, books and Records of such party and its Subsidiaries insofar as such access is reasonably required by the other party.

(ii) Without limiting the generality of the foregoing clause (i), except as otherwise provided by law, each party hereto shall furnish, or shall cause to be furnished to the other parties, a list of all benefit plan participants and employee data or information in its possession which is necessary for such other parties to maintain and implement any benefit plan or arrangement covered by this Agreement, or to comply with

the provisions of this Agreement, and which is not otherwise readily available to such other party.

(c) Reimbursement; Other Matters. (i) Except to the extent otherwise specifically identified by the Distribution Agreement or any Ancillary Agreement, a party providing Records or access to information to the other party under this Section 13 shall be entitled to receive from the recipient, upon the presentation of invoices therefore, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses, as may be reasonably incurred in providing such Records or access to information.

(ii) The parties hereto shall comply with those document retention policies, cost sharing arrangements, expense reimbursement procedures and request procedures as shall be established and agreed to in writing by their respective authorized officers on or prior to the Distribution Date in respect of Records and related matters.

(d) Confidentiality. Each of (i) ITT and its Subsidiaries, (ii) Water and its Subsidiaries and (iii) Defense and its Subsidiaries shall not use or permit the use of (without the prior written consent of the other) and shall hold, and shall cause its consultants and advisors to hold, in strict confidence, all information concerning the other parties in its possession, its custody or under its control (except to the extent that (A) such information has been in the public domain through no fault of such party or (B) such information has been later lawfully acquired from other sources by such party or (C) the Distribution Agreement, this Agreement or any other Ancillary Agreement or any other agreement entered into pursuant hereto permits the use or disclosure of such information or (D) as may be required under the USA Patriot Act) to the extent such information (x) relates to the period up to the Effective Time, (y) relates to the Distribution Agreement or any Ancillary Agreement or (z) is obtained in the course of performing services for the other party pursuant to the Distribution Agreement or any Ancillary Agreement, and each party shall not (without the prior written consent of the other) otherwise release or disclose such information to any other person, except such party's auditors and attorneys, unless compelled to disclose such information by judicial or administrative process or unless such disclosure is required by law and such party has used commercially reasonable efforts to consult with the other affected party or parties prior to such disclosure. To the extent that a party hereto is compelled by judicial or administrative process to disclose such information under circumstances in which any evidentiary privilege would be available, such party agrees to assert such privilege in good faith prior to making such disclosure. Each of the parties hereto agrees to consult with each relevant other party in connection with any such judicial or administrative process, including, without limitation, in determining whether any privilege is available, and further agrees to allow each such relevant party and its counsel to participate in any hearing or other proceeding (including, without limitation, any appeal of an initial order to disclose) in respect of such disclosure and assertion of privilege. Notwithstanding anything to the contrary contained herein, each party shall be entitled to use information disclosed pursuant to this Agreement to the extent reasonably necessary for the administration of its employee benefit plans in accordance with applicable law.

14. NOTICES; COOPERATION. Notwithstanding anything in this Agreement to the contrary, all actions contemplated herein with respect to benefit plans which are to be consummated pursuant to this Agreement shall be subject to such notices to, and/or

approvals by, the Internal Revenue Service (or other governmental agency or entity) as are required or deemed appropriate by such benefit plan's sponsor. Each of ITT, Water and Defense agrees to use its commercially reasonable efforts to cause all such notices and/or approvals to be filed or obtained, as the case may be, in a timely fashion. Each party hereto shall reasonably cooperate with the other parties with respect to any government filings, employee notices or any other actions reasonably necessary to maintain and implement the employee benefit arrangements covered by this Agreement.

15. FURTHER ASSURANCES. From time to time, as and when reasonably requested by any other party hereto, each party hereto shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such other party may reasonably deem necessary or desirable to effect the purposes of this Agreement and the transactions contemplated hereunder.

16. INDEMNIFICATION. (a) Indemnification by ITT. Except as otherwise specifically set forth in this Agreement or in Article VII of the Distribution Agreement, ITT shall indemnify, defend and hold harmless the Water Indemnitees and the Defense Indemnitees from and against any and all Indemnifiable Losses of the Water Indemnitees and the Defense Indemnitees, respectively, arising out of, by reason of or otherwise in connection with (i) any employee benefit plan, policy, program or arrangement established or adopted by ITT effective on or after the Distribution Date, (ii) any and all liabilities relating primarily to, arising primarily out of or resulting primarily from the operation or conduct of any ITT Plan or any individual identified as an ITT Employee, (iii) any liability assumed or retained by ITT pursuant to the terms and conditions set forth on Schedule 16(a) of this Agreement or (iv) the breach by ITT of any provision of this Agreement.

(b) Indemnification by Water. Except as otherwise specifically set forth in this Agreement or in Article VII of the Distribution Agreement, Water shall indemnify, defend and hold harmless the ITT Indemnitees and the Defense Indemnitees from and against any and all Indemnifiable Losses of the ITT Indemnitees and the Defense Indemnitees, respectively, arising out of, by reason of or otherwise in connection with (i) any employee benefit plan, policy, program or arrangement established or adopted by Water effective on or after the Distribution Date, (ii) any and all liabilities relating primarily to, arising primarily out of or resulting primarily from the operation or conduct of any Water Plan or any individual identified as a Water Employee, (iii) any liability assumed or retained by Water pursuant to the terms and conditions set forth on Schedule 16(b) of this Agreement or (iv) the breach by Water of any provision of this Agreement.

(c) Indemnification by Defense. Except as otherwise specifically set forth in this Agreement or in Article VII of the Distribution Agreement, Defense shall indemnify, defend and hold harmless the ITT Indemnitees and the Water Indemnitees from and against any and all Indemnifiable Losses of the ITT Indemnitees and the Water Indemnitees, respectively, arising out of, by reason of or otherwise in connection with (i) any employee benefit plan, policy, program or arrangement established or adopted by Defense effective on or after the Distribution Date, (ii) any and all liabilities relating primarily to, arising primarily out of or resulting primarily from the operation or conduct of any Defense Plan or any individual identified as a Defense Employee, (iii) any liability assumed or retained by Defense pursuant to the terms and

conditions set forth on Schedule 16(c) of this Agreement or (iv) the breach by Defense of any provision of this Agreement.

(d) Limitations on Indemnification Obligations. (i) The amount that any party (an “Indemnifying Party”) is or may be required to pay to any other person (an “Indemnitee”) pursuant to paragraphs (a), (b) or (c) of this Section 16, as applicable, shall be reduced (retroactively or prospectively) by any Insurance Proceeds or other amounts actually recovered by or on behalf of such Indemnitee in respect of the related Indemnifiable Loss. If an Indemnitee shall have received the payment required by this Agreement from an Indemnifying Party in respect of an Indemnifiable Loss and shall subsequently actually receive Insurance Proceeds or other amounts in respect of such Indemnifiable Loss, then such Indemnitee shall pay to such Indemnifying Party a sum equal to the amount of such Insurance Proceeds or other amounts actually received, up to the aggregate amount of any payments received from such Indemnifying Party pursuant to this Agreement in respect of such Indemnifiable Loss.

(ii) An Indemnifying Party shall not be required to indemnify or pay an Indemnitee pursuant to paragraphs (a), (b) or (c) of this Section 16, as applicable, for any Indemnifiable Losses relating to or associated with any employee benefit plan, policy, program or arrangement of the Indemnifying Party arising out of, by reason of or otherwise in connection with any act or failure to act on the part of such Indemnitee (including for this purpose any subsidiaries, businesses or operations which become associated with the Indemnitee by virtue of or in connection with the Distribution) with respect to or in connection with such employee benefit plan, policy, program or arrangement, including, without limitation, any such act or failure to act in connection with the administration by the Indemnitee of such employee benefit plan, policy, program or arrangement.

(e) Survival of Indemnities. The obligations of ITT, Water and Defense under this Section 16 shall survive the sale or other transfer by any of them of any assets or businesses or the assignment by any of them of any Liabilities, with respect to any Indemnifiable Loss of the other related to such assets, businesses or Liabilities.

17. DISPUTE RESOLUTION. In the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity or breach of this Agreement or otherwise arising out of, or in any way related to this Agreement, including, without limitation, any claim based on contract, tort, statute or constitution, the relevant parties shall adhere to the dispute resolution procedures as described in the Distribution Agreement.

18. MISCELLANEOUS. (a) Complete Agreement; Construction. This Agreement, including the Schedules and the Distribution Agreement, shall constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments, course of dealings and writings with respect to such subject matter. In the event of any inconsistency between this Agreement and any Schedule hereto, the Schedule shall prevail. In the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of the Distribution

Agreement, this Agreement shall control unless specifically stated otherwise in the Distribution Agreement.

(b) Ancillary Agreements. Except as expressly set forth herein, this Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements.

(c) Counterparts. This Agreement may be executed in more than one counterpart, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties.

(d) Survival of Agreements. Except as otherwise contemplated by this Agreement, all covenants and agreements of the parties contained in this Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

(e) Expenses. Except as specifically listed on Schedule 18(e), all out-of-pocket fees and expenses incurred, or to be incurred and directly related to the transactions contemplated hereby shall be paid as described in the Distribution Agreement.

(f) Notices. All notices, requests, claims, demands and other communications under this Agreement shall be made as described in the Distribution Agreement.

(g) Waivers. Any consent required or permitted to be given by any party to the other parties under this Agreement shall be in writing and signed by the party giving such consent and shall be effective only against such party.

(h) Assignment. This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any party hereto without the prior written consent of the other parties, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, this Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a party hereto so long as the resulting, surviving or transferee entity assumes all the obligations of the relevant party hereto by operation of law or pursuant to an agreement in form and substance reasonably satisfactory to the other parties to this Agreement.

(i) Successors and Assigns. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the parties and their respective successors and permitted transferees and assigns.

(j) Termination and Amendment. This Agreement may be terminated, amended, modified or amended and the Distribution may be modified or abandoned at any time prior to the Effective Time by and in the sole discretion of ITT without the approval of Water, Defense or the shareholders of ITT. In the event of such termination, no party shall have any liability of any kind to any other party or any other person. After the Effective Time, this Agreement may not be terminated, modified or amended except by an agreement in writing signed by ITT, Water and Defense.

(k) Payment Terms. Except as expressly provided to the contrary in this Agreement, any amount to be paid or reimbursed by any party, on the one hand, to any other party or parties, on the other hand, under this Agreement shall be paid or reimbursed hereunder within sixty (60) days after presentation of an invoice or a written demand therefor and setting forth, or accompanied by, reasonable documentation or other reasonable explanation supporting such amount. Except as expressly provided to the contrary in this Agreement, any amount not paid when due pursuant to this Agreement (and any amount billed or otherwise invoiced or demanded and properly payable that is not paid within sixty (60) days of such bill, invoice or other demand) shall bear interest at a rate per annum equal to LIBOR, from time to time in effect, calculated for the actual number of days elapsed, accrued from the date on which such payment was due up to the date of the actual receipt of payment.

(l) No Circumvention. The parties agree not to directly or indirectly take any actions, act in concert with any person who takes an action, or cause (including the failure to take a reasonable action) such that the resulting effect is to materially undermine the effectiveness of any of the provisions of this Agreement.

(m) Subsidiaries. Each of the parties hereto shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such party or by any entity that becomes a Subsidiary of such party at the Effective Time, to the extent such Subsidiary remains a Subsidiary of the applicable party.

(n) Third Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

(o) Title and Headings. Titles and headings to Sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

(p) Schedules. The Schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. Nothing in the Schedules constitutes an admission of any liability or obligation of ITT, Water or Defense or any of their respective Affiliates to any third party, nor, with respect to any third party, an admission against the interests of ITT, Water or Defense or any of their respective Affiliates. The inclusion of any item or liability or category of item or liability on any Schedule is made solely for purposes of allocating potential liabilities among the parties and shall not be deemed as or construed to be an admission that any such liability exists.

(q) Governing Law. This Agreement shall be governed by and construed in accordance with the Laws, but not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York; provided that the Indiana Business Corporation Law, including the provisions thereof governing

the fiduciary duties of directors of a Indiana corporation, shall govern, as applicable, the internal affairs of ITT, Defense and Water, as the case may be.

(r) Consent to Jurisdiction. Subject to the provisions of Article XVI hereof, each of the parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, or (b) the United States District Court for the Southern District of New York (the "New York Courts"), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Article IX of the Distribution Agreement or to prevent irreparable harm, and to the non-exclusive jurisdiction of the New York Courts for the enforcement of any award issued thereunder. Each of the parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in the New York Courts with respect to any matters to which it has submitted to jurisdiction in this Section 18(r). Each of the parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the New York Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(s) Waiver of Jury Trial. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 18(S).

(t) Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

(u) Force Majeure. No party (or any person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other applicable parties of the

nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

(v) Interpretation. The parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

(w) No Duplication; No Double Recovery. Nothing in this Agreement is intended to confer to or impose upon any party a duplicative right, entitlement, obligation or recovery with respect to any matter arising out of the same facts and circumstances.

(x) No Waiver. No failure to exercise and no delay in exercising, on the part of any party, any right, remedy, power or privilege hereunder shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

(y) No Admission of Liability. The allocation of assets and liabilities herein (including on the Schedules hereto) is solely for the purpose of allocating such assets and liabilities among ITT, Water and Defense and is not intended as an admission of liability or responsibility for any alleged liabilities vis a vis any third party, including with respect to the Liabilities of any non-wholly owned subsidiary of ITT, Water or Defense.

(z) Definitions. Capitalized terms used herein shall have the respective meanings specified in the Appendix attached hereto unless otherwise herein defined or the context hereof shall otherwise require.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed and entered into this Agreement, as of the date first above written.

ITT Corporation

By: _____
Name: _____
Title: _____

Xylem Inc.

By: _____
Name: _____
Title: _____

Exelis Inc.

By: _____
Name: _____
Title: _____

[Signature Page]

19. DEFINITIONS.

As used in the Agreement, the following terms have the following meanings:

“1995 Employee Matters Agreement” means the Employee Benefit Services and Liability Agreement dated as of November 1, 1995, among ITT Corporation, a Delaware corporation, ITT Destinations, Inc., a Nevada corporation, and ITT Hartford Group, Inc., a Delaware corporation.

“Affiliate” has the meaning set forth in the Distribution Agreement.

“Ancillary Agreements” means all of the written agreements, instruments, understandings, assignments or other written arrangements (other than this Agreement and the Distribution Agreement) entered into in connection with the transactions contemplated hereby, including, without limitation, the Conveyancing and Assumption Instruments, the Transition Services Agreement, the Tax Matters Agreement, the License Agreements, the IP Assignments, the Supply Agreement[s], the Master Lease Agreement and the Master Sublease Agreement.

“Board” has the meaning set forth in the recitals to this Agreement.

“British DB Plan” has the meaning set forth in Section 3 of this Agreement.

“Canadian Salaried DB Plans” has the meaning set forth in Section 3 of this Agreement.

“Change in Control” means (i) where reference is made to a particular ITT Plan (including, without limitation, the 2003 ITT Equity Incentive Plan), the definition of “Change in Control” or “Acceleration Event” in such ITT Plan and (ii) where no reference is made to a particular ITT Plan, with respect to ITT, Defense or Water (each, a “Company” for the purposes of this definition), the first day that any one or more of the following conditions have been satisfied: (a) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Exchange Act disclosing that any person, other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary (or related trust), is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding shares of stock of the Company; (b) any person, other than the Company or a Subsidiary, or any employee benefit plan sponsored by the Company or a Subsidiary (or related trust), shall purchase shares pursuant to a tender offer or exchange offer to acquire any of the shares of stock of the Company (or securities convertible into stock of the Company) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the outstanding shares (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire shares); (c) the consummation of (i) any consolidation, business combination or merger involving the Company, other than a consolidation, business combination or merger involving the Company in which holders of shares immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Company (or the corporation resulting from the consolidation, business combination or merger or the parent of such

corporation) after the merger and (y) have the same proportionate ownership of common stock of the Company (or the corporation resulting from the consolidation, business combination or merger or the parent of such corporation), relative to other holders of shares immediately prior to the consolidation, business combination or merger, immediately after the consolidation, business combination or merger as immediately before; or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; (d) there shall have been a change in a majority of the members of the board of directors of the Company within a 12-month period unless the election or nomination for election by the Company's shareholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of such 12-month period or (y) whose nomination for election or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of such 12-month period; or (e) any person, other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary (or related trust), becomes the beneficial owner of twenty percent (20%) or more of the shares.

“Conveyancing and Assumption Instruments” has the meaning set forth in the Distribution Agreement.

“Defense” has the meaning set forth in the recitals to this Agreement.

“Defense Business” has the meaning set forth in the Distribution Agreement.

“Defense Common Stock” has the meaning set forth in the recitals to this Agreement.

“Defense Director Plans” has the meaning set forth in Article IX of this Agreement.

“Defense Employees” means persons who, immediately after the Distribution Date, are employed by Defense, including such persons identified on Schedule 1(a)(ii) and such persons absent from work at Defense by reason of layoff, leave of absence or disability.

“Defense Indemnitees” has the meaning set forth in the Distribution Agreement.

“Defense Plans” means such plans, programs and arrangements maintained for the benefit of Defense Employees prior to the Distribution Date.

“Defense Stock Plan” has the meaning set forth in Article VII of this Agreement.

“Distribution” has the meaning set forth in the recitals to this Agreement.

“Distribution Agent” has the meaning set forth in the Distribution Agreement.

“Distribution Agreement” has the meaning set forth in the recitals to this Agreement.

“Distribution Date” has the meaning set forth in the Distribution Agreement.

“Distribution Record Date” has the meaning set forth in the Distribution Agreement.

“Distribution” has the meaning set forth in the recitals to this Agreement.

“Effective Time” has the meaning set forth in the Distribution Agreement.

“Eligibility End Date” has the meaning set forth in Article III of this Agreement.

“Force Majeure” has the meaning set forth in the Distribution Agreement.

“Incentive Plan” has the meaning set forth in Article VI of this Agreement.

“Indemnifiable Losses” has the meaning set forth in the Distribution Agreement.

“Indemnifying Party” has the meaning set forth in Section 16(d) of this Agreement.

“Indemnitee” has the meaning set forth in Section 16(d) of this Agreement.

“Insurance Proceeds” has the meaning set forth in the Distribution Agreement.

“ITT” has the meaning set forth in the recitals to this Agreement.

“ITT Common Stock” has the meaning set forth in the recitals to this Agreement.

“ITT Director Plans” has the meaning set forth in Article IX of this Agreement.

“ITT Employees” means persons who, immediately after the Distribution Date, are employed by ITT, including such persons absent from work at ITT by reason of layoff, leave of absence or disability.

“ITT Group” means ITT and its affiliates prior to the Distribution.

“ITT Indemnitees” has the meaning set forth in the Distribution Agreement.

“ITT Plans” means the ITT Deferred Compensation Plan, the ITT Defined Benefit Plans, the ITT Defined Contribution Plans, the ITT Director Plan, the ITT Excess Pension Plan, the ITT Excess Savings Plan, the ITT Non-Qualified Plans, the ITT Non-US H&W Plans, the ITT Non-US Pension Plans, the ITT Non-US Unfunded Plans, the ITT Long-Term Disability Plan, the ITT Stock Plans and any other plan, program or arrangement maintained for the benefit of ITT Employees prior to the Distribution Date.

“ITT Retained Business” has the meaning set forth in the Distribution Agreement.

“ITT Retiree” means any retired employee of ITT or any of its predecessors.

“ITT stock awards” has the meaning set forth in Section 7 of this Agreement.

“ITT Stock Plans” has the meaning set forth in Section 7 of this Agreement.

“Laws” has the meaning set forth in the Distribution Agreement.

“Liabilities” has the meaning set forth in the Distribution Agreement.

“Master Trust” means the trust established by ITT and maintained by Northern Trust as the trustee to hold the assets of all US Qualified DB Plans.

“New ITT Trust” has the meaning set forth in Section 3 of this Agreement.

“New Water Trust” has the meaning set forth in Section 3 of this Agreement.

“New York Courts” has the meaning set forth in Article XVIII of this Agreement.

“Non-US DB Plans” has the meaning set forth in Article III of this Agreement.

“Non-US DC Plans” has the meaning set forth in Article IV of this Agreement.

“Non-US H&W Plans” has the meaning set forth in Article V of this Agreement.

“party” means ITT, Water and Defense.

“person” means any natural person, corporation, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

“Plan Actuary” means the plan actuary for each Non-US DB Plan, Non-US DC Plan or Non-US H&W Plan prior to the Distribution Date or the third-party individual who determined the liability under such plan prior to, on or after the Distribution Date.

“Preexisting ITT Employees” means persons actively employed by the ITT Group immediately prior to the Distribution; and persons who are absent from work to the ITT Group immediately prior to the Distribution by reason of layoff, leave of absence or disability.

“Records” has the meaning set forth in Article 13 of this Agreement.

“RSUs” has the meaning set forth in Article VII of this Agreement.

“Schedule” or “Schedules” means the Schedules Relating to Benefits and Compensation Matters Agreement, dated as of [____], 2011, among ITT Corporation, Exelis Inc. and Xylem Inc., as they may be amended from time to time.

“Subsidiary” has the meaning set forth in the Distribution Agreement.

“Tax Matters Agreement” has the meaning set forth in the Distribution Agreement.

“Tax” has the meaning set forth in the Tax Matters Agreement.

“Transition Services Agreement” has the meaning set forth in the Distribution Agreement.

“TSR Awards” has the meaning set forth in Article VI of this Agreement.

“USA Patriot Act” means the Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act) Act of 2001, and any amendments thereto.

“US H&W Plans” has the meaning set forth in Article V of this Agreement.

“US Non-Qualified DB Plans” has the meaning set forth in Article III of this Agreement.

“US Non-Qualified DC Plans” has the meaning set forth in Article IV of this Agreement.

“US Qualified DB Plans” has the meaning set forth in Article III of this Agreement.

“US Qualified DC Plans” has the meaning set forth in Article IV of this Agreement.

“Water” has the meaning set forth in the recitals to this Agreement.

“Water Business” has the meaning set forth in the Distribution Agreement.

“Water Common Stock” has the meaning set forth in the recitals to this Agreement.

“Water Director Plan” has the meaning set forth in Article IX of this Agreement.

“Water Employees” means persons who, immediately after the Distribution Date, are employed by Water, including such persons identified on Schedule 1(a)(i) and such persons absent from work at Water by reason of layoff, leave of absence or disability.

“Water Indemnitees” has the meaning set forth in the Distribution Agreement.

“Water Plans” means such plans, programs and arrangements maintained for the benefit of Water Employees prior to the Distribution Date.

SCHEDULES RELATING TO
BENEFITS AND COMPENSATION MATTERS AGREEMENT
DATED AS OF [], 2011,
AMONG
ITT CORPORATION,
XYLEM INC.
AND
EXELIS INC.

TABLE OF CONTENTS

	Page
Schedule 1(a)(i): ITT Employees to Water	1
Schedule 1(a)(ii): ITT Employees to Defense	3
Schedule 1(d): Employment Agreements	5
Schedule 3(a)(i): List of US Qualified Defined Benefit Plans	6
Schedule 3(a)(ii): List of US Non-Qualified Defined Benefit Plans	7
Schedule 3(a)(iii): List of Non-US Defined Benefit Plans	8
Schedule 3(b)(iv): Master Trust Interest	10
Schedule 4(a)(i): List of US Qualified Defined Contribution Plans	11
Schedule 4(a)(ii): List of US Non-Qualified Defined Contribution Plans	12
Schedule 4(a)(iii): List of Non-US Defined Contribution Plans	13
Schedule 4(c)(iii): Employees Under Deferred Compensation Plan	14
Schedule 4(c)(iv): Employees Under Excess Savings Plan	15
Schedule 5(a)(i): List of US Health & Welfare Plans	16
Schedule 5(a)(ii): List of Non-US Health & Welfare Plans	18
Schedule 6(a): List of Incentive Plans	20
Schedule 7(a): List of ITT Stock Plans	21
Schedule 8(a): COLI Policies	22
Schedule 8(b): Executive Life Policies	23
Schedule 9(a): List of ITT Director Plans	24
Schedule 10(a): List of Collective Bargaining Agreements	25
Schedule 16(a): Liabilities Assumed by ITT	27
Schedule 16(b): Liabilities Assumed by Water	27
Schedule 16(c): Liabilities Assumed by Defense	27
Schedule 18(e): Miscellaneous Expenses	28

Schedule 1(a)(i): ITT Employees to Water

Individuals listed on Schedule 1(a)(i) are listed as of 9/22/11, which will be adjusted to the date coincident with, or the end of the month following, the Distribution Date.

1. Individuals employed by the following legal entities:

CURRENT OFFICIAL LEGAL ENTITY NAME	CURRENT FEIN	EMPLOYER NAME	CURRENT INFINIUM	VC	CYCLE CODE	PAYROLL NAME	NEWCO LEGAL ENTITY	NEWCO FEIN	NEW INFINIUM	COUNTRY
COMMON PARENT CORPORATION, ITT CORPORATION	13-5158950	ITT FLUID TECHNOLOGY	800	FC	FLOBW	FLOJET BI WEEKLY	Flow Control LLC	45-2115170	891	US
COMMON PARENT CORPORATION, ITT CORPORATION	13-5158950	ITT FLUID TECHNOLOGY	800	RCW	BGSAL	BELL & GOSSETT	Fluid Handling, LLC	45-2237289	894	US
COMMON PARENT CORPORATION, ITT CORPORATION	13-5158950	ITT FLUID TECHNOLOGY	800	RCW	BGUN	BELL & GOSSETT	Fluid Handling, LLC	45-2237289	894	US
COMMON PARENT CORPORATION, ITT CORPORATION	13-5158950	ITT FLUID TECHNOLOGY	800	RCW	HTSAL	HEAT TRANSFER	Fluid Handling, LLC	45-2237289	893	US
COMMON PARENT CORPORATION, ITT CORPORATION	13-5158950	ITT FLUID TECHNOLOGY	800	RCW	HTUN	HEAT TRANSFER	Fluid Handling, LLC	45-2237289	893	US
COMMON PARENT CORPORATION, ITT CORPORATION	13-5158950	ITT FLUID TECHNOLOGY	800	RCW	RCSAL	R&CW HQ	Fluid Handling, LLC	45-2237289	890	US
ITT WATER & WASTEWATER USA, INC. [FORMERLY WEDECO,	23-2914590	ADVANCED WATER TREATMENT	870	RCW	WPC	WATER POLUTION	Water Co US, Inc.	45-2080074	870	US
ITT WATER & WASTEWATER USA, INC. [FORMERLY WEDECO,	23-2914590	ITT FLYGT CORPORATION	850	WWW	CPSAL	CUSTOM PUMPS	Water Co US, Inc.	45-2080074	850	US
ITT WATER & WASTEWATER USA, INC. [FORMERLY WEDECO,	23-2914590	ITT FLYGT CORPORATION	850	WWW	FLSAL	FLYGT SALARY	Water Co US, Inc.	45-2080074	850	US
ITT WATER & WASTEWATER USA, INC. [FORMERLY WEDECO,	23-2914590	WEDECO INC	874	WWW	WEDBW	WEDECO BW	Water Co US, Inc.	45-2080074	874	US
RULE INDUSTRIES, INC.	04-2334630	ITT FLOW CONTROL, AMERICAS/RULE	860	FC	RUSAL	RULE SALARY	Flow Control LLC	45-2115170	860	US
ITT WATER TECHNOLOGY (IX), LP/LLC	75-2623429	ITT GOULDS PUMPS TEXAS	830	RCW	H9WSA	IX TURBINE &	Texas Turbine, LLC	45-2116251	830	US
		Goulds Pumps Canada (IPG) Ontario Pro Services Center							CGO CON	CANADA CANADA

2. Individuals associated with the following entities that will transfer to Water:

Chile	1	RCW
India	120	Water
Mexico (Chihuahua)	5	FC
Mexico (Nogales)	80	FC
Singapore	1.5	RCW
South Korea	3	RCW
Taiwan	1	RCW
Thailand	2	RCW
United Kingdom	1.5	SS
United Kingdom (Basingstoke)	3	IT
United Kingdom (Wniteley, Letcnwort)	168	FC
ITT High Precision Manufactured Products (Wuxi) Co., Ltd	63	FC
ITT (China) Investment. Shanghai Branch	51	Water HQ
ITT (China) Investment	3	ITT Water & Waste(Shenyang) Co., Ltd. Wuxi Branch — Assets will also transfer
ITT (China) Investment	2	ITT (Shanghai) Trading Co., Ltd — Assets will transfer
ITT (China) Investment, Shanghai Branch	2	ITT (Shanghai) Trading Co., Ltd,
ITT (China) Investment, Shanghai Branch	2	ITT (Shanghai) Trading Co., Ltd, Beijing Branch
ITT (China) Investment, Shanghai Branch	1	ITT (Shanghai) Trading Co., Ltd Beijing Branch
ITT (China) Investment	1	ITT (Nanjing) CO., Ltd
ITT (China) Investment	1	ITT (Shanghai) Trading Co., Ltd,

3. Individual employees identified below:

Employee #	Present Co. # and Location	Going To	New Co. # and Location
10021703	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10025042	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027469	Co. 600, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028041	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028304	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029008	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029373	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029705	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10024499	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10024986	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027811	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029433	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029579	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028421	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10024461	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029508	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028206	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028478	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027131	815, Illinois	Xylem	895
10023487	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028508	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027787	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029598	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029751	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029426	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029824	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029894	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10024411	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028087	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027793	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027861	200, Mt. Prospect, IL	Xylem	895
10021068	635, Hanover, MD	Xylem	895
10028280	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028134	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029493	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029574	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10023179	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029078	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029545	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10023207	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029477	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027968	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029474	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10023319	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028534	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028518	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10021719	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028918	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10021976	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028981	815, Missouri Springs	Xylem	895
10021211	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
100281474	635, Hanover, MD	Xylem	895
100295136	800 FMC HQ, Morton	Xylem	890
10028293	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027207	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10023254	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10021799	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029179	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027977	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029580	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028123	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028948	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028044	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028640	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028758	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027510	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10024210	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
100281706	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028646	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
100281788	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029272	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10024454	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028528	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
100214803	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
100234872	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027478	N91 100, INHUB CORP, IL	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027415	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027295	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027314	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10027475	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027719	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10027428	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029478	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10025548	815, Illinois	Xylem	895
10021806	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10025719	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028817	N91 100, INHUB CORP, IL	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029498	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029662	800 FMC HQ, Virtua	Xylem	895
10029197	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10029197	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029319	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10029428	800 FMC HQ, Virtua	Xylem	895
10029581	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10021395	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028198	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028084	200, Fort Wayne, IN	Xylem	895
10028144	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028324	815 FRC BAYARD ST FIN RE	Xylem	885 FRC BAYARD ST FIN RESRS CENTR, Seneca Falls, NY
10028288	800 FMC HQ, Virtua	Xylem	895
10028681	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York
10028211	Co. 895, White Plains, N.Y.	Xylem	Co. 895 White Plains, New York

Schedule 1(a)(ii): ITT Employees to Defense

Individuals listed on Schedule 1(a)(ii) are listed as of 9/22/11, which will be adjusted to the date coincident with, or the end of the month following, the Distribution Date.

1. Individuals employed by the following legal entities:

CURRENT OFFICIAL LEGAL ENTITY NAME	CURRENT FEIN	CURRENT EMPLOYER NAME	CURRENT INFINIUM	VC	CYCLE CODE	PAYROLL NAME	NEWCO LEGAL ENTITY	NEWCO FEIN	NEW INFINIUM	COUNTRY
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ADVANCED ENGR AND SCIENCES			BWAES	ADVANCED ENGR &	Exelis Inc.	45-2083813		
			150	IS					150	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ADVANCED ENGR AND SCIENCES			BWIST	BI-WEEKLY IMPACT		45-2083813		
			150	IS					150	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ADVANCED ENGR AND SCIENCES			BWPRO	AES PROFESSIO	Exelis Inc.	45-2083813		
			150	IS					150	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT AES-ALM(EDO PROF SERV INC)			BALM	ALM B1-WEEKLY	Exelis Inc.	45-2083813		
			152	IS					152	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT COMMUNICATIONS SYSTEMS			BIWK	FT WAYNE SALARIED-	Exelis Inc.	45-2083813		
			200	ES					200	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT COMMUNICATIONS SYSTEMS			BIWK1	CLIFTON SALARIED -	Exelis Inc.	45-2083813		
			200	ES					200	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT COMMUNICATIONS SYSTEMS			WEEK	FT WAYNE HOURLY-	Exelis Inc.	45-2083813		
			200	ES					200	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT CS CO SPRINGS			BWCSC	COMM SYSTEMS	Exelis Inc.	45-2083813		
			230	CS					230	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT DEFENSE & ELECTRONICS			BWDT	BW DEFENSE &	Exelis Inc.	45-2083813		
			120	HQ					120	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ELECTRONIC SYSTEMS-EW			BWAV	BIWEEKLY AVIONICS	Exelis Inc.	45-2083813		
			100	ES					100	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ELECTRONIC SYSTEMS-EW			WKAC	WEEKLY ACD	Exelis Inc.	45-2083813		
			100	ES					100	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ELECTRONIC SYSTEMS-EW			WKAV	WEEKLY AVIONICS	Exelis Inc.	45-2083813		
			100	ES					100	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT ELECTRONIC SYSTEMS-RADAR			GILBW	GILFILLAN SALARIED	Exelis Inc.	45-2083813		
			300	ES					300	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT NIGHT VISION			BWNV	BI-WK NIGHT	Exelis Inc.	45-2083813		
			400	GS					400	US
COMMON PARENT CORPORATION ITT CORPORATION	13-5158950	ITT NIGHT VISION			WKNV	WEEKLY NIGHT	Exelis Inc.	45-2083813		
			400	GS					400	US

2. Individuals associated with the following entities that will transfer to Defense:

Country	# of Empl.	VCs
Australia	1	Def HQ
Singapore	1	GS
Taiwan	1	ES
United Kingdom	3	IT

3. Individual employees identified below:

Employee #	Present Co.# and Location	Going To	New Co. # and Location
100010195	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100061314	Co. 600, White Plain, Ne	Exelis	Co. 120 Amityville, New York
100001748	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100001764	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100017119	Co. 600, White Plain, Ne	Exelis	Co. 120 Amityville, New York
100070510	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100017082	Co. 600, White Plain, Ne	Exelis	Co. 120 Amityville, New York
100055227	Co. 600, Wilmington, De	Exelis	Co. 120 Wilmington, Delaware
100017627	632 TDS - PALM COAST, FL	Exelis	200 Fort Wayne - PALM COAST, FL
100076948	635, Hanover, MD	Exelis	IS/150, Herndon, VA
100001763	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100060962	Co. 600 McLean, Virgin;	EXELIS	Co. 120 McLean, Virginia
100079380	632 TDS - PALM COAST, FL	Exelis	200 Fort Wayne- PALM COAST, FL
100054096	632 TDS -PALM COAST, FL	Exelis	200 Fort Wayne- PALM COAST, FL
100017013	Co. 600, White Plains, N	Exelis	Co. 120 Amityville, New York
100005720	Company 600, White Pla	Exelis	Co. 120 McLean, Virginia
100017190	Co. 600, Wilmington, De	Exelis	Co. 120 Wilmington, Delaware
100081780	632 TDS -PALM COAST, FL	Exelis	200 Fort Wayne- PALM COAST, FL
100081347	815 FRC BAYARD ST FIN RE	Exelis	200 Fort Wayne, Rochester, NY
100073922	815 E-FRC BAYARD ST FIN RE	Exelis	200 Fort Wayne, Rochester, NV
100017103	Co. 600, Wilmington, De	Exelis	Co. 120 Wilmington, Delaware
100061615	635, Hanover, MD	Exelis	120
100017197	Co. 600, Wilmington, De	Exelis	Co. 120 Wilmington, Delaware
100046485	Co. 600, Wilmington, De	Exelis	Co. 120 Wilmington, Delaware
100058187	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100053872	632 TDS -PALM COAST, FL	Exelis	200 Fort Wayne- PALM COAST, FL
100017192	Co. 600, Wilmington, De	Exelis	Co. 120 Wilmington, Delaware
100077575	635, Hanover, MD	Exelis	200
100058565	632 TDS - PALM COAST, FL	Exelis	200 Fort Wayne- PALM COAST, FL
100001736	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100017083	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100076089	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100010822	Co. 600, Fort Wayne, In	Exelis	Co. 120 Fort Wayne, Indiana
100013194	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100069142	Co. 600, Fort Wayne, In	Exelis	Co. 120 McLean, Virginia
100081906	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100082567	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100082832	635, Hanover, MD	Exelis	200
100078747	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100061697	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100055286	250, Rochester	Exelis	200
100081979	815 FRC BAYARD ST FIN RE	Exelis	200 Fort Wayne, Rochester, NY
100002142	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100001776	Co. 600, McLean, Virgin	Exelis	Co. 120 McLean, Virginia
100057776	632 TDS - PALM COAST, FL	Exelis	200 Fort 'Wayne- PALM COAST, FL
100017221	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100076840	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100017058	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100016996	Co. 600, White Plain, Ne	Exelis	Co. 120 McLean, Virginia
100017279	Co. 600, White Plain, Ne	Exelis	Co. 120 McLean, Virginia
100080252	Co. 600, White Plains, N	Exelis	Co. 120 McLean, Virginia
100059506	815 FRC BAYARD ST FIN RE	Exelis	200 DEFENSE ROCHESTER, NY
100017068	Co. 600, White Plain, Ne	Exelis	Co. 120 McLean, Virginia

Schedule 1(d): Employment Agreements**Defense Employment Agreements**

1. Christopher C. Bernhardt

ITT Employment Agreements

2. Denise Ramos

Water Employment Agreements

3. Frank Jimenez
-

Schedule 3(a)(i): List of US Qualified Defined Benefit Plans

The US Qualified DB Plans consist of the Defense US Qualified DB Plans, the ITT US Qualified DB Plans and the Water US Qualified DB Plans.

Defense US Qualified DB Plans

1. 357- ITT Systems Corporation Pension Plan for Hourly Employees at Pacific Missile Range Facility
2. 501- ITT Salaried Retirement Plan
3. 505- ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan
4. 591- ITT Gilfillan Pension Plan for Hourly Employees
5. 611- ITT Electronic Systems Pension Plan for Employees in the Bargaining Unit
6. 630- Pension Plan for the Roanoke Plant Hourly Employees of ITT Night Vision
7. 758- EDO Corporation Employees Pension Plan (frozen plan for former EDO employees)

ITT US Qualified DB Plans

8. 346- Engineered Valves CA Pure Flo Solutions Group Pension Plan for Hourly Employees at Simi Valley, CA
9. 521- ITT Cannon Employees Retirement Plan for Hourly Non-Bargaining Production and Maintenance Employees
10. 571- ITT Aerospace Controls Pension Plan for Hourly Employees
11. 577- ITT Consolidated Hourly Pension Plan
12. 638- ITT Conoflow Pension Plan for Non-Clerical, Non-Rep. Hourly Employees
13. 640- ITT Engineered Valves Pension Plan for Hourly Employees at Amory, MS
14. 642- ITT Engineered Valves Pension Plan for Local 36 Hourly Employees at Lancaster, PA
15. 698- ITT Control Technologies Pension Plan for Hourly Employees
16. 724- ITT Pension Plan for Bargaining Unit Employees Seneca Falls, New York **[Xylem to replicate]**
17. 727- ITT Pension Plan for Hourly Employees at Vertical Pump Division, City of Industry, California
18. 730- ITT Pension Plan for Bargaining Unit Employees, Ashland Operations, Ashland, PA

Water US Qualified DB Plans

19. 520- ITT Bell & Gossett Hydronics Pension Plan for Hourly Employees
 20. 696- ITT Standard Hourly (Bargaining Unit) Pension Plan
 21. 728- ITT Pension Plan for Hourly Employees, Water Technologies Group-America, Turbine Division, Lubbock, TX
 22. 757- Retirement Plan for ITT Water & Wastewater Leopold Inc. For Hourly Paid Employees
-

Schedule 3(a)(ii): List of US Non-Qualified Defined Benefit Plans

The US Non-Qualified DB Plans consist of the Defense US Non-Qualified DB Plans, the ITT US Non-Qualified DB Plans and the Water US Non-Qualified DB Plans.

Defense US Non-Qualified DB Plans

1. 680- ITT Excess Plan, which includes the following plans: ITT Excess Pension Plan 1A, ITT Excess Pension Plan 1B, ITT Excess Pension Plan IIA and ITT Excess Pension Plan IIB
2. ITT Ex-Gratia Plan (with the exception of the liability accrued under the Plan for Steven R. Loranger, which shall remain with ITT)
3. 682- Federal Labs Unfunded 1
4. 719- ITT Enhanced Pension Plan
5. 759- EDO Excess Plan — SERP
6. Retirement Plan for Non-Management Directors of ITT Corp. (frozen as of October 1, 1995)
7. 656- Expatriate

ITT US Non-Qualified DB Plans

8. 718- Cranston Unfunded
9. ITT Ex-Gratia Plan (only the liability accrued under the Plan for Steven R. Loranger, which shall remain with ITT)

Water US Non-Qualified DB Plans

10. None
-

Schedule 3(a)(iii): List of Non-US Defined Benefit Plans

The Non-US DB Plans consist of the Defense Non-US DB Plans, the ITT Non-US DB Plans and the Water Non-US DB Plans.

Defense Non-US DB Plans

1. None

ITT Non-US DB Plans

2. 325- ITT Belgium — Cannon (Belgium)
3. Gratuity Benefit Program (India) **[Xylem to replicate]**
4. 128- Cannon GmbH (Germany) **[Unfunded]**
5. 378- Cannon GmbH (Germany) **[Unfunded]**
6. 340- Cannon Japan (Japan) **[Unfunded]**
7. 735- Industries Management GmbH, Bad Camberg and former Fechenheim (Germany) **[Unfunded]**
8. Salary Sacrifice e.V Plan — ITTG (Germany)

Water Non-US DB Plans

9. 323- ITT Belgium — ITT Industries (Belgium)
 10. 324- ITT Belgium Pension Plan (Belgium)
 11. 166- Pension Plan for Union Employees of ITT Automotive, a division of ITT Industries of Canada Ltd. [Electrical Systems, North America] (Canada)
 12. 200- Pension Plan for Hourly Employees of ITT Residential & Commercial Water (R&CW), a Division of ITT Industries of Canada L.P (Canada)
 13. 203- Pension Plan for Hourly Employees of ITT Automotive, a division of ITT Industries of Canada Ltd. [Structural Systems and Components, North America (Toronto Stamping Plant)] (Canada)
 14. 205- ITT Industries Canadian Pension Plan for Salaried Employees (Canada)
 15. 350- ITT Canadian Excess Benefit Plan — Unregistered (Canada)
 16. 209- Pension Plan for Hourly Employees of ITT Fabri-Valve, a Division of ITT Industries of Canada Ltd. (Canada)
 17. 221- Pension Plan for Union Employees of Ontario Malleable Iron Company Limited (Canada)
 18. 223- Pension Plan for Union Employees of ITT Cannon, a Division of ITT Industries of Canada Ltd.(Canada)
 19. 744- Pension Plan of ITT Water & Wastewater, a Division of ITT Industries of Canada L.P.(Canada)
 20. 369- Industries Management GmbH, Ebernhahn (Division KONI) (Germany)
 21. 756- Flygt Ireland (Ireland)
 22. 186- ITT Industries General Pension Plan (UK)
 23. 189- ITT Industries Pension Plan for UK Expatriates (UK)
 24. 190- Godwin Pumps Limited Pension Scheme (UK)
 25. 125- Industriebeteiligungsgesellschaft mbH (Germany) **[Unfunded]**
 26. 738- DITTHA GmbH, Kempen (Germany) **[Unfunded]**
 27. 126- DITTHA GmbH. Kempen (Germany) **[Unfunded]**
-

28. 366- Industries Management GmbH, Ebernhahn (Division KONI) (Germany) **[Unfunded]**
 29. 111- ITT Flygt Pumpen GmbH, Langenhagen, jetzt ITT Water & Wastewater (Germany) **[Unfunded]**
 30. Deutschland GmbH (Germany) **[Unfunded]**
 31. 116- ITT Industriebeteiligungsgesellschaft mbH (Germany) **[Unfunded]**
 32. 755- ITT Water & Wastewater, Herford (Germany) **[Unfunded]**
 33. 760- Jabsco GmbH (Germany) **[Unfunded]**
 34. 761- ebro Electronic GmbH & Co. KG (Germany) **[Unfunded]**
 35. 762- SI Analytics GmbH Mainz Deferred Comp (Germany) **[Unfunded]**
 36. 763- SI-FAS Pension Valuation (Germany) **[Unfunded]**
 37. 764- WTW FAS Pension Plan (Germany) **[Unfunded]**
 38. 765- ebro Electronics Instruments GmbH Ingolstadt Pension Plan (Germany) **[Unfunded]**
 39. 370- Industries Management GmbH,former Regelungstechnik (Germany) **[Unfunded]**
 40. 720- Industries Management GmbH,former Regelungstechnik (Germany) **[Unfunded]**
 41. 731- Industries Management GmbH (Germany) **[Unfunded]**
 42. 732- Industries Management GmbH (Germany) **[Unfunded]**
 43. 734- Industries Management GmbH (Germany) **[Unfunded]**
 44. 736- Industries Management GmbH, Bad Camberg and former Fechenheim (Germany) **[Unfunded]**
 45. 713- Flygt S.p.a. Flygt Italy Plan (Italy) **[Unfunded]**
 46. 766- ADIN Pension 28229 NOK (Norway) **[Unfunded]**
 47. 767- ADI Storebrand 27835 NOK (Norway) **[Unfunded]**
 48. 768- Storebrand 25000 NOK (Norway) **[Unfunded]**
 49. 118- Grindex AB (Sweden) **[Unfunded]**
 50. 120- Water & Wastewater AB General Pension Plan (ITP-Plan) (Sweden) **[Unfunded]**
 51. 121- Water & Wastewater AB Individual Contracts (Not FPG/PRI) (Sweden) **[Unfunded]**
 52. 754- Industries Holding AB General Pension Plan (ITP-Plan) (Sweden) **[Unfunded]**
-

Schedule 3(b)(iv): Master Trust Interest

Amounts listed on Schedule 3(b)(iv) are listed as of 7/31/11, which will be adjusted to the date coincident with, or the end of the month following, the Distribution Date.

Water Interest

Plan Name	Plan #	7/31/2011 Balance
ITT Bell - Gossett	520	26,179,521
ITT Standard Hourly	696	14,215,802
Goulds Division Lubbock	728	5,415,891
Leopold	757	2,444,161
Total Xylem		48,255,375

ITT Interest

Plan Name	Plan #	7/31/2011 Balance
ITT Shertec Simi Valley	346	376,902
ITT Cannon Electric	521	25,380,063
ITT Aerospace Controls	571	12,399,734
Consolidated Hourly Plans	577	66,737,221
ITT Grinell — Non-clerical	638	1,280,183
ITT Fluid Tech. — Lancaster	642	5,743,973
ITT Fluid Tech. — Amory Hourly	640	2,040,563
ITT Control Technologies	698	289,326.82
Goulds Beginning Unit Employees	724	69,070,531
Goulds Vertical Pump Division	727	4,191,936
Goulds Bargaining Unit Employees	730	12,709,847
Total ITT		200,220,281

Schedule 4(a)(i): List of US Qualified Defined Contribution Plans

The US Qualified DC Plans consist of the Defense US Qualified DC Plans, the ITT US Qualified DC Plans and the Water US Qualified DC Plans.

Defense US Qualified DC Plans

1. 100- ITT Salaried Investment and Savings Plan
2. 178- ITT Avionics Division & ITT Aerospace/Communications Division Bargaining Unit Savings Plan
3. 209- ITT Night Vision Savings Plan for Hourly Employees
4. 227- ITT Electronic Systems Savings Plan for Hourly Employees
5. 013- ITT Systems Corporation Retirement/Savings Plan
6. 235- ITT Systems Corporation Pacific Missile Range Facility Savings Plan for Hourly Employees
7. ITT Research Systems Inc. Employees' Savings Plan
8. 237- ITT Advanced Engineering and Sciences Professional Benefits Employees' Savings Plan
9. 003- EDO Corporation Employee Investment Plan
10. 200- ITT Gilfillan Savings Plan for Hourly Employees

ITT US Qualified DC Plans

11. 193- ITT Aerospace Controls Savings Plan for Hourly Employees
12. 196- ITT Cannon Savings Plan for Hourly Employees
13. 216- ITT Engineered Valves — Lancaster Savings Plan for Hourly Employees
14. 009- Goulds Pumps, Inc. Retirement Savings and Investment Plan **[Xylem to replicate]**
15. 201- ITT Conoflow Savings Plan for Hourly Employees
16. 215- ITT Engineered Valves — Fabri Savings Plan for Hourly Emp. At Amory, MS
17. 225- ITT Engineered Valves CA Pure Flo Solutions Group Savings Plan for Hourly Employees
18. 236- ITT BIW Connector Systems Employees Savings Plan
19. 010- Procast And Goulds Pump Service Center Employee Savings Plan
20. 240- Pure-Flo Precision Savings Plan for Hourly Employees
21. 239- ITT Koni Friction Products Savings Plan for Hourly Employees
22. 238- ITT Control Technologies Savings Plan for Hourly Employees
23. Evolutionary Concepts Profit Sharing Plan (YE 6/30/2010)
24. ECI/Alcon 401(k) Plan

Water US Qualified DC Plans

25. 002- ITT Rule Savings Plan for Hourly Employees
 26. 203- ITT Bell & Gossett Savings Plan for Hourly Employees
 27. 226- ITT Heat Transfer Savings Plan for Hourly Employees
 28. 231- ITT Hydro Air Savings Plan for Hourly Employees
 29. 241- Flojet Corporation 401(k) Plan
 30. 001- F.B. Leopold Co., Inc. Savings Plan for Hourly Employees
 31. 001- F.B. Leopold Company, Inc. Retirement Savings Plan
 32. 001- Laing Thermotech, Inc. 401(k) Profit Sharing Plan
 33. Godwin Pumps of America, Inc. Profit Sharing Plan and Trust
-

Schedule 4(a)(ii): List of US Non-Qualified Defined Contribution Plans

The US Non-qualified DC Plans consist of the Defense US Non-qualified DC Plans, the ITT US Non-qualified DC Plans and the Water US Non-qualified DC Plans.

Defense US Non-Qualified DC Plans

1. EDO Deferred Compensation Plan

ITT US Non-Qualified DC Plans

2. ITT Deferred Compensation Plan **[Water and Defense will replicate]**
3. ITT Excess Savings Plan **[Water and Defense will replicate]**

Water US Non-Qualified DC Plans

4. None
-

Schedule 4(a)(iii): List of Non-US Defined Contribution Plans

The Non-US DC Plans consist of the Defense Non-US DC Plans, the ITT Non-US DC Plans and the Water Non-US DC Plans.

Defense Non-US DC Plans

1. None

ITT Non-US DC Plans

2. Superannuation Benefit Program — ITT India (India) **[Xylem to replicate]**
3. Provident Fund — ITT India (India) **[Xylem to replicate]**
4. Retirement — IP (Taiwan)
5. C&K Switches Limited Pension Plan (UK)
6. C&K Switches Executive Pension Plan (UK)
7. Direct Insurance — ITTG (Germany) [Exelis and Xylem to replicate]

Water Non-US DC Plans

8. Superannuation Fund — WWW (Australia)
 9. ITT Industries Canadian Investment Savings Plan for Salaried Employees — ITT Canada (Canada) **[ITT to replicate]**
 10. Insured Retirement- WWW (Denmark) **[ITT to replicate]**
 11. Plan d'Epargne Enterprise (PEE) — ITT France (France)
 12. Insured Retirement — WWW (Netherlands)
 13. Retirement — WWW (South Africa) **[ITT to replicate]**
 14. ITT Retirement Savings Plan — ITT Industries (UK) **[Exelis and ITT to replicate]**
 15. Wedeco Executive Pension Plan (UK)
 16. Direct Insurance — WWW (Germany)
-

Schedule 4(c)(iii): Employees Under Deferred Compensation Plan

Water Employees

1. 15 individuals identified as Water Employees or ITT Retirees on the records of the ITT Deferred Compensation Plan

Defense Employees

2. 36 individuals identified as Defense Employees or ITT Retirees on the records of the ITT Deferred Compensation Plan
-

Schedule 4(c)(iv): Employees Under Excess Savings Plan

Participants listed on Schedule 4(c)(iv) are listed as of 7/31/11, which will be adjusted to the date coincident with, or the end of the month following, the Distribution Date.

Water Employees

1. 13 individuals identified as Water Employees on the records of the Excess Savings Plan

Defense Employees

2. 13 individuals identified as Defense Employees on the records of the Excess Savings Plan
-

Schedule 5(a)(i): List of US Health & Welfare Plans

The US H&W Plans consist of the Defense US H&W Plans, the ITT US H&W Plans and the Water US H&W Plans.

Defense US H&W Plans

1. 940- ITT Avionics Severance Plan for Exempt and Non-Exempt Salaried Employees
2. 903- Avionics Postretirement Medical Plan
3. 918- Avionics Postretirement Life Plan
4. 942- ITT Night Vision Term. Pay for Salaried Exempt Employees
5. 951- ITT A/CD Severance Pay Plan for Ex. And Non-Ex. Salaried Employees
6. 502- EDO Corporation Medical, Dental, Vision and Salary Benefit Plan
7. 503- EDO Corporation Life and Travel Accident Plan
8. 506- EDO Corporation Sickness, STD, and LTD Plan
9. 914- EDO Postretirement Medical & Life Plan
10. 302- ITT Employee Benefit Trust
11. 911- Space Systems Division Postretirement Medical
12. 923- Space Systems Division Postretirement Life
13. ITT Salaried Retiree Health Plan

ITT US H&W Plans

14. 594- ITT Salaried Medical and Dental Program **[Exelis and Xylem to replicate]**
 15. ITT Corporation Special Senior Executive Severance Pay Plan
 16. ITT Corporation Enhanced Severance Pay
 17. ITT Corporation Senior Executive Severance Pay Plan
 18. ITT Industries Corporate Policies- Severance Policy 30-08
 19. ITT Corporation Severance Plan
 20. 529- ITT Cannon Severance Pay Plan for Exempt and Non-Exempt Salaried Employees
 21. 717- ITT Salaried Voluntary Accident Plan **[Exelis and Xylem to replicate]**
 22. 801- Group Accident Insurance Plan for Salaried Employees **[Exelis and Xylem to replicate]**
 23. 802- ITT Corporation Long-Term Disability Plan for Salaried Employees **[Exelis and Xylem to replicate]**
 24. ITT Corporation Excess Long-Term Disability Plan **[Exelis and Xylem to replicate]**
 25. 999- ITT Corporate Welfare Plan
 26. 717- ITT Salaried Voluntary Travel Accident Plan **[Exelis and Xylem to replicate]**
 27. 514- Kentucky Carbon Corporation Sickness and Accident Plan (YE 10/31/2009)
 28. 503- ITT Carbon Employee Benefit Trust (YE 10/31/2009)
 29. 503- Moog Controls Inc. Voluntary Employees Beneficiary Trust
 30. 902- AC Pump Postretirement Medical Plan
 31. 905- Cannon Postretirement Medical Plan
 32. 906- Carbon Postretirement Medical Plan
 33. 907- Goulds Postretirement Medical Plan
 34. 908- Higbie Postretirement Medical Plan
 35. 909- Jackson Postretirement Medical Plan
-

36. 916- ITT Salaried Options C&D
37. 917- AC Pump Postretirement Life Plan
38. 920- Carbon Postretirement Life Plan
39. 921- Goulds Postretirement Life plan
40. 925- Engineered Products Postretirement Life Plan
41. 926- Engineered Valve Postretirement Life Plan
42. Active Salaried Life Insurance **[Exelis and Xylem to replicate]**
43. Active Salaried Voluntary Plans **[Exelis and Xylem to replicate]**
44. Active Salaried Long Term Care Plan
45. Active Salaried United Healthcare/PacifiCare Plan **[Exelis and Xylem to replicate]**
46. Active Salaried Kaiser Plan **[Exelis and Xylem to replicate]**
47. Active Salaried Excellus BluePoint POS Plan **[Xylem to replicate]**

Water US H&W Plans

48. 520- ITT Water Technology, Inc. Health Reimbursement Arrangement
 49. 504- The F.B. Leopold Company, Inc. Welfare Benefits Plan
 50. 904- Bell & Gossett Postretirement Medical Plan
 51. 910- Leopold Postretirement Medical Plan
 52. 912- ITT Standard (Heat Transfer) Postretirement Medical Plan
 53. 918- Bell & Gossett Postretirement Life Plan
 54. 922- Leopold Postretirement Life Plan
 55. 924- ITT Standard (Heat Transfer) Postretirement Life Plan
-

Schedule 5(a)(ii): List of Non-US Health & Welfare Plans

The Non-US H&W Plans consist of the Defense Non-US H&W Plans, the ITT Non-US H&W Plans and the Water Non-US H&W Plans.

Defense Non-US H&W Plans

1. None

ITT Non-US H&W Plans

2. Medical — Cannon (Belgium)
3. Life / AD&D — IP (Brazil)
4. Medical — IP (Brazil)
5. Life Insurance — IP (Chile)
6. Medical — IP (Chile)
7. Direct Insurance — ITTG (Germany) **[Exelis and Xylem to replicate]**
8. Accidental Insurance — ITTG (Germany) **[Exelis and Xylem to replicate]**
9. Employee Compensation Insurance — ITT India (India) **[Xylem to replicate]**
10. Personal Accident — ITT India (India) **[Xylem to replicate]**
11. Medical — ITT India (India) **[Xylem to replicate]**
12. Life Insurance — ICS (Mexico)
13. Medical — ICS (Mexico)
14. Medical — IP (Mexico)
15. AD&D — IP (Singapore)
16. Medical — IP (Singapore)
17. AD&D — IP (South Korea)
18. AD&D — IP (Taiwan)
19. Medical — IP (Taiwan)
20. AD&D — IP (Thailand)
21. Medical — IP (Thailand)
22. ITT Life Assurance — ITT Industires (UK) **[Exelis and Xylem to replicate]**
23. Medical — ITT Industries (UK) **[Exelis and Xylem to replicate]**

Water Non-US H&W Plans

24. Medical — WWW (Belgium)
25. Life / AD&D — WWW (Brazil)
26. Medical — WWW (Brazil)
27. ITT Canadian Salaried Group Insurance Program — ITT Canada (Canada) **[ITT to replicate]**
28. Life Insurance — WWW (Chile)
29. Medical — WWW (Chile)
30. Employer Liability Insurance — ITT China (China) **[ITT to replicate]**
31. Life Insurance / AD&D — ITT China (China) **[ITT to replicate]**
32. Medical/Dental — ITT China (China) **[ITT to replicate]**
33. Medical — WWW (Denmark) **[ITT to replicate]**
34. Life / AD&D / Disability (France) **[ITT to replicate]**
35. Medical / Dental (France) **[ITT to replicate]**

37. Accidental Insurance — WWW (Germany)
 38. Life Insurance — WWW (Mexico)
 39. Medical — WWW (Mexico)
 40. Medical — WWW (Russia)
 41. AD&D — WWW (Singapore)
 42. Life / AD&D — WWW (South Africa) **[ITT to replicate]**
-

Schedule 6(a): List of Incentive Plans

1. 1997 ITT Industries Annual Incentive Plan
 2. 1997 Long-Term Incentive Plan
 3. ITT Corporation Annual Incentive Plan for Executive Officers
 4. ITT Corporation Retention Program
-

Schedule 7(a): List of ITT Stock Plans

1. 1994 ITT Incentive Stock Plan
 2. ITT 1996 Restricted Stock Plan for Non-Employee Directors
 3. 2002 ITT Stock Option Plan for Non-Employee Directors
 4. 2003 ITT Equity Incentive Plan
 5. 2011 ITT Omnibus Incentive Plan
 6. Industries Ltd Share Incentive Plan (UK)
 7. ITT Flygt Ltd Share Incentive Plan (UK)
-

Schedule 8(a): COLI Policies

Individuals listed on Schedule 8(a) are listed as of 7/02/11, which will be adjusted to the date coincident with, or the end of the month following, the Distribution Date.

ITT

Policy Number	Carrier
18395400	NM Life
19127919	NM Life
18395404	NM Life
19127921	NM Life
19127923	NM Life
17448846	NM Life
56906286	NY Life
18696673	NM Life
18395408	NM Life
18696674	NM Life
18395409	NM Life
18395411	NM Life
18395414	NM Life
56906287	NYLife
17448847	NM Life
17448853	NM Life
56906297	NYLife
17961894	NM Life
19127922	NM Life
18696675	NM Life
19127925	NM Life
17448836	NM Life
17616521	NM Life
17448845	NM Life
17961899	NM Life

Water

Policy Number	Carrier
17961895	NM Life
18395405	NM Life
17616524	NM Life
191279241	NM Life
56906275	NYLife
18395401	NM Life

Defense

Policy Number	Carrier
17616519	NM Life
56906274	NYLife
17448842	NM Life
56906282	NYLife
19127920	NM Life
56906285	NYLife
18395406	NM Life
18395407	NM Life
56906292	NYLife
17448852	NM Life
56906294	NYLife
18395412	NM Life
19127926	NM Life
56906301	NYLife
17448856	NM Life
56906273	NYLife

56906276	NYLife
56906283	NYLife
56906290	NYLife
56906291	NYLife

Schedule 8(b): Executive Life Policies

Amounts listed on Schedule 8(b) are listed as of 6/30/11, which will be adjusted to the date coincident with, or the end of the month following, the Distribution Date.

ITT

Block 1		Policy
	1	9061446
	2	9061445
	3	9061444
	4	9061438
	5	9061443
	6	9061452
	7	9061450
	8	9061440
	9	9061433
	10	9061434
	11	9061435
	12	9061447
Block 2		
	1	9096216

Schedule 9(a): List of ITT Director Plans

1. ITT Corporation Deferred Compensation Plan for Non-Employee Directors
2. ITT Group Accident Program that provides 24 hour accidental death and dismemberment coverage

Additionally, the ITT 1996 Restricted Stock Plan for Non-Employee Directors and the 2002 ITT Stock Option Plan for Non-Employee Directors, each as listed on Schedule 7(a) apply to non-employee directors of ITT.

Schedule 10(a): List of Collective Bargaining Agreements

The Collective Bargaining Agreements consist of the Defense Collective Bargaining Agreements, the ITT Collective Bargaining Agreements and the Water Collective Bargaining Agreements. Works councils and collective bargaining agreements from jurisdictions other than the US and Canada are expressly excluded from this schedule and will continue with their respective company by transfer of law.

Defense Collective Bargaining Agreements

1. Agreement dated August 28, 2010 between ITT Corporation, Electronic Systems, Fort Wayne, IN, a Division of ITT Corporation, Inc., and IUE, the industrial division of the Communication Workers of America, AFL CIO in behalf of and in conjunction with the IUE the industrial division of the Communication Workers of America, AFL CIO Local 84999
 2. Agreement dated October 1, 2009 between ITT Electronics Systems/Integrated Electronic Warfare Systems and ITT Communications Systems and the I.U.E./CWA and its Local Union 81447
 3. Agreement dated May 22, 2011 between ITT Corporation, Night Vision Roanoke Plant and IUE, the Industrial Division of the Communications Workers of America AFL-CIO and Local 82162
 4. Agreement dated December 15, 2009 between Systems-Benning and Columbus Metal Trades Council
 5. Agreement dated December 15, 2009 between Systems-Benning and Sheet Metal Workers, Local 85 — Security Guards
 6. Agreement dated November 1, 2009 between Systems — DSN and IBEW Local 543
 7. Agreement dated March 31, 2011 between Systems — K-Town and (Ver.di) Vereinte Dienstleistungsgewerkschaft
 8. Agreement dated December 1, 2010 between Systems — PMRF and IBEW Local 1260 Main
 9. Agreement dated December 1, 2010 between Systems — PMRF and IBEW Local 1260 Security
 10. Agreement dated December 1, 2010 between Systems — PMRF and IBU
 11. Agreement dated November 1, 2007 between Systems — SLRS and IBEW Local 2088
 12. Agreement dated September 1, 2007 between Systems — SLRS and IAM Local 815
 13. Agreement dated October 31, 2007 between Systems — SLRS and IBT Local 381
 14. Agreement dated October 1, 2008 between Systems — TARS and CWA Local 3177
 15. Agreement dated October 1, 2008 between Systems — TARS (Rio Grande City, TX) and IBEW Local 66
 16. Agreement dated October 1, 2008 between Systems — TARS (Eagle Pass, TX) and IBEW Local 66
 17. Agreement dated October 1, 2008 between Systems — TARS and IBEW Local 583
 18. Agreement dated October 1, 2008 between Systems — TARS and IBEW Local 611
 19. Agreement dated October 1, 2008 between Systems — TARS (Ft. Huachuca, AZ) and IBEW Local 570
 20. Agreement dated October 1, 2008 between Systems — TARS (Yuma, AZ) and IBEW Local 570
 21. Agreement dated December 1, 2010 between Systems — Maxwell and USW Local 13350
 22. Agreement dated July 1, 2009 between Systems — Maxwell and USW Local 8405
-

23. Agreement dated August 27, 2010 between Systems — Wallops Island and IAM Local 2552 (Two units)
24. Agreement dated April 9, 2011 between Systems — White Sands and IAM Local 2515
25. Agreement dated December 1, 2010 between Systems — TARS (Lajas, PR) and IUSW 6135

ITT Collective Bargaining Agreements

26. Agreement dated March 1, 2011 between IP Pro shop and Steelworkers
27. Agreement between IP/SFO and Steelworkers through July 28, 2012
28. Agreement dated May 16, 2009 between Industrial Process (Lancaster, Pennsylvania), a unit of ITT Corporation, and the Glass, Molders, Pottery and Plastics & Allied Workers International Union, Local No. 36, AFL-CIO, CLC.

Water Collective Bargaining Agreements

29. Agreement dated August 1, 2010, between WATER SYSTEMS OPERATIONS (WSO) a unit of ITT Water Technology, Inc.*, and its successors, and the UNITED STEELWORKERS on behalf of itself and members of LOCAL UNION No. 3298
 30. Agreement dated August 15, 2010, by and between ITT Residential & Commercial Water located in the Village of Morton Grove, and INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA and its LOCAL UNION NO. 890
 31. Agreement between ITT RCW Heat Transfer, Buffalo, New York, and UNITED STEELWORKERS, AFL-CIO-CLC Local Number 897, 2010-2013
 32. Agreement dated September 23, 2010 between ITT R&CW, a division of ITT Industries of Canada L.P. (for hourly union employees in Guelph, ON) and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (United Steelworkers) — Local 8614-05
 33. Agreement dated April 22, 2010 between ITT W&WW, a division of ITT Industries of Canada L.P. (for hourly union shop employees in Pointe-Claire, QC) and National Automobile, Aerospace and Agricultural Implement Workers Union of Canada (CAW Canada) — Local 698
 34. Agreement dated May 1, 2010 between ITT W&WW, a division of ITT Industries of Canada L.P. (for hourly union shop employees in Surrey, BC) and International Union of Operating Engineers (IUOE) — Local 115
 35. Agreement dated May 1, 2008 between ITT W&WW, a division of ITT Industries of Canada L.P. (for salaried union office employees in Surrey, BC) and Canadian Office and Professional Employee's Union (COPE) — Local 15
-

Schedule 16(a): Liabilities Assumed by ITT

1. None

Schedule 16(b): Liabilities Assumed by Water

2. None

Schedule 16(c): Liabilities Assumed by Defense

3. None

Schedule 18(e): Miscellaneous Expenses

1. None

TAX MATTERS AGREEMENT

by and among

ITT CORPORATION,

XYLEM INC.,

and

EXELIS INC.

Dated as of , 2011

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND INTERPRETATION	2
Section 1.1 Definitions	2
Section 1.2 References; Interpretation	11
Section 1.3 Effective Time	11
ARTICLE II PREPARATION AND FILING OF TAX RETURNS	12
Section 2.1 Responsibility of ITT to Prepare and File Tax Returns	12
Section 2.2 Responsibility of Parties to Prepare and File Covered Water Separate U.S. Income Tax Returns and Covered Defense Separate U.S. Income Tax Returns	12
Section 2.3 Responsibility of Parties to Prepare and File Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns, and Non-Income Tax Returns	14
Section 2.4 Time of Filing Tax Returns; Manner of Tax Return Preparation	14
Section 2.5 Costs and Expenses	14
ARTICLE III RESPONSIBILITY FOR PAYMENT OF TAXES	15
Section 3.1 Responsibility of ITT for Taxes	15
Section 3.2 Responsibility of Defense for Taxes	15
Section 3.3 Responsibility of Water for Taxes	15
Section 3.4 Timing of Payments of Taxes	16
ARTICLE IV REFUNDS, CARRYBACKS AND AMENDED TAX RETURNS	16
Section 4.1 Refunds	16
Section 4.2 Carrybacks	16
Section 4.3 Amended Tax Returns	16
ARTICLE V DISTRIBUTION TAXES	17
Section 5.1 Liability for Distribution Taxes	17
Section 5.2 Definition of Fault	17
Section 5.3 Limits on Proposed Acquisition Transactions and Other Transactions During Restricted Period	18
Section 5.4 IRS Ruling, Tax Representation Letters, and Tax Opinions; Consistency	19
Section 5.5 Timing of Payment of Taxes	19
ARTICLE VI GAIN RECOGNITION AGREEMENTS	19
Section 6.1 Gain Recognition Agreement Compliance	19

	<u>Page</u>
Section 6.2 Gain Recognition Agreement Taxes	20
Section 6.3 Timing of Payment of Taxes	20
ARTICLE VII INDEMNIFICATION	20
Section 7.1 Indemnification Obligations of ITT	20
Section 7.2 Indemnification Obligations of Water	20
Section 7.3 Indemnification Obligations of Defense	21
ARTICLE VIII PAYMENTS	21
Section 8.1 Payments	21
Section 8.2 Treatment of Payments made Pursuant to Tax Matters Agreement	21
Section 8.3 Payments Net of Tax Benefit Actually Realized and Tax Cost	22
ARTICLE IX AUDITS	22
Section 9.1 Notice	22
Section 9.2 Audits	22
Section 9.3 Payment of Audit Amounts	25
ARTICLE X COOPERATION AND EXCHANGE OF INFORMATION	29
Section 10.1 Cooperation and Exchange of Information	29
Section 10.2 Retention of Records	30
ARTICLE XI ALLOCATION OF TAX ATTRIBUTES AND OTHER TAX MATTERS	30
Section 11.1 Allocation of Tax Attributes	30
Section 11.2 Allocation of Tax Items	30
ARTICLE XII DEFAULTED AMOUNTS	31
Section 12.1 General	31
Section 12.2 Subsidiary Funding	32
ARTICLE XIII DISPUTE RESOLUTION	32
Section 13.1 Resolution in Accordance with Distribution Agreement	32
ARTICLE XIV MISCELLANEOUS	32
Section 14.1 Counterparts	32
Section 14.2 Survival	32
Section 14.3 Notices	32
Section 14.4 Waivers	33
Section 14.5 Assignment	33
Section 14.6 Successors and Assigns	33
Section 14.7 Termination and Amendment	33

	<u>Page</u>
Section 14.8 No Circumvention	34
Section 14.9 Subsidiaries	34
Section 14.10 Third Party Beneficiaries	34
Section 14.11 Title and Headings	34
Section 14.12 Exhibits and Schedules	34
Section 14.13 Governing Law	34
Section 14.14 Consent to Jurisdiction	34
Section 14.15 Waiver of Jury Trial	35
Section 14.16 Force Majeure	35
Section 14.17 Interpretation	35
Section 14.18 Changes in Law	35
Section 14.19 Severability	36
Section 14.20 Tax Sharing Agreements	36
Section 14.21 Exclusivity	36
Section 14.22 No Waiver	36
Section 14.23 No Duplication; No Double Recovery	36

Schedules

Schedule 1.1(6)	List of ATOB Entities
Schedule 1.1(27)	List of Distributions
Schedule 1.1(88)	List of Section 355 Entities
Schedule 6.1	List of GRAs

TAX MATTERS AGREEMENT

THIS TAX MATTERS AGREEMENT (this "Agreement") is made and entered into as of the _____ day of _____, 2011, by and among ITT Corporation, an Indiana corporation ("ITT"), Xylem Inc., an Indiana corporation ("Water"), and Exelis Inc., an Indiana corporation ("Defense"). Each of ITT, Water, and Defense is sometimes referred to herein as a "Party" and collectively, as the "Parties".

WITNESSETH:

WHEREAS, ITT, acting through its direct and indirect Subsidiaries, currently conducts a number of businesses, including (i) the Water Business (as defined herein), (ii) the Defense Business (as defined herein), and (iii) the ITT Retained Business (as defined herein);

WHEREAS, the Board of Directors of ITT has determined that it is appropriate, desirable and in the best interests of ITT and its shareholders to separate ITT into three separate, publicly traded companies, one for each of (i) the Water Business, which shall be owned and conducted, directly or indirectly, by Water, (ii) the Defense Business, which shall be owned and conducted, directly or indirectly, by Defense, and (iii) the ITT Retained Business which shall be owned and conducted, directly or indirectly, by ITT;

WHEREAS, in order to effect such separation, the Board of Directors of ITT has determined that it is appropriate, desirable and in the best interests of ITT and its shareholders (i) to enter into a series of transactions whereby (A) ITT and/or one or more members of the ITT Group will, collectively, own all of the ITT Retained Assets and assume (or retain) all of the ITT Retained Liabilities, (B) Water and/or one or more members of the Water Group will, collectively, own all of the Water Assets and assume (or retain) all of the Water Liabilities, and (C) Defense and/or one or more members of the Defense Group will, collectively, own all of the Defense Assets and assume (or retain) all of the Defense Liabilities and (ii) for ITT to distribute to the holders of ITT Common Stock on a pro rata basis (in each case without consideration being paid by such shareholders) (A) all of the outstanding shares of common stock, par value \$.01 per share, of Water (the "Water Common Stock"), and (B) all of the outstanding shares of common stock, par value \$.01 per share, of Defense (the "Defense Common Stock") (such transactions as they may be amended or modified from time to time, collectively, the "Plan of Separation");

WHEREAS, it is the intention of the Parties that each of the contributions of assets to, and the assumption of liabilities by, Water and Defense together with the corresponding distribution of all of the Water Common Stock and the Defense Common Stock, respectively, shall qualify as a reorganization within the meaning of Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, it is the intention of the Parties that each of the distribution of Water Common Stock and Defense Common Stock, respectively, to the shareholders of ITT will qualify as a tax-free under Section 355(a) of the Code to such shareholders and as tax-free to ITT under Section 361(c) of the Code;

WHEREAS, notwithstanding the implementation of certain internal transactions undertaken preparatory to and in contemplation of aligning and properly capitalizing the Water Business, the Defense Business, and the ITT Retained Business prior to the Distributions, it is the intention of the Parties that the shared responsibility for certain Tax liabilities (including certain Distribution Tax liabilities) be given effect no earlier than and only upon the Effective Time, all as described more fully herein; and

WHEREAS, in connection with the Plan of Separation, the Parties desire to set forth their agreement on the rights and obligations with respect to handling and allocating Taxes and related matters.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, each of the Parties mutually covenant and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings:

- (1) “Active Business” means the business conducted by each of the ATOB Entities as of the applicable distribution date.
- (2) “Affiliate” means a Person that directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. A Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise. For purposes hereof, none of the Parties or their respective Subsidiaries shall be considered an “Affiliate” of any of the other Parties or their respective Subsidiaries (determined on the same basis).
- (3) “Agreement” has the meaning set forth in the preamble hereto.
- (4) “Ancillary Agreements” has the meaning set forth in the Distribution Agreement.
- (5) “Assets” has the meaning set forth in the Distribution Agreement.
- (6) “ATOB Entities” mean the entities listed on Schedule 1.1(6).
- (7) “Audit” means any audit (including a determination of the status of qualified and non-qualified employee benefit plans), assessment of Taxes, other examination by or on behalf of any Taxing Authority (including notices), proceeding, or appeal of such a proceeding relating to Taxes, whether administrative or judicial, including proceedings relating to competent authority determinations initiated by a Party or any of its Subsidiaries.

- (8) "Audit Management Party" means the Party responsible for administering and controlling an Audit pursuant to Section 9.2(a)(i) or (b)(ii).
- (9) "Audit Representative" means the Chief Tax Officer of each Party (or such other officer of a Party that may be designated by that Party's Chief Financial Officer from time to time).
- (10) "Audit True-Up Date" means fifteen (15) days after the earlier of (i) the date that is ten (10) years following the Distribution Date and (ii) the expiration of all applicable statute of limitations periods for any ITT Federal Income Tax Returns, ITT U.S. State Income Tax Returns, and ITT Non-U.S. Income Tax Returns.
- (11) "Big Four Accounting Firm" means each of Deloitte & Touche LLP, Ernst & Young LLP, KPMG LLP, and Pricewaterhouse Coopers LLP.
- (12) "Business Day" means any day other than a Saturday, Sunday or a day on which banks are required to be closed in New York, New York.
- (13) "Change of Control" has the meaning set forth in the Joint Defense Agreement.
- (14) "Claiming Party" has the meaning set forth in Section 11.2(b).
- (15) "Code" has the meaning referred to in the recitals to this Agreement.
- (16) "Covered Defense Separate U.S. Income Tax Returns" means any Defense Separate U.S. Income Tax Return required to be filed (i) for a Pre-Distribution Tax Period, (ii) for a Straddle Tax Period, or (iii) for a Stub Tax Period.
- (17) "Covered Water Separate U.S. Income Tax Returns" means any Water Separate U.S. Income Tax Return required to be filed (i) for a Pre-Distribution Tax Period, (ii) for a Straddle Tax Period, or (iii) for a Stub Tax Period.
- (18) "Defense" has the meaning set forth in the recitals hereto.
- (19) "Defense Assets" has the meaning set forth in the Distribution Agreement.
- (20) "Defense Business" has the meaning set forth in the Distribution Agreement.
- (21) "Defense Common Stock" has the meaning set forth in the recitals hereto.
- (22) "Defense Group" has the meaning set forth in the Distribution Agreement.
- (23) "Defense Separate U.S. Income Tax Return" means any U.S. federal, state, or local Income Tax Return (including any consolidated, combined, unitary, or similar return) (i) that is not an ITT Combined U.S. Income Tax Return and (ii) that Defense or any member of the Defense Group is responsible under applicable Law for filing.
- (24) "Defense Federal Sharing Percentage" means thirty percent (30%).

- (25) “Defense U.S. State Sharing Percentage” means twenty-nine percent (29%).
- (26) “Dispute” has the meaning set forth in Section 13.1.
- (27) “Distribution” or “Distributions” means, individually or collectively:
- (a) the distribution on the Distribution Date to holders of record of shares of ITT Common Stock as of the Distribution Date of the Defense Common Stock and the Water Common Stock owned by ITT, and
 - (b) the distributions listed on Schedule 1.1(27).
- (28) “Distribution Agreement” means the Distribution Agreement by and among ITT, Water, and Defense, dated as of , 2011.
- (29) “Distribution Date” means the date on which the Distributions to holders of record of shares of ITT Common Stock of the Defense Common Stock and the Water Common Stock owned by ITT are effectuated pursuant to the Distribution Agreement.
- (30) “Distribution Sharing Percentages” means, with respect to ITT, twenty-one percent (21%), with respect to Water, forty percent (40%), and with respect to Defense, thirty-nine percent (39%).
- (31) “Distribution Taxes” mean any and all Taxes (a) required to be paid by or imposed on a Party or any of its Affiliates (determined on a “with and without” basis) resulting from, or directly arising in connection with, the failure of the Distributions to qualify under Section 355(a) or (c) of the Code or, if applicable, Section 361(c) of the Code, or the application of Section 355(d) or (e) of the Code to the Distributions (or the failure to qualify under or the application of corresponding provisions of the Laws of U.S. state or local jurisdictions).
- (32) “Due Date” means the date (taking into account all valid extensions) upon which a Tax Return is required to be filed with or Taxes are required to be paid to a Taxing Authority, whichever is applicable.
- (33) “Effective Time” has the meaning set forth in the Distribution Agreement.
- (34) “Fault” has the meaning set forth in Section 5.2.
- (35) “Federal Sharing Percentages” means, with respect to ITT, the ITT Federal Sharing Percentage, with respect to Water, the Water Federal Sharing Percentage, and with respect to Defense, the Defense Federal Sharing Percentage.
- (36) “Final Determination” means the final resolution of liability for any Tax for any taxable period, by or as a result of:
- (a) a final decision, judgment, decree or other order by any court of competent jurisdiction that can no longer be appealed;

(b) a final settlement with the IRS, a closing agreement or accepted offer in compromise under Sections 7121 or 7122 of the Code, or a comparable agreement under the Laws of other jurisdictions, which resolves the liability for the Taxes addressed in such agreement for any taxable period;

(c) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or

(d) any other final disposition, including by reason of the expiration of the applicable statute of limitations.

(37) “GRA” means any “gain recognition agreement” as such term is used in Treasury Regulations Section 1.367(a)-8 or defined in Treasury Regulations Section 1.367(a)-8T(a)(1)(v), as applicable.

(38) “Group” means the ITT Group, the Water Group, or the Defense Group.

(39) “Income Taxes” mean:

(a) all Taxes based upon, measured by, or calculated with respect to (i) net income or profits (including, but not limited to, any capital gains, minimum tax or any Tax on items of tax preference, but not including sales, use, real, or personal property, gross or net receipts, value added, excise, leasing, transfer or similar Taxes), or (ii) multiple bases (including, but not limited to, corporate franchise, doing business and occupation Taxes) if one or more bases upon which such Tax is determined is described in clause (a)(i) above; and

(b) all U.S., state, local or non-U.S. franchise Taxes.

(40) “Income Tax Returns” mean all Tax Returns that relate to Income Taxes.

(41) “Indemnified Party” means the Party which is or may be entitled pursuant to this Agreement to receive any payments (including reimbursement for Taxes or costs and expenses) from another Party or Parties to this Agreement.

(42) “Indemnifying Party” means the Party which is or may be required pursuant to this Agreement to make indemnification or other payments (including reimbursement for Taxes and costs and expenses) to another Party to this Agreement.

(43) “IRS” means the United States Internal Revenue Service or any successor thereto, including, but not limited to its agents, representatives, and attorneys.

(44) “IRS Ruling” means the requests submitted to the IRS for all private letter rulings to be obtained by ITT from the IRS in connection with the Plan of Separation, and any supplemental materials submitted to the IRS relating thereto, and the IRS private letter rulings received by ITT with respect to the Plan of Separation.

(45) “ITT” has the meaning set forth in the preamble of this Agreement.

(46) “ITT Combined or ITT Separate U.S. Income Tax Return” means (i) any ITT Combined U.S. Income Tax Return and (ii) any ITT Separate U.S. Income Tax Return required to be filed for any Pre-Distribution Tax Period or Straddle Tax Period.

(47) “ITT Combined U.S. Income Tax Return” means any U.S. federal, state, or local consolidated, combined, unitary or similar Income Tax Return that actually includes, by election or otherwise, one or more members of the ITT Group together with one or more members of either the Water Group or the Defense Group.

(48) “ITT Common Stock” has the meaning set forth in the Distribution Agreement.

(49) “ITT Federal Income Tax Return” means any U.S. federal consolidated Income Tax Return that actually includes, by election or otherwise, one or more members of the ITT Group together with one or more members of either the Water Group or the Defense Group.

(50) “ITT Federal Income Tax Audit” means any Audit of any ITT Federal Income Tax Return.

(51) “ITT Federal Income Tax Audit Amount” has the meaning set forth in Section 9.3(a).

(52) “ITT Federal Sharing Percentage” means nineteen percent (19%).

(53) “ITT Group” has the meaning set forth in the Distribution Agreement.

(54) “ITT Income Tax Audit Amount” means the sum of the ITT Federal Income Tax Audit Amount, the ITT U.S. State Income Tax Audit Amount, and the ITT Non-U.S. Income Tax Audit Amount.

(55) “ITT Non-U.S. Income Tax Audit” means any Audit of any ITT Non-U.S. Income Tax Return.

(56) “ITT Non-U.S. Income Tax Audit Amount” has the meaning set forth in Section 9.3(c).

(57) “ITT Non-U.S. Income Tax Return” means any Non-U.S. Income Tax Return (including any consolidated, combined, unitary, or similar return) that includes, by election or otherwise, one or more members of the ITT Group and that is required to be filed for any Pre-Distribution Tax Period or Straddle Tax Period.

(58) “ITT Non-U.S. Sharing Percentage” means eighty-four percent (84%).

(59) “ITT Retained Assets” has the meaning set forth in the Distribution Agreement.

(60) “ITT Retained Business” has the meaning set forth in the Distribution Agreement.

- (61) “ITT Retained Liabilities” has the meaning set forth in the Distribution Agreement.
- (62) “ITT Separate U.S. Income Tax Return” means any U.S. federal, state, or local Income Tax Return (including any consolidated, combined, unitary, or similar return) (i) that is not an ITT Combined U.S. Income Tax Return and (ii) that ITT or any member of the ITT Group is responsible under applicable Law for filing.
- (63) “ITT U.S. State Income Tax Audit Amount” has the meaning set forth in Section 9.3(b).
- (64) “ITT U.S. State Income Tax Return” means any U.S. state or local Income Tax Return (including any consolidated, combined, unitary, or similar return) that includes, by election or otherwise, one or more members of the ITT Group required to be filed for any Pre-Distribution Tax Period or Straddle Tax Period.
- (65) “ITT U.S. State Sharing Percentage” means sixty-five percent (65%).
- (66) “Law” means any U.S. or non-U.S. federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, administrative pronouncement, order, requirement or rule of law (including common law), or any income tax treaty.
- (67) “LIBOR” has the meaning set forth in the Distribution Agreement.
- (68) “Losses” has the meaning assigned to the term “Indemnifiable Losses” in the Distribution Agreement.
- (69) “Majority of the Parties” means the consent of at least two of the Parties.
- (70) “New York Courts” has the meaning set forth in Section 14.14.
- (71) “Non-Income Tax Returns” mean all Tax Returns other than Income Tax Returns.
- (72) “Non-U.S. Income Tax Returns” means all Income Tax Returns required to be filed with any Taxing Authority of any jurisdiction outside the U.S.
- (73) “Non-U.S. Sharing Percentages” means, with respect to ITT, the ITT Non-U.S. Sharing Percentage, and, with respect to Water, the Water Non-U.S. Sharing Percentage.
- (74) “Participating Party” has the meaning set forth in Section 9.2(c)(i).
- (75) “Party” has the meaning set forth in the preamble hereto.
- (76) “Paying Party” has the meaning set forth in Section 11.2(b).

(77) “Person” means any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership, or other organization or entity, whether incorporated or unincorporated, or any governmental entity.

(78) “Plan of Separation” has the meaning set forth in the recitals hereto.

(79) “Post-Distribution Income Tax Returns” mean, collectively, all Income Tax Returns required to be filed by a Party or its Affiliates for a Post-Distribution Tax Period.

(80) “Post-Distribution Payment Tax Benefit” has the meaning set forth in Section 11.2(b).

(81) “Post-Distribution Ruling” has the meaning set forth in Section 5.3.

(82) “Post-Distribution Tax Period” means a Tax period beginning and ending after the Distribution Date.

(83) “Pre-Distribution Tax Period” means a Tax period beginning and ending on or before the Distribution Date.

(84) “Proposed Acquisition Transaction” means a transaction or series of transactions (or any agreement, understanding, arrangement, or substantial negotiations within the meaning of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder, to enter into a transaction or series of related transactions), (i) as a result of which any of the Parties or any of the Section 355 Entities (or any successor thereto) would merge or consolidate with any other Person, or (ii) as a result of which any Person or any group of Persons would (directly or indirectly) acquire, or have the right to acquire (through an option or otherwise), from any of the Parties or any of their Affiliates (or any successor thereto) and/or one or more holders of their stock, respectively, any amount of stock of any of the Parties or any of the Section 355 Entities, as the case may be, that would, when combined with any other changes in ownership of the stock of such Party or any of the Section 355 Entities, result in a shift of more than thirty-five percent (35%) of (a) the value of all outstanding stock of such Party or any of the Section 355 Entities as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (b) the total combined voting power of all outstanding stock of such Party or any of the Section 355 Entities as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series. For purposes of determining whether a transaction constitutes an indirect acquisition for purposes of the first sentence of this definition, any recapitalization or other action resulting in a shift of voting power or any redemption of shares of stock shall be treated as an indirect acquisition of shares of stock by the non-exchanging shareholders. This definition and the application thereof is intended to monitor compliance with Section 355(e) of the Code and the Treasury Regulations promulgated thereunder and shall be interpreted accordingly by the Parties in good faith.

(85) “Qualified Tax Advisor” means any Big Four Accounting Firm or any law firm of nationally recognized standing.

(86) “Requesting Party” shall have the meaning set forth in Section 5.3.

(87) “Restricted Period” means the period beginning at the Effective Time and ending on the two-year anniversary of the day after the Distribution Date.

(88) “Section 355 Entities” mean the entities listed on Schedule 1.1(88).

(89) “Simpson” means Simpson Thacher & Bartlett LLP.

(90) “Spinco Parties” mean, each individually and collectively, Water and Defense.

(91) “Straddle Tax Period” means a Tax period beginning before the Distribution Date and ending after the Distribution Date.

(92) “Stub Tax Period” means a short Tax period beginning immediately following the Distribution Date.

(93) “Subsidiary” has the meaning set forth in the Distribution Agreement.

(94) “Tax” or “Taxes” means (i) all taxes, charges, fees, imposts, levies or other assessments, including all net income, gross receipts, capital, sales, use, gains, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, custom duties, fees, assessments and charges of any kind whatsoever, (ii) liability for the payment of any amount of the type described in clause (i) above arising as a result of being (or having been) a member of any group or being (or having been) included or required to be included in any Tax Return related thereto, and (iii) liability for the payment of any amount of the type described in clauses (i) or (ii) above as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other Person. Whenever the term “Tax” or “Taxes” is used it shall include penalties, fines, additions to tax and interest thereon.

(95) “Tax Attributes” mean for U.S. federal, state, local, and non-U.S. Income Tax purposes, earnings and profits, tax basis, net operating and capital loss carryovers or carrybacks, alternative minimum Tax credit carryovers or carrybacks, general business credit carryovers or carrybacks, income tax credits or credits against income tax, disqualified interest and excess limitation carryovers or carrybacks, overall foreign losses, research and experimentation credit base periods, and all other items that are determined or computed on an affiliated group basis (as defined in Section 1504(a) of the Code determined without regard to the exclusion contained in Section 1504(b)(3) of the Code), or similar Tax items determined under applicable Tax law.

(96) “Tax Benefit Actually Realized” means with respect to a Party and its Subsidiaries a reduction in the amount of Taxes that are required to be paid or an increase in refund due, whether resulting from a deduction, from reduced gain or increased loss from disposition of an asset, or otherwise, such reduction or increase in refund due determined on an “actually realized” basis. For purposes of this definition, a Party or its Subsidiaries will be deemed to have “actually realized” such reduction or increase in refund due at the time the amount of Taxes such Party or any of its Subsidiaries is required to pay is reduced or the amount of any refund due is increased. The amount of any Tax Benefit Actually Realized shall be computed on a “with and without” basis.

(97) “Tax-Free Status” means the qualification of a Distribution or any other transaction contemplated by the IRS Ruling or any Tax Opinion as a transaction in which gain or loss is not recognized, in whole or in part, and no amount is included in income, including by reason of Distribution Taxes, for U.S. federal, state, and local income tax purposes (other than intercompany items, excess loss accounts or other items required to be taken into account pursuant to Treasury Regulations promulgated under Section 1502 of the Code).

(98) “Taxing Authority” means any governmental authority or any subdivision, agency, commission, or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection, or imposition of any Tax (including the IRS).

(99) “Tax Opinions” mean certain Tax opinions and supporting memoranda rendered by Simpson to ITT or any of its Affiliates in connection with the Plan of Separation.

(100) “Tax Package” means Tax data and information relating to the operations of a Spinco Party and/or its Subsidiaries, the Water Business (in the case of Water), or the Defense Business (in the case of Defense) that is reasonably necessary to prepare and file any ITT Combined or ITT Separate U.S. Income Tax Return, Covered Water Separate U.S. Income Tax Return, or Covered Defense Separate U.S. Income Tax Return, as applicable, and is consistent with the content and format of Tax data and information submitted by Affiliates of Water or Water Business divisions (in the case of Water) or Affiliates of Defense or Defense Business divisions (in the case of Defense) to ITT for Tax Returns (both U.S. and non-U.S.) for Tax periods prior to 2011.

(101) “Tax Representation Letter” means any letter containing certain representations and covenants issued by ITT or any of its Affiliates to Simpson in connection with the Tax Opinions.

(102) “Tax Returns” mean any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund, or declaration of estimated tax) required to be supplied to, or filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any Laws, regulations, or administrative requirements relating to any Taxes.

(103) “Transition Services Agreement” has the meaning set forth in the Distribution Agreement.

(104) “Treasury Regulations” mean the income tax and administrative regulations promulgated from time to time under the Code, as in effect for the relevant Tax Period.

(105) “Unqualified Tax Opinion” means an unqualified “will” opinion of a Qualified Tax Advisor, which opinion is reasonably acceptable to each of the Parties and upon which each of the Parties may rely to confirm that a transaction (or transactions) will not result in Distribution Taxes.

(106) “U.S.” means the United States.

(107) "U.S. State Sharing Percentages" means, with respect to ITT, the ITT U.S. State Sharing Percentage, with respect to Water, the Water U.S. State Sharing Percentage, and with respect to Defense, the Defense U.S. State Sharing Percentage.

(108) "Water" has the meaning set forth in the recitals to this Agreement.

(109) "Water Assets" has the meaning set forth in the Distribution Agreement.

(110) "Water Business" has the meaning set forth in the Distribution Agreement.

(111) "Water Common Stock" has the meaning set forth in the recitals hereto.

(112) "Water Federal Sharing Percentage" means fifty-one percent (51%).

(113) "Water Group" has the meaning set forth in the Distribution Agreement.

(114) "Water Liabilities" has the meaning set forth in the Distribution Agreement.

(115) "Water Non-U.S. Sharing Percentage" means sixteen percent (16%).

(116) "Water Separate U.S. Income Tax Return" means any U.S. federal, state, or local Income Tax Return (including any consolidated, combined, unitary, or similar return) (i) that is not an ITT Combined U.S. Income Tax Return and (ii) that Water or any member of the Water Group is responsible under applicable Law for filing.

(117) "Water U.S. State Sharing Percentage" means six percent (6%).

Section 1.2 References: Interpretation.

(a) Terms not otherwise defined herein shall have the meaning ascribed to them in the Distribution Agreement. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words "include", "includes", and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation". Unless the context otherwise requires, references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words "hereof", "hereby", and "herein" and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement.

Section 1.3 Effective Time.

(a) The Parties acknowledge that the Plan of Separation contemplates a series of interrelated and intermediate internal transactions undertaken preparatory to and in contemplation of the Distributions that must be completed prior to the Effective Time in order to align and properly capitalize the Water Business, the Defense Business, and the ITT Retained Business.

(b) Notwithstanding that these interrelated and intermediate internal transactions must be given effect prior to the Distributions, the agreements contained herein, including, but not limited to, the manner in which Taxes are shared amongst the Parties, shall be effective no earlier than and only upon the Effective Time.

ARTICLE II

PREPARATION AND FILING OF TAX RETURNS

Section 2.1 Responsibility of ITT to Prepare and File Tax Returns.

(a) General. To the extent not previously filed and subject to the rights and obligations of each of the Parties set forth herein, ITT shall prepare or cause to be prepared all (i) Tax Returns required to be filed (taking into account any applicable extensions) on or prior to the Distribution Date, (ii) ITT Combined or ITT Separate U.S. Income Tax Returns, and (iii) ITT Non-U.S. Income Tax Returns. ITT shall file or cause to be filed all such Tax Returns with the applicable Taxing Authority. To the extent any member of the Water Group or the Defense Group could be liable after the Distribution Date for Taxes with respect to such Tax Returns (taking into account any provision under this Agreement), ITT shall be required to prepare such Tax Returns in a manner consistent with the past practice of ITT and its Affiliates (unless otherwise modified by a Final Determination or required by applicable Law). All Tax Returns filed under this Section 2.1 shall be filed in a manner consistent with (and the Parties and their Affiliates shall not take any position inconsistent with) the IRS Ruling, the Tax Representation Letters, and the Tax Opinions. Subject to the foregoing standards, ITT shall have the right with respect to any Tax Return filed under this Section 2.1, to determine: (a) except as provided in Section 11.2(a), the manner in which such Tax Return will be prepared and filed, including the elections, method of accounting, positions, conventions, and principles of taxation to be used and the manner in which any Tax item will be reported; (b) whether any extensions may be requested; and (c) except as provided in Section 11.2(a), the elections that will be made by ITT, any member of the ITT Group, any member of the Water Group, or any member of the Defense Group on such Tax Return.

(b) Tax Package. To the extent not previously provided, Water and Defense shall (at their own cost and expense), to the extent that an ITT Combined or ITT Separate U.S. Income Tax Return includes items of that Party or its Affiliates, the Water Business (in the case of Water), or the Defense Business (in the case of Defense), prepare and provide or cause to be prepared and provided to ITT a Tax Package relating to such Tax Return. Such Tax Package shall be provided in a timely manner consistent with the past practices of the Parties and their Affiliates. In the event a Party does not fulfill its obligations pursuant to this Section 2.1(b), ITT shall be entitled, at the sole cost and expense of such Party, to prepare or cause to be prepared the information required to be included in the Tax Package for purposes of preparing any such ITT Combined or ITT Separate U.S. Income Tax Return.

Section 2.2 Responsibility of Parties to Prepare and File Covered Water Separate U.S. Income Tax Returns and Covered Defense Separate U.S. Income Tax Returns.

(a) General. Subject to the rights and obligations of each of the Parties set forth herein, ITT shall prepare or cause to be prepared all Covered Water Separate U.S. Income Tax Returns and all Covered Defense Separate U.S. Income Tax Returns required to be filed after the Distribution Date. Water shall file or cause to be filed all such Covered Water Separate U.S. Income Tax Returns with the applicable Taxing Authority, and Defense shall file or cause to be filed all such Covered Defense Separate U.S. Income Tax Returns with the applicable Taxing Authority. All such Tax Returns shall be prepared in a manner (i) consistent with the past practice of the Parties and their Affiliates unless otherwise modified by a Final Determination or required by applicable Law; (ii) consistent with (and the Parties and their Affiliates shall not take any position inconsistent with) the IRS Ruling, the Tax Representation Letters, and the Tax Opinions; and (iii) consistent with any ITT Combined U.S. Income Tax Returns.

(b) Tax Package. To the extent not previously provided, Water and Defense shall (at their own cost and expense), prepare and provide or cause to be prepared and provided to ITT a Tax Package relating to any Covered Water Separate U.S. Income Tax Return (in the case of Water) or Covered Defense Separate U.S. Income Tax Return (in the case of Defense). Such Tax Package shall be provided in a timely manner consistent with the past practices of the Parties and their Affiliates. In the event a Party does not fulfill its obligations pursuant to this Section 2.2(b), ITT shall be entitled, at the sole cost and expense of such Party, to prepare or cause to be prepared the information required to be included in the Tax Package for purposes of preparing any such Covered Water Separate U.S. Income Tax Return or Covered Defense Separate U.S. Income Tax Return.

(c) Procedures Relating to the Preparation and Filing of Covered Water Separate U.S. Income Tax Returns and Covered Defense Separate U.S. Income Tax Returns.

(i) In the case of Covered Water Separate U.S. Income Tax Returns and Covered Defense Separate U.S. Income Tax Returns required to be filed after the Distribution Date, no later than forty-five (45) days prior to the Due Date of each such Tax Return (reduced to twenty (20) days for state or local Tax Returns), ITT shall make available or cause to be made available drafts of such Tax Returns to Water or Defense, respectively. Water or Defense (as the case may be) shall have access to any and all data and information reasonably necessary for the preparation of all such Tax Returns, and ITT and Water or Defense (as the case may be) shall cooperate fully in the preparation and review of such Tax Returns. Subject to the preceding sentence, no later than fifteen (15) days after receipt of such Tax Returns (reduced to five (5) days for state or local Tax Returns), Water shall have a right to object to such Covered Water Separate U.S. Income Tax Return (or items with respect thereto) by written notice to ITT and Defense shall have a right to object to such Covered Defense Separate U.S. Income Tax Return (or items with respect thereto) by written notice to ITT; such written notice shall contain such disputed item (or items) and the basis for its objection.

(ii) With respect to a Covered Water Separate U.S. Income Tax Return or Covered Defense Separate U.S. Income Tax Return submitted by ITT to another Party pursuant to Section 2.2(c)(i), if the other Party does not object by proper written notice within the time period described, such Tax Return shall be deemed to have been accepted and agreed upon, and to be final and conclusive, for purposes of this Section 2.2(c)(ii). If a Party does object by proper written notice within such applicable time period, ITT shall reflect such Party's comments

on such Tax Return; provided, however, that ITT shall not be required to reflect comments to the extent such comments are inconsistent with the standards set forth in Section 2.2(a). The Parties shall act in good faith to resolve any such dispute as promptly as practicable. If the Parties have not reached a final resolution with respect to all disputed items for which proper written notice was given within ten (10) days (reduced to two (2) days for state or local Tax Returns) prior to the Due Date for such Tax Return, such Tax Return shall be filed as prepared pursuant to this Section 2.2 (revised to reflect all initially disputed items that the Parties have agreed upon prior to such date).

(iii) In the event that a Covered Water Separate U.S. Income Tax Return or Covered Defense Separate U.S. Income Tax Return required to be filed after the Distribution Date is filed that includes any disputed item for which proper notice was given pursuant to this Section 2.2(c) that was not finally resolved and agreed upon, such disputed item (or items) shall be resolved in accordance with Article XIII. In the event that the resolution of such disputed item (or items) in accordance with Article XIII with respect to a Covered Water Separate U.S. Income Tax Return or Covered Defense Separate U.S. Income Tax Return is inconsistent with such Tax Return as filed, the Party entitled under applicable Law to amend such Tax Return (with cooperation from the other Parties) shall, as promptly as practicable, amend such Tax Return to properly reflect the final resolution of the disputed item (or items). In the event that the amount of Taxes shown to be due and owing on a Covered Water Separate U.S. Income Tax Return or Covered Defense Separate U.S. Income Tax Return required to be filed after the Distribution Date is adjusted as a result of a resolution pursuant to Article XIII, proper adjustment shall be made to the amounts previously paid or required to be paid by the Parties in accordance with Article III in a manner that reflects such resolution.

Section 2.3 Responsibility of Parties to Prepare and File Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns, and Non-Income Tax Returns. The Party or its Affiliate responsible under applicable Law for filing a Post-Distribution Income Tax Return (other than a Tax Return for a Stub Tax Period), a Non-U.S. Income Tax Return (other than an ITT Non-U.S. Income Tax Return), or a Non-Income Tax Return (in each case required to be filed after the Distribution Date) shall prepare and file or cause to be prepared and filed that Tax Return (at that Party's own cost and expense). All such Tax Returns shall be filed in a manner (i) consistent with (and the Parties and their Affiliates shall not take any position inconsistent with) the IRS Ruling, the Tax Representation Letters, and the Tax Opinions and (ii) consistent with any ITT Combined U.S. Income Tax Returns.

Section 2.4 Time of Filing Tax Returns; Manner of Tax Return Preparation. Each Tax Return shall be filed on or prior to the Due Date for such Tax Return by the Party responsible for filing such Tax Return hereunder. Unless otherwise required by a Taxing Authority pursuant to a Final Determination, the Parties hereto shall prepare and file or cause to be prepared and filed all Tax Returns and take all other actions in a manner consistent with (and shall not take any position inconsistent with) any assumptions, representations, warranties, covenants, and conclusions provided by the Parties in connection with the Plan of Separation.

Section 2.5 Costs and Expenses. Unless otherwise provided in this Agreement, the party responsible for preparing any Tax Return under Section 2.1, 2.2, or 2.3 shall be responsible for the costs and expenses associated with preparing such Tax Returns.

Notwithstanding the foregoing, the external costs and expenses associated with preparing all ITT Combined or ITT Separate U.S. Income Tax Returns, Covered Water Separate U.S. Income Tax Returns, and Covered Defense Separate U.S. Income Tax Returns shall be shared on an equal one-third (1/3) basis by each of the Parties; provided, however, if ITT determines that such shared external costs and expenses are reasonably expected to exceed \$1,500,000, then at such time the Chief Executive Officer of ITT shall notify the Chief Executive Officers of each of Xylem and Exelis of such expected overage, and the Parties shall use their good faith efforts to determine within thirty (30) days the amount of the additional shared external costs and expenses that are reasonably necessary for the preparation of such Tax Returns.

ARTICLE III
RESPONSIBILITY FOR PAYMENT OF TAXES

Section 3.1 Responsibility of ITT for Taxes. Except as otherwise provided in this Agreement, ITT shall be liable for and shall pay or cause to be paid the following Taxes to the applicable Taxing Authority:

(a) any Taxes due and payable on all Tax Returns required to be filed (taking into account any applicable extensions) on or prior to the Distribution Date;

(b) any Taxes due and payable on all ITT Combined or ITT Separate U.S. Income Tax Returns;

(c) any Taxes due and payable on all ITT Non-U.S. Income Tax Returns; and

(d) any Taxes due and payable on all Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns, and Non-Income Tax Returns that ITT is required to file or cause to be filed with such Taxing Authority pursuant to Section 2.3.

Section 3.2 Responsibility of Defense for Taxes. Except as otherwise provided in this Agreement, Defense shall be liable for and shall pay or cause to be paid the following Taxes to the applicable Taxing Authority:

(a) any Taxes due and payable on all Covered Defense Separate U.S. Income Tax Returns required to be filed after the Distribution Date; and

(b) any Taxes due and payable on all Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns, and Non-Income Tax Returns that Defense is required to file or cause to be filed with such Taxing Authority pursuant to Section 2.3.

Section 3.3 Responsibility of Water for Taxes. Except as otherwise provided in this agreement, Water shall be liable for and shall pay or cause to be paid the following Taxes to the applicable Taxing Authority:

(a) any Taxes due and payable on all Covered Water Separate U.S. Income Tax Returns required to be filed after the Distribution Date; and

(b) any Taxes due and payable on all Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns, and Non-Income Tax Returns that Water is required to file or cause to be filed with such Taxing Authority pursuant to Section 2.3.

Section 3.4 Timing of Payments of Taxes. All Taxes required to be paid or caused to be paid by a Party to a Taxing Authority pursuant to this Article III shall be paid or caused to be paid by such Party on or prior to the Due Date of such Taxes. All amounts required to be paid by one Party to another Party (including obligations arising under Article VII) pursuant to this Article III shall be paid or caused to be paid by such first Party to such other Party in accordance with Article VIII.

ARTICLE IV

REFUNDS, CARRYBACKS AND AMENDED TAX RETURNS

Section 4.1 Refunds.

(a) Each Party shall be entitled to refunds (including any similar credit or offset of Taxes) that relate to Taxes for which it is liable hereunder in accordance with Article III, Article V, or Article VI; provided, however, that (i) any refunds of Taxes (other than Taxes for which a Party is responsible pursuant to Article V or Article VI) received in connection with any ITT Federal Income Tax Audit, an ITT U.S. State Income Tax Audit, or ITT Non-U.S. Income Tax Audit by a member of the ITT Group for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)) shall be treated as reducing the ITT Federal Income Tax Audit Amount, ITT U.S. State Income Tax Audit Amount, or ITT Non-U.S. Income Tax Audit Amount, as applicable (but only to the extent that a member of the ITT Group is entitled to retain such refund after application of clause (ii) below) and (ii) the Party that receives such refund shall make payments to the other Parties in accordance with their Federal Sharing Percentages, U.S. State Sharing Percentages, or Non-U.S. Sharing Percentages, as applicable, to reflect the their prior liability, if any, for additional Taxes under Section 9.3.

(b) Any refund or portion thereof to which a Party is entitled pursuant to this Section 4.1 that is received or deemed to have been received as described herein by another Party, shall be paid by such other Party to such first Party in immediately available funds in accordance with Article VIII.

Section 4.2 Carrybacks. The Spinco Parties agree and will cause their Subsidiaries not to carry back any Tax Attribute for any taxable period ending after the Distribution Date to an ITT Combined U.S. Income Tax Return, except as is required by applicable Law.

Section 4.3 Amended Tax Returns.

(a) Notwithstanding Sections 2.1 and 2.2, a Party or its Subsidiary that is entitled to file an amended Tax Return for a Pre-Distribution Tax Period or a Straddle Tax Period for members of its Group shall be permitted to prepare and file an amended Tax Return at its own cost and expense; provided, however, that (i) such amended Tax Return shall be prepared in

a manner (x) consistent with the past practice of the Parties and their Affiliates unless otherwise modified by a Final Determination or required by applicable Law; (y) consistent with (and the Parties and their Affiliates shall not take any position inconsistent with) the IRS Ruling, the Tax Representation Letters, and the Tax Opinions; and (z) consistent with any ITT Combined U.S. Income Tax Returns; and (ii) if such amended Tax Return could result in one or more other Parties becoming responsible for a payment of Taxes pursuant to Article III or a payment to a Party pursuant to Article IX, such amended Tax Return shall be permitted only if the consent of such other Parties is obtained. The consent of such other Parties shall not be withheld unreasonably and shall be deemed to be obtained in the event that a Party or its Subsidiary is required to file an amended Tax Return as a result of an Audit adjustment that arose in accordance with Article IX.

(b) A Party or its Subsidiary that is entitled to file an amended Tax Return for a Post-Distribution Tax Period shall be permitted to do so without the consent of any Party.

(c) A Party that is permitted (or whose Subsidiary is permitted) to file an amended Tax Return shall not be relieved of any liability for payments pursuant to this Agreement notwithstanding that another Party consented thereto.

ARTICLE V

DISTRIBUTION TAXES

Section 5.1 Liability for Distribution Taxes. In the event that Distribution Taxes become due and payable to a Taxing Authority pursuant to a Final Determination, then, notwithstanding anything to the contrary in this Agreement:

(a) No Fault. If such Distribution Taxes are not attributable to the Fault of any Party or any of its Affiliates, the responsibility for such Distribution Taxes shall be shared by the Parties in accordance with their Distribution Sharing Percentages. Notwithstanding anything to the contrary in this Agreement, such Distribution Taxes shall not be subject to Section 9.3 (including for purposes of determining the ITT Federal Income Tax Audit Amount or ITT U.S. State Income Tax Audit Amount).

(b) Fault. If such Distribution Taxes are attributable to the Fault of one or more Parties or any of their Affiliates, the responsibility for such Distribution Taxes shall reside with the Party or Parties at Fault. If more than one Party is at Fault, the responsibility for the Distribution Taxes shall be allocated equally among all of the Parties at Fault. Notwithstanding anything to the contrary in this Agreement, such Distribution Taxes shall not be subject to Article III or Section 9.3 (including for purposes of determining the ITT Federal Income Tax Audit Amount or ITT U.S. State Income Tax Audit Amount).

Section 5.2 Definition of Fault. For purposes of this Agreement, Distribution Taxes shall be deemed to result from the fault ("Fault") of a Party if such Distribution Taxes are directly attributable to, or result from:

(a) any act, or failure or omission to act, by such Party or any of such Party's Affiliates following the Distributions that results in one or more Parties (or any of their

Affiliates) being responsible for such Distribution Taxes pursuant to a Final Determination, regardless of whether such act or failure to act (i) is covered by a Post-Distribution Ruling, Unqualified Tax Opinion, or waiver in accordance with Section 5.3, or (ii) occurs during or after the Restricted Period, or

(b) the direct or indirect acquisition of all or a portion of the stock of such Party or of any of the Section 355 Entities (or any transaction or series of related transactions that is deemed to be such an acquisition for purposes of Section 355(e) of the Code and the Treasury Regulations promulgated thereunder) by any means whatsoever by any person including pursuant to an issuance of stock by such Party or any of its Affiliates.

Section 5.3 Limits on Proposed Acquisition Transactions and Other Transactions During Restricted Period. During the Restricted Period, no Party shall:

(a) enter into any Proposed Acquisition Transaction, approve any Proposed Acquisition Transaction for any purpose, or allow any Proposed Acquisition Transaction to occur with respect to any of the Section 355 Entities;

(b) merge or consolidate with any other Person or liquidate or partially liquidate; or approve or allow any merger, consolidation, liquidation, or partial liquidation of any of the Section 355 Entities or the ATOB Entities;

(c) approve or allow the discontinuance, cessation, or sale or other transfer (to an Affiliate or otherwise) of any Active Business;

(d) approve or allow the sale, issuance, or other disposition (to an Affiliate or otherwise), directly or indirectly, of any share of, or other equity interest or an instrument convertible into an equity interest in, any of the ATOB Entities;

(e) sell or otherwise dispose of more than 35 percent (35%) of its consolidated gross or net assets, or approve or allow the sale or other disposition (to an Affiliate or otherwise) of more than 35 percent (35%) of the consolidated gross or net assets of any of the Section 355 Entities (in each case, excluding sales in the ordinary course of business and measured based on fair market values as of the date of the applicable Distribution or other transaction);

(f) amend its certificate of incorporation (or other organizational documents), or take any other action or approve or allow the taking of any action, whether through a stockholder vote or otherwise, affecting the voting rights of the stock of such Party or any of the Section 355 Entities;

(g) purchase, directly or through any Affiliate, any of its outstanding stock after the Distributions, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Revenue Procedure 96-30;

(h) take any action or fail to take any action, or permit any of its Affiliates to take any action or fail to take any action, that is inconsistent with the representations and covenants made in the IRS Ruling or in the Tax Representation Letters, or that is inconsistent with any rulings or opinions in the IRS Ruling or any Tax Opinion; or

(i) take any action or permit any of its Affiliates to take any action that, in the aggregate (taking into account other transactions described in this Section 5.3) would be reasonably likely to jeopardize Tax-Free Status;

provided, however, that a Party (the “Requesting Party”) shall be permitted to take such action or one or more actions set forth in the foregoing clauses (a) through (g) if, prior to taking any such actions: (1) such Requesting Party or ITT shall have received a favorable private letter ruling from the IRS, or a ruling from another Taxing Authority (a “Post-Distribution Ruling”), in form and substance reasonably satisfactory to the other Parties that confirms that such action or actions will not result in Distribution Taxes, taking into account such actions and any other relevant transactions in the aggregate; (2) such Requesting Party shall have received an Unqualified Tax Opinion in form and substance reasonably satisfactory to the other Parties that confirms that such action or actions will not result in Distribution Taxes, taking into account such actions and any other relevant transactions in the aggregate; or (3) such Requesting Party shall have received a written statement from each of the other Parties that provides that such other Party waives the requirement to obtain a Post-Distribution Ruling or Unqualified Tax Opinion described in this paragraph. The Requesting Party shall bear all costs and expenses of securing any such Post-Distribution Ruling or Unqualified Tax Opinion.

Section 5.4 IRS Ruling, Tax Representation Letters, and Tax Opinions; Consistency. Each Party represents that the information and representations furnished by it in or with respect to the IRS Ruling, the Tax Representation Letters, or the Tax Opinions are accurate and complete as of the Effective Time. Each Party covenants that if, after the Effective Time, it or any of its Affiliates obtains information indicating, or otherwise becomes aware, that any such information or representations is or may be inaccurate or incomplete, to promptly inform the other Parties. The Parties shall not take any action or fail to take any action, or permit any of their Affiliates to take any action or fail to take any action, that is or is reasonably likely to be inconsistent with the IRS Ruling, the Tax Representation Letters, or the Tax Opinions.

Section 5.5 Timing of Payment of Taxes. All Distribution Taxes required to be paid or caused to be paid by a Party to a Taxing Authority under applicable Law shall be paid or caused to be paid by such Party on or prior to the Due Date of such Distribution Taxes. All amounts required to be paid by one Party to another Party (including obligations arising under Article VII) pursuant to this Article V shall be paid or caused to be paid by such first Party to such other Party in accordance with Article VIII.

ARTICLE VI

GAIN RECOGNITION AGREEMENTS

Section 6.1 Gain Recognition Agreement Compliance. Each Party and its Affiliates shall take any action reasonably necessary to prevent the transactions that are part of the Plan of Separation from constituting “triggering events” with respect to the GRAs listed in Schedule 6.1 or any related new or amended GRAs (including amending existing GRAs or entering into new GRAs as well as complying with any related requirements).

Section 6.2 Gain Recognition Agreement Taxes. In the event that any Taxes become due and payable to a Taxing Authority with respect to the GRAs listed in Schedule 6.1 or any related new or amended GRAs, then, notwithstanding anything to the contrary in this Agreement:

(a) Non-Compliance. If such Taxes are attributable to one or more Parties' or any of their Affiliates' failure to comply with Section 6.1, the responsibility for such Taxes shall reside with such Party or Parties. If more than one Party or any of its Affiliates has failed to comply to with Section 6.1, the responsibility for such Taxes shall be allocated equally among all such Parties. Notwithstanding anything to the contrary in this Agreement, such Taxes shall not be subject to Article III or Section 9.3 (including for purposes of determining the ITT Federal Income Tax Audit Amount or ITT U.S. State Income Tax Audit Amount).

(b) Post-Distribution Actions. If such Taxes are not covered by Section 6.2(a) and are attributable to any action of a Party or any of its Affiliates after the Distributions, the responsibility for such Taxes shall reside with such Party. Notwithstanding anything to the contrary in this Agreement, such Taxes shall not be subject to Article III or Section 9.3 (including for purposes of determining the ITT Federal Income Tax Audit Amount or ITT U.S. State Income Tax Audit Amount).

Section 6.3 Timing of Payment of Taxes. All Taxes subject to Section 6.2 required to be paid or caused to be paid by a Party to a Taxing Authority under applicable Law shall be paid or caused to be paid by such Party on or prior to the Due Date of such Taxes. All amounts required to be paid by one Party to another Party (including obligations arising under Article VII) pursuant to this Article VI shall be paid or caused to be paid by such first Party to such other Party in accordance with Article VIII.

ARTICLE VII INDEMNIFICATION

Section 7.1 Indemnification Obligations of ITT. ITT shall indemnify Water and Defense and hold them harmless from and against (without duplication):

- (a) all Taxes and other amounts for which the ITT Group is responsible under this Agreement; and
- (b) all Taxes and Losses attributable to a breach of any representation, covenant, or obligation of ITT under this Agreement.

Section 7.2 Indemnification Obligations of Water. Water shall indemnify ITT and Defense and hold them harmless from and against (without duplication):

- (a) all Taxes and other amounts for which the Water Group is responsible under this Agreement; and
- (b) all Taxes and Losses attributable to a breach of any representation, covenant, or obligation of Water under this Agreement.

Section 7.3 Indemnification Obligations of Defense. Defense shall indemnify ITT and Water and hold them harmless from and against (without duplication):

- (a) all Taxes and other amounts for which the Defense Group is responsible under this Agreement; and
- (b) all Taxes and Losses attributable to a breach of any representation, covenant or obligation of Defense under this Agreement.

ARTICLE VIII PAYMENTS

Section 8.1 Payments.

(a) General. In the event that an Indemnifying Party is required to make a payment to an Indemnified Party pursuant to this Agreement, such payment shall be made to the Indemnified Party within the time prescribed for payment in this Agreement, or if no period is prescribed, within twenty (20) days after delivery of written notice of payment owing together with a computation of the amounts due. If the Indemnifying Party fails to make a payment to the Indemnified Party within the time period set forth in this Section 8.1 or as otherwise provided in this Agreement, such Indemnifying Party shall pay to the Indemnified Party interest that accrues (at a rate equal to LIBOR) on the amount of such payment from the time that such payment was due to the Indemnified Party until the date that payment is actually made to the Indemnified Party; provided, however, that this provision for interest shall not be construed to give the Indemnifying Party the right to defer payment beyond the due date hereunder.

(b) Right of Setoff. It is expressly understood that an Indemnifying Party is hereby authorized to set off and apply any and all amounts required to be paid to an Indemnified Party pursuant to this Section 8.1 against any and all of the obligations of the Indemnified Party to the Indemnifying Party arising under Section 8.1 of this Agreement that are then either due and payable or past due, irrespective of whether such Indemnifying Party has made any demand for payment with respect to such obligations.

Section 8.2 Treatment of Payments made Pursuant to Tax Matters Agreement. Unless otherwise required by a Final Determination or this Agreement or otherwise agreed to among the Parties, for U.S. federal Tax purposes, any payment (other than payments of interest pursuant to Section 8.1(a)) made pursuant to this Agreement by:

- (a) a Spinco Party to ITT shall be treated for all Tax purposes as a distribution by such Spinco Party to ITT with respect to stock of the Spinco Party occurring after the Spinco Party is directly owned by ITT and immediately before the applicable Distribution;
- (b) ITT to either of the Spinco Parties shall be treated for all Tax purposes as a tax-free contribution by ITT to the appropriate Spinco Party with respect to its stock occurring after the Spinco Party is directly owned by ITT and immediately before the applicable Distribution;

(c) a Spinco Party to another Spinco Party shall be treated for all Tax purposes as a distribution by the first Spinco Party to ITT with respect to stock of that Spinco Party occurring after the Spinco Party is directly owned by ITT and immediately before the applicable Distribution followed by a tax-free contribution by ITT to the recipient Spinco Party with respect to its stock occurring after the Spinco Party is directly owned by ITT and immediately before the applicable Distribution; and

(d) in each case, none of the Parties shall take any position inconsistent with such treatment. In the event that a Taxing Authority asserts that a Party's treatment of a payment pursuant to this Agreement should be other than as required pursuant to this Agreement (ignoring any potential inconsistent or adverse Final Determination), such Party shall use its commercially reasonable efforts to contest such challenge.

Section 8.3 Payments Net of Tax Benefit Actually Realized and Tax Cost. All amounts required to be paid by one Party to another pursuant to this Agreement or the Distribution Agreement shall be reduced by the Tax Benefit Actually Realized by the Indemnified Party or its Subsidiaries in the taxable year the payment is made or any prior taxable year as a result of the claim giving rise to the payment. If the receipt or accrual of any such payment (other than payments of interest pursuant to Section 8.1(a) or Section 11.11 of the Distribution Agreement) results in taxable income to the Indemnified Party or its Subsidiaries, such payment shall be increased so that, after the payment of any Taxes with respect to the payment, the Indemnified Party or its Subsidiaries shall have realized the same net amount it would have realized had the payment not resulted in taxable income.

ARTICLE IX

AUDITS

Section 9.1 Notice. Within fifteen (15) Business Days after a Party or any of its Affiliates receives a written notice from a Taxing Authority (reduced to five (5) Business Days for written notices received from a state or local Taxing Authority) of the existence of an Audit that may require indemnification pursuant to this Agreement, that Party shall notify the other Parties of such receipt and send such notice to the other Parties via overnight mail. The failure of one Party to notify the other Parties of an Audit shall not relieve such other Party of any liability and/or obligation that it may have under this Agreement, except to the extent that the Indemnifying Party's rights under this Agreement are materially prejudiced by such failure.

Section 9.2 Audits.

(a) Determination of Administering Party.

(i) Subject to Sections 9.2(b) and 9.2(c), ITT and its Subsidiaries shall administer and control all ITT Federal Income Tax Audits, ITT U.S. State Income Tax Audits, and ITT Non-U.S. Income Tax Audits.

(ii) Audits of Water Separate U.S. Income Tax Returns, Defense Separate U.S. Income Tax Returns, Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns (other than ITT Non-U.S. Income Tax Returns), and Non-Income Tax Returns shall

be administered and controlled by the Party and its Subsidiaries that would be primarily liable under applicable Law to pay to the applicable Taxing Authority the Taxes resulting from such Audits. Such Audits shall not be subject to Sections 9.2(b) and 9.2(c).

(b) Administration and Control; Cooperation.

(i) Subject to Sections 9.2(b)(ii) and 9.2(c), the Audit Management Party shall have absolute authority to make all decisions (determined in its sole discretion) with respect to the administration and control of such Audit, including the selection of all external advisors. In that regard, the Audit Management Party (a) may in its sole discretion settle or otherwise determine not to continue to contest any issue related to such Audit without the consent of the other Parties, and (b) shall, as soon as reasonably practicable and prior to settlement of an issue that could cause one or more other Parties to become responsible for Taxes under Section 9.3, notify the Audit Representatives of such other Parties of such settlement. The other Parties shall (and shall cause their Affiliates to) undertake all actions and execute all documents (including an extension of the applicable statute of limitations) that are determined in the sole discretion of the Audit Management Party to be necessary to effectuate such administration and control. The Parties shall act in good faith and use their reasonable best efforts to cooperate fully with each other Party (and their Affiliates) in connection with such Audit and shall provide or cause their Subsidiaries to provide such information to each other as may be necessary or useful with respect to such Audit in a timely manner, identify and provide access to potential witnesses, and other persons with knowledge and other information within its control and reasonably necessary to the resolution of the Audit.

(ii) In the case of any Audit in respect of Distribution Taxes for which a Party could be liable pursuant to Section 5.1(b) or Taxes for which a Party could be liable pursuant to Section 6.2, such Party shall have the right to administer and control such Audit (and shall have any rights, and be subject to any limitations or obligations, set forth in Section 9.2 applicable to the Audit Management Party); provided, however, that such Audit Management Party shall not settle such Audit without the prior written consent of any other Party if such settlement could have a material adverse impact on such Party or any of its Affiliates. In event more than one Party would be liable under Section 5.1(b) or Section 6.2, such Parties shall each have the right to jointly act as Audit Management Party with respect to such Audit in accordance with this Section 9.2(b)(ii), and such Parties may agree upon additional terms to govern such joint responsibility.

(c) Participation Rights of Parties and Information Sharing with respect to Audits.

(i) Each Party that would be responsible under Section 9.3 for Taxes resulting from an Audit (other than the Audit Management Party) (a “Participating Party”) shall have limited participation rights as set forth in this Section 9.2(c) with respect to such Audit. Upon the reasonable request of a Participating Party, the Audit Management Party shall make available relevant personnel and external advisors to meet with the Participating Party and its independent auditor in order to review the status of the Audits. The Participating Parties shall provide the Audit Management Party with reasonable notice of such requested meetings or information.

(ii) Each Participating Party shall have access to any written documentation in the possession of the Audit Management Party that pertains to the Audit (including any written summaries of issues that the Audit Management Party has developed in the context of evaluating the financial reporting of the Audit); provided, however, that if documentation was prepared solely by or on behalf of a Party, then the documentation must relate to the joint defense of the Audit. Copies of the documentation will be made available to the Participating Parties at their sole cost and expense.

(iii) The Participating Parties are encouraged to provide consultation to the Audit Management Party in regards to Audit strategy and shall, upon request of the Audit Management Party, provide such consultation. The Participating Party may elect to employ separate counsel to advise the Participating Party as additional counsel in or in connection with an Audit, but in that event, the fees and expenses of the separate counsel shall be paid solely by the Participating Party. The Audit Management Party shall in good faith consider all advice and other input received from the Participating Parties in connection with their consultations with respect to an Audit. However, the Audit Management Party shall retain the sole authority to make all Audit decisions. In that regard, the Participating Parties and their separate counsels shall not be allowed to participate in any Audit-related meetings other than those described in (i) or (ii) above (unless such a meeting is attended by the personnel of a Participating Party, in which case that Participating Party may attend the meeting but may not actively participate), respond directly to a Taxing Authority conducting the Audit, or in any manner control resolution of the Audit.

(d) Sharing of Certain Audit-related Internal and External Costs and Expenses .

(i) External Costs and Expenses. All external costs and expenses (including all costs and expenses of calculating Taxes and other amounts payable hereunder) that are incurred by the Audit Management Party with respect to any ITT Federal Income Tax Audit, ITT U.S. State Income Tax Audit, or ITT Non-U.S. Income Tax Audit (including any external costs and expenses incurred as a result of any reporting obligations that arise out of an Audit, such as the reporting of any Audit adjustments to the various U.S. states) shall (a) if incurred in 2012, be borne by the Audit Management Party to the extent such external costs and expenses do not exceed \$500,000 and thereafter be shared on an equal one-third (1/3) basis by each of the Parties, (b) if incurred in 2013, be borne by the Audit Management Party to the extent such external costs and expenses do not exceed \$600,000 and thereafter be shared on an equal one-third (1/3) basis by each of the Parties, (c) if incurred in 2014, be borne by the Audit Management Party to the extent such external costs and expenses do not exceed \$600,000 and thereafter be shared on an equal one-third (1/3) basis by each of the Parties, and (d) if incurred after 2014, be shared on an equal one-third (1/3) basis by each of the Parties; provided, however, that any external costs and expenses incurred by any Party in respect of an Audit in respect of Distribution Taxes for which a Party could be liable pursuant to Section 5.1(b) or Taxes for which a Party could be liable pursuant to Section 6.2 shall be borne by the Party incurring such external costs and expenses and shall not be subject to the foregoing arrangements. The Audit Management Party shall provide to the other Parties at the end of each calendar year an invoice for each other Party's share of the external costs (along with supporting invoices received from the external service providers), and each other Party shall remit, within sixty (60) days after

receipt of the invoice, payment of their share of the external costs to the Audit Management Party.

(ii) Internal Costs and Expenses. All internal costs and expenses incurred by any Party with respect to any ITT Federal Income Tax Audit, ITT U.S. State Income Tax Audit, or ITT Non-U.S. Income Tax Audit shall be borne by such Party.

(e) Power of Attorney/Officer Signature. Each Party hereby appoints (and shall cause its Subsidiaries to appoint) the Audit Management Party (and its designated representatives) as its agent and attorney-in-fact to take the actions the Audit Management Party deems necessary or appropriate to implement the responsibilities of the Audit Management Party under this Agreement. Each Party also shall (or shall cause its Subsidiaries to) execute and deliver to the Audit Management Party a power of attorney, and such other documents as are reasonably requested from time to time by the Audit Management Party (or its designee).

Section 9.3 Payment of Audit Amounts.

(a) ITT Federal Income Tax Audits. In connection with any ITT Federal Income Tax Audit:

(i) ITT shall pay all additional Taxes due and payable as a result of such Audit that relate to the portion of a Straddle Tax Period (as determined under Section 11.2(a)) beginning after the Distribution Date.

(ii) To the extent that the aggregate amount of additional Taxes due and payable with respect to all ITT Federal Income Tax Audits for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)) (the "ITT Federal Income Tax Audit Amount") does not exceed \$27,100,000, ITT shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority all additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)).

(iii) To the extent that the ITT Federal Income Tax Audit Amount exceeds \$27,100,000:

- 1) ITT shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority an amount equal to the ITT Federal Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)).
- 2) Defense shall be liable for and shall pay or cause to be paid to ITT an amount equal to the Defense Federal Sharing Percentage of the additional Taxes

due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date, as determined under Section 11.2(a) (and ITT shall pay or cause to be paid such amounts to the applicable Taxing Authority).

- 3) Water shall be liable for and shall pay or cause to be paid to ITT an amount equal to the Water Federal Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date, as determined under Section 11.2(a) (and ITT shall pay or cause to be paid such amounts to the applicable Taxing Authority).

(b) ITT U.S. State Income Tax Audits. In connection with any ITT U.S. State Income Tax Audit:

(i) ITT shall pay all additional Taxes due and payable as a result of such Audit that relate to the portion of a Straddle Tax Period (as determined under Section 11.2(a)) beginning after the Distribution Date.

(ii) To the extent that the aggregate amount of additional Taxes due and payable with respect to all ITT U.S. State Income Tax Audits for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)) (the "ITT U.S. State Income Tax Audit Amount") does not exceed \$8,600,000, ITT shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority all additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)).

(iii) To the extent that the ITT U.S. State Income Tax Audit Amount exceeds \$8,600,000:

- 1) ITT shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority an amount equal to the ITT U.S. State Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)).
- 2) Defense shall be liable for and shall pay or cause to be paid to ITT an amount equal to the Defense U.S.

State Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date, as determined under Section 11.2(a) (and ITT shall pay or cause to be paid such amounts to the applicable Taxing Authority).

- 3) Water shall be liable for and shall pay or cause to be paid to ITT an amount equal to the Water U.S. State Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date, as determined under Section 11.2(a) (and ITT shall pay or cause to be paid such amounts to the applicable Taxing Authority).

(c) ITT Non-U.S. Income Tax Audits. In connection with any ITT Non-U.S. Income Tax Audit:

(i) ITT shall pay all additional Taxes due and payable as a result of such Audit that relate to the portion of a Straddle Tax Period (as determined under Section 11.2(a)) beginning after the Distribution Date.

(ii) To the extent that the aggregate amount of additional Taxes due and payable with respect to all ITT Non-U.S. Income Tax Audits for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)) (the "ITT Non-U.S. Income Tax Audit Amount") does not exceed \$10,600,000, ITT shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority all additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)).

(iii) To the extent that the ITT Non-U.S. Income Tax Audit Amount exceeds \$10,600,000:

- 1) ITT shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority an amount equal to the ITT Non-U.S. Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date (as determined under Section 11.2(a)).

- 2) Water shall be liable for and shall pay or cause to be paid to ITT an amount equal to the Water Non-U.S. Sharing Percentage of the additional Taxes due and payable as a result of such Audit for a Pre-Distribution Tax Period or that relate to the portion of a Straddle Tax Period ending on the Distribution Date, as determined under Section 11.2(a) (and ITT shall pay or cause to be paid such amounts to the applicable Taxing Authority).

(d) Audit True-Up Payment. If on the Audit True-Up Date the ITT Income Tax Audit Amount is below \$46,300,000, then ITT shall pay or cause to be paid (i) to Water an amount equal to (a) thirty-five percent (35%) multiplied by (b) the amount of the difference between the ITT Income Tax Audit Amount and \$46,300,000 and (ii) to Defense an amount equal to (a) twenty-three percent (23%) multiplied by (b) the amount of the difference between the ITT Income Tax Audit Amount and \$46,300,000. Any additional Taxes in connection with an ITT Federal Income Tax Audit, ITT U.S. State Income Tax Audit, or ITT Non-U.S. Income Tax Audit that are due and payable after the Audit True-Up Date shall be subject to Section 9.3(a)(iii), Section 9.3(b)(iii), or Section 9.3(c)(iii), as the case may be.

(e) Audits of Water Separate U.S. Income Tax Returns, Defense Separate U.S. Income Tax Returns, Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns, and Non-Income Tax Returns. In connection with any Audits of ITT Separate U.S. Income Tax Returns, Water Separate U.S. Income Tax Returns, Defense Separate U.S. Income Tax Returns, Post-Distribution Income Tax Returns, Non-U.S. Income Tax Returns (other than ITT Non-U.S. Income Tax Returns), and Non-Income Tax Returns, the Party whose Group contains the entity that is primarily liable under applicable Law for the relevant Taxes shall be liable for and shall pay or cause to be paid to the applicable Taxing Authority the amounts due and payable as a result of such Final Determination.

(f) Payment Procedures. In connection with any Audit or the determination of the ITT Income Tax Audit Amount pursuant to Section 9.3(d) that results in an amount to be paid pursuant to Section 9.3, (b), (c), or (d), the Audit Management Party shall, within thirty (30) Business Days following a final resolution of such Audit or such determination pursuant to Section 9.3(d), submit in writing to the other Parties a preliminary determination (calculated and explained in detail reasonably sufficient to enable the Parties to fully understand the basis for such determination and to permit such Parties and their Affiliates to satisfy their financial reporting requirements) of the portion of such amount to be paid by each of the Parties pursuant to Section 9.3(a), (b), (c), or (d), as applicable. Each of the Parties and its Affiliates shall have access to all data and information necessary to calculate such amounts and the Parties and their Affiliates shall cooperate fully in the determination of such amounts. Within twenty (20) Business Days following the receipt by a Party of the information described in this Section 9.3(f), such Party shall have the right to object only to the calculation of the amount of the payment (but not the basis for the payment) by written notice to the other Parties; such written notice shall contain such disputed item or items and the basis for its objection. If no Party objects by proper written notice to the other Parties within the time period described in this Section 9.3(f), the calculation of the amounts due and owing from each Party shall be deemed to have

been accepted and agreed upon, and final and conclusive, for purposes of this Section 9.3(f). If any Party objects by proper written notice to the other Parties within such time period, the Parties shall act in good faith to resolve any such dispute as promptly as practicable in accordance with Article XIII. The Party or its Affiliate responsible for paying to the applicable Taxing Authority under applicable Law amounts owed shall make such payments to such Taxing Authority prior to the Due Date for such payments. The other Parties shall reimburse the paying Party in accordance with Article VIII for the portion of such payments for which such other Parties are liable pursuant to this Section 9.3. The time periods specified above for submitting a preliminary determination and objecting may be shortened to a time period determined by a Majority of the Parties if these Parties ascertain that such shortened time period is necessary to meet the Audit obligations of the Parties and their Affiliates.

ARTICLE X

COOPERATION AND EXCHANGE OF INFORMATION

Section 10.1 Cooperation and Exchange of Information. The Parties shall each cooperate fully (and each shall cause its respective Affiliates to cooperate fully) and in a timely manner (considering the other Party's normal internal processing or reporting requirements) with all reasonable requests from another Party hereto, or from an agent, representative, or advisor to such Party, in connection with the preparation and filing of Tax Returns, claims for refund, Audits, determinations of Tax Attributes and the calculation of Taxes or other amounts required to be paid hereunder, and any applicable financial reporting requirements of a Party or its Affiliates, in each case, related or attributable to or arising in connection with Taxes or Tax Attributes of any of the Parties or their respective Subsidiaries covered by this Agreement. Such cooperation shall include, without limitation:

(a) the retention until the expiration of the applicable statute of limitations or, if later, until the expiration of all relevant Tax Attributes (in each case taking into account all waivers and extensions), and the provision upon request, of Tax Returns of the Parties and their respective Subsidiaries for periods up to and including the Distribution Date, books, records (including information regarding ownership and Tax basis of property), documentation, and other information relating to such Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings or other determinations by Taxing Authorities;

(b) the execution of any document that may be necessary or reasonably helpful in connection with any Audit of any of the Parties or their respective Subsidiaries, or the filing of a Tax Return or refund claim of the Parties or any of their respective Subsidiaries (including the signature of an officer of a Party or its Subsidiary);

(c) the use of the Party's reasonable best efforts to obtain any documentation and provide additional facts, insights or views as requested by another Party that may be necessary or reasonably helpful in connection with any of the foregoing (including without limitation any information contained in Tax or other financial information databases); and

(d) the use of the Party's reasonable best efforts to obtain any Tax Returns (including accompanying schedules, related work papers, and documents), documents, books,

records, or other information that may be necessary or helpful in connection with any Tax Returns of any of the Parties or their Affiliates.

Each Party shall make its and its Subsidiaries' employees and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters. Except for costs and expenses otherwise allocated among the Parties pursuant to this Agreement, including costs incurred under Article II and Article IX, no reimbursement shall be made for costs and expenses incurred by the Parties as a result of cooperating pursuant to this Section 10.1.

Water and Defense shall have the right to access, retrieve, and utilize any and all Tax data and information as it relates to members of the Water Group and Defense Group, respectively, from ITT's existing Tax data and information systems until the time each establishes its own Tax data and information systems.

Section 10.2 Retention of Records. Subject to Section 10.1, if any of the Parties or their respective Subsidiaries intends to dispose of any documentation relating to the Taxes of the Parties or their respective Subsidiaries for which another Party to this Agreement may be responsible pursuant to the terms of this Agreement (including, without limitation, Tax Returns, books, records, documentation, and other information, accompanying schedules, related work papers, and documents relating to rulings or other determinations by Taxing Authorities), such Party shall or shall cause written notice to the other Parties describing the documentation to be destroyed or disposed of sixty (60) Business Days prior to taking such action. The other Parties may arrange to take delivery of the documentation described in the notice at their expense during the succeeding sixty (60) day period.

ARTICLE XI
ALLOCATION OF TAX ATTRIBUTES
AND OTHER TAX MATTERS

Section 11.1 Allocation of Tax Attributes. ITT shall in good faith advise each Spinco in writing of the portion, if any, of any Tax Attributes, earnings and profits, or other consolidated, combined or unitary attribute that ITT determines shall be allocated or apportioned to each Group under applicable Law; provided, however, that such determination shall be made in a manner that is (a) reasonably consistent with the past practices of the Parties; (b) in accordance with the rules prescribed by applicable Law, including the Code and the Treasury Regulations; and (c) consistent with the IRS Ruling, the Tax Representation Letters, and the Tax Opinions. ITT agrees to provide the other Parties with all of the information supporting the Tax Attribute and other determinations made by ITT pursuant to this Section 11.1.

Section 11.2 Allocation of Tax Items.

(a) All determinations for purposes of Section 4.1 and Section 9.3 regarding the allocation of Tax items (other than Tax items arising after the Distribution Date outside the ordinary course of business) between the portion of a Straddle Tax Period that ends on the Distribution Date and the portion that begins the day after the Distribution Date shall be made based on a closing of the books method unless the Parties unanimously agree otherwise. Any

such allocation of Tax items shall initially be made by ITT. To the extent that Defense or Water disagrees with such determination, the dispute shall be resolved pursuant to the provisions of Article XIII. For purposes of preparing any Income Tax Returns for the year of the Distributions that require an allocation of Tax items between a Pre-Distribution Tax Period and a Post-Distribution Tax Period, Tax items shall be allocated based on a closing of the books method unless the Parties unanimously agree otherwise.

(b) Notwithstanding anything to the contrary in this Agreement, if any Party or any of its Affiliates is responsible for and pays any amount after the Distribution Date but on or before September 15, 2012 (the "Paying Party") that gives rise to a Tax Benefit Actually Realized for another Party or any of its Affiliates (the "Claiming Party"), then the Claiming Party shall be required to promptly pay to the Paying Party an amount equal to such Tax Benefit Actually Realized (a "Post-Distribution Payment Tax Benefit"). Such payment shall only be required to be paid with respect to a given item if and when the Tax Benefit Actually Realized attributable to such item exceeds \$10,000,000 in the aggregate, provided that an amount equal to the entire Tax Benefit Actually Realized (and not merely the excess over \$10,000,000) shall be required to be paid in such event. Subsequent payments shall be made between the Parties if necessary to reflect any subsequent increase or decrease in the amount of the Post-Distribution Payment Tax Benefit realized by the Claiming Party. The Paying Party and the Claiming Party agree to consult with each other regarding the determination and calculation of any Post-Distribution Payment Tax Benefit. In the event such Parties are unable to agree on the amount of any Post-Distribution Payment Tax Benefit, then any disputed issues shall be submitted to an independent Big Four Accounting Firm for a final binding resolution. The fees and expenses of such Big Four Accounting Firm shall be shared equally between the Paying Party and the Claiming Party.

ARTICLE XII DEFAULTED AMOUNTS

Section 12.1 General. In the event that one or more Parties defaults on its obligation to pay Distribution Taxes for which it is liable pursuant to Article V to another Party, then each non-defaulting Party shall be required to pay an equal portion of such Distribution Taxes to such other Party; provided, however, that no payment obligation shall exist under this Section 12.1 with respect to Distribution Taxes that are attributable to the Fault of one or more Parties; provided, further, that any payment of Distribution Taxes by a non-defaulting Party pursuant to this Section 12.1 shall in no way release the defaulting Party from its obligations to pay such Distribution Taxes and any non-defaulting Party may exercise any available legal remedies available against such defaulting Party; provided, further, that interest shall accrue on any such payment by a non-defaulting Party at a rate per annum equal to the then applicable LIBOR. In connection with the foregoing, it is expressly understood that any defaulting Party's rights to any amounts to be received by such defaulting Party hereunder may be used via a right of offset to satisfy, in whole or in part, the obligations of such defaulting Party to pay the Distribution Taxes that are borne by the non-defaulting Parties; such rights of offset shall be applied in favor of the non-defaulting Party or Parties in proportion to the additional amounts paid by any such non-defaulting Party or Parties.

Section 12.2 Subsidiary Funding. Without limitation of the Parties' rights and obligations otherwise set forth in this Agreement and provided that no other Party has defaulted on any of its obligations pursuant to this Agreement, each Party agrees to provide or cause to be provided such funding as is necessary to ensure that its respective Subsidiaries are able to satisfy their respective Tax liabilities to a Taxing Authority that arise as a result of a Final Determination under Section 9.3 of this Agreement, including any such Tax liabilities that, upon default by a Party's Subsidiary, may result in another Party's Subsidiary paying or being required to pay the defaulted Tax liabilities to a Taxing Authority.

ARTICLE XIII

DISPUTE RESOLUTION

Section 13.1 Resolution in Accordance with Distribution Agreement. In the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity or breach of this Agreement or otherwise arising out of, or in any way related to this Agreement or the transactions contemplated hereby, including any claim based on contract, tort, statute or constitution ("Dispute"), such Dispute shall be subject to the provisions of Article IX of the Distribution Agreement.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Counterparts. This Agreement may be executed in more than one counterpart, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Parties.

Section 14.2 Survival. Except as otherwise contemplated by this Agreement or the Distribution Agreement, all covenants and agreements of the Parties contained in this Agreement shall survive the Distribution Date and remain in full force and effect in accordance with their applicable terms; provided, however, that all indemnification for Taxes shall survive until ninety (90) days following the expiration of the applicable statute of limitations (taking into account all extensions thereof), if any, of the Tax that gave rise to the indemnification; provided, further, that, in the event that notice for indemnification has been given within the applicable survival period, such indemnification shall survive until such time as such claim is finally resolved.

Section 14.3 Notices. All notices, requests, claims, demands, and other communications under this Agreement shall be in English, shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service), or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 14.3):

To ITT:

ITT Corporation
1133 Westchester Avenue, Suite 3000
White Plains, NY 10604
Attn: General Counsel
Facsimile: (914) 696-2970

To Water:

Xylem Inc.
1133 Westchester Avenue, Suite 2000
White Plains, NY 10604
Attn: General Counsel
Facsimile: [•]

To Defense:

Exelis Inc.
1650 Tysons Boulevard, Suite 1700
McLean, VA 22102
Attn: General Counsel
Facsimile: [•]

Section 14.4 Waivers. Any consent required or permitted to be given by any Party to the other Parties under this Agreement shall be in writing and signed by the Party giving such consent and shall be effective only against such Party (and its Group).

Section 14.5 Assignment. This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any Party hereto without the prior written consent of the other Parties, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void. Notwithstanding the foregoing, this Agreement shall be assignable in whole in connection with a merger or consolidation or the sale of all or substantially all the assets of a Party hereto so long as the resulting, surviving or transferee entity assumes all the obligations of the relevant Party hereto by operation of law or pursuant to an agreement in form and substance reasonably satisfactory to the other Parties to this Agreement.

Section 14.6 Successors and Assigns. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns.

Section 14.7 Termination and Amendment. This Agreement (including indemnification obligations hereunder) may be terminated, modified or amended and each Distribution may be amended, modified or abandoned at any time prior to the Effective Time by and in the sole discretion of ITT without the approval of Water or Defense or the shareholders of ITT. In the event of such termination, no Party shall have any liability of any kind to any other Party or any other Person. After the Effective Time, this Agreement may not be terminated

except by an agreement in writing signed by a duly authorized representative of each of ITT, Water, and Defense.

Section 14.8 No Circumvention. The Parties agree not to directly or indirectly take any actions, act in concert with any Person who takes an action, or cause or allow any member of any such Party's Group to take any actions (including the failure to take a reasonable action) such that the resulting effect is to materially undermine the effectiveness of any of the provisions of this Agreement, the Distribution Agreement or any other Ancillary Agreement (including adversely affecting the rights or ability of any Party to successfully pursue indemnification or payment pursuant to the provisions of this Agreement).

Section 14.9 Subsidiaries. Each of the Parties shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary of such Party or by any entity that becomes a Subsidiary of such Party on and after the Effective Time, to the extent such Subsidiary remains a Subsidiary of the applicable Party.

Section 14.10 Third Party Beneficiaries. This Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 14.11 Title and Headings. Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Section 14.12 Exhibits and Schedules. The Exhibits and Schedules shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

Section 14.13 Governing Law. This Agreement shall be governed by and construed in accordance with the Laws, but not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York; provided that the Indiana Business Corporation Law, including the provisions thereof governing the fiduciary duties of directors of a Indiana corporation, shall govern, as applicable, the internal affairs of ITT, Exelis and Xylem, as the case may be.

Section 14.14 Consent to Jurisdiction. Subject to the provisions of Article XIII, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, or (b) the United States District Court for the Southern District of New York (the "New York Courts"), for the purposes of any suit, action, or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Article XIII or to prevent irreparable harm, and to the non-exclusive jurisdiction of the New York Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice, or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for any action, suit, or proceeding in the New York Courts with respect to any matters to which it has submitted

to jurisdiction in this Section 14.14. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit, or proceeding arising out of this Agreement or the transactions contemplated hereby in the New York Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 14.15 Waiver of Jury Trial. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 14.15.

Section 14.16 Force Majeure. No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered, or delayed as a consequence of circumstances of Force Majeure (as defined in the Distribution Agreement). A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other applicable Parties of the nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

Section 14.17 Interpretation. The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

Section 14.18 Changes in Law.

(a) Any reference to a provision of the Code, Treasury Regulations, or a Law of another jurisdiction shall include a reference to any applicable successor provision or Law.

(b) If, due to any change in applicable Law or regulations or their interpretation by any court of Law or other governing body having jurisdiction subsequent to the date hereof, performance of any provision of this Agreement or any transaction contemplated hereby shall become impracticable or impossible, the Parties hereto shall use their commercially reasonable best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

Section 14.19 Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 14.20 Tax Sharing Agreements. All Tax sharing, indemnification and similar agreements, written or unwritten, as between any of the Parties or their respective Subsidiaries, on the one hand, and any other Party or its respective Subsidiaries, on the other hand (other than this Agreement or in any other Ancillary Agreement), shall be or shall have been terminated as of the Distribution Date and, after the Distribution Date, none of such Parties (or their Subsidiaries) to any such Tax sharing, indemnification or similar agreement shall have any further rights or obligations under any such agreement.

Section 14.21 Exclusivity. Except as specifically set forth in the Distribution Agreement or any other Ancillary Agreement, all matters related to Taxes or Tax Returns of the Parties and their respective Subsidiaries shall be governed exclusively by this Agreement. In the event of a conflict between this Agreement, the Distribution Agreement or any Ancillary Agreement with respect to such matters, this Agreement shall govern and control.

Section 14.22 No Waiver. No failure to exercise and no delay in exercising, on the part of any Party, any right, remedy, power or privilege hereunder shall operate as a waiver hereof or thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 14.23 No Duplication; No Double Recovery. Nothing in this Agreement is intended to confer to or impose upon any Party a duplicative right, entitlement, obligation, or recovery with respect to any matter arising out of the same facts and circumstances.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first above written.

ITT CORPORATION

Name:
Title:

XYLEM INC.

Name:
Title:

EXELIS INC.

Name:
Title:

**Schedules to the
TAX MATTERS AGREEMENT**

**by and among
ITT CORPORATION,**

XYLEM INC.,

and

EXELIS INC.

Dated as of , 2011

Schedule 1.1(6)
List of ATOB Entities

1. ITT Italia Srl
 2. ITT Water & Wastewater AB
 3. ITT Defence Ltd.
 4. Goulds Pumps (Philippines), Inc.
 5. Goulds Pumps, Inc.
 6. Evolutionary Concepts, Inc.
 7. ITT Enidine, Inc.
-

Schedule 1.1(27)
List of Distributions

<u>Equity Distributed</u>	<u>Distributing Entity</u>	<u>Distributee(s)</u>
Common stock and convertible preferred equity certificates of Remainco International Sàrl	ITT Industries Sàrl	ITT International Sàrl
Common stock and convertible preferred equity certificates of Missions Systems International Sàrl	ITT Industries Sàrl	ITT International Sàrl
Common stock and convertible preferred equity certificates of Remainco International Sàrl	ITT International Sàrl	ITT Water Technology Delaware, Inc.
Common stock and convertible preferred equity certificates of Missions Systems International Sàrl	ITT International Sàrl	ITT Water Technology Delaware, Inc.
Common stock of ITT International Holdings, Inc.	ITT Water Technology Delaware, Inc.	ITT Industries Holdings, Inc.
Common stock of ITT Water Technology Delaware, Inc.	ITT Industries Holdings, Inc.	ITT Corporation
Common stock of Exelis Inc.	ITT Water Technology Delaware, Inc.	ITT Corporation
Common stock of Xylem Inc.	ITT Corporation	ITT Corporation shareholders
Common stock of Exelis Inc.	ITT Corporation	ITT Corporation shareholders
Common stock of Water Technology Philippines Holding, Inc.	Goulds Pumps, Inc.	GP Holding Company, Inc.
Common stock of Water Technology Philippines Holding, Inc.	GP Holding Company, Inc.	ITT Corporation
Common stock of Evolutionary Concepts, Inc.	International Motion Control, Inc.	ITT Corporation

Schedule 1.1(88)
List of Section 355 Entities

1. ITT Corporation
 2. Xylem Inc.
 3. Exelis Inc.
 4. Remainco International Sàrl
 5. Missions Systems International Sàrl
 6. ITT Industries Sàrl
 7. ITT International Sàrl
 8. ITT International Holdings, Inc.
 9. ITT Water Technology Delaware, Inc.
 10. ITT Industries Holdings, Inc.
 11. Water Technology Philippines Holding, Inc.
 12. Goulds Pumps, Inc.
 13. GP Holding Company, Inc.
 14. Evolutionary Concepts, Inc.
 15. International Motion Control, Inc.
-

Schedule 6.1
List of GRAs

<u>Date of Transfer</u>	<u>Name of Transferor</u>	<u>Name of Transferee</u>	<u>Name of Transferred Entity</u>
January 5, 2009	ITT Corporation	ITT International Sàrl	ITT Canada Company
January 7, 2009, and December 21, 2009	ITT Water Technology Delaware, Inc.	ITT International Sàrl	ITT Industries Sàrl
July 23, 2009	ITT Water Technology Delaware, Inc.	ITT Germany GmbH	BVE Controls GmbH
July 23, 2009	ITT Water Technology Delaware, Inc.	ITT Germany GmbH	Enidine Trading Company GmbH (later merged with BVE Controls GmbH)
July 23, 2009	ITT Water Technology Delaware, Inc.	ITT Germany GmbH	ITT Control Technologies GmbH (f/k/a Cleveland Motion Controls GmbH)
July 30, 2009	ITT Water Technology Delaware, Inc.	ITT International Sàrl	ITT Germany GmbH (f/k/a Enidine GmbH)
December 12, 2010	Nova Analytics Corporation	ITT International Sàrl	ITT Analytics Deutschland GmbH

MASTER TRANSITION SERVICES AGREEMENT

This Master Transition Services Agreement (this “Agreement”) is entered into as of [•], 2011, by and among ITT Corporation, an Indiana corporation (“ITT”), Exelis Inc., an Indiana corporation (“Exelis”) and Xylem Inc., an Indiana corporation (“Xylem”). Each of ITT, Exelis and Xylem is sometimes referred to herein as a “Party” and collectively as the “Parties.” Capitalized terms used herein and not otherwise defined herein have the meanings given to such terms in the Distribution Agreement of even date herewith, by and among ITT, Exelis and Xylem (as such may be amended from time to time, the “Distribution Agreement”).

WITNESSETH:

WHEREAS, the Board of Directors of ITT has determined that it is appropriate, desirable and in the best interests of ITT, ITT’s shareholders and ITT’s other constituents, to separate, pursuant to and in accordance with the Distribution Agreement, ITT into three separate, publicly traded companies, one for each of (i) the ITT Retained Business, which shall be owned and conducted, directly or indirectly, by ITT, (ii) the Defense Business, which shall be owned and conducted, directly or indirectly, by Exelis and (iii) the Water Business, which shall be owned and conducted, directly or indirectly, by Xylem.

WHEREAS, in order to provide for an orderly transition under the Distribution Agreement, each of ITT, Exelis and Xylem desire to provide to the other certain services for specified periods following the Distribution Date, all in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the Parties contained herein, the Parties agree as follows:

1. Services Provided.

(a) With respect to each Service (as defined in Section 1(b)), the Party required to provide such Service is the “Service Provider” and the other Party is the “Service Recipient”. In performing the Services, Service Provider and each of its Affiliates shall use commercially reasonable efforts to provide, or to ensure that any Third Party Provider (as defined in Section 1(b)) shall provide, the Services in the same manner, within the same amount of time and at the same level of service (including, as applicable, with respect to type, frequency, quality, and quantity), with the same degree of reasonable skill and care and with the same level of security and control as provided and used in providing the Services during the twelve month period prior to the Distribution Date (excluding any actions taken in contemplation of the Distribution). Notwithstanding the foregoing, if there is an increase in the complexity of a Service (whether as a result of increased quantity or quality, changing frequency or regulatory requirements or otherwise), Service Recipient acknowledges and agrees that such Service may not be provided within the same amount of time as it had previously taken during such period, and, in such a case, Service Provider and each of its Affiliates shall use commercially reasonable efforts to provide, or to ensure that any Third Party Provider shall provide, such Service in a timely manner. Notwithstanding anything herein to the contrary, the Services are to be provided in a manner that does not disparately treat Service Recipient (or its Subsidiaries or its or their

personnel or business) as compared to Service Provider's treatment of itself (or its Affiliates or its or their personnel or business) in connection with the provision of a Self-Service (as defined in Section 2(a)(v)).

(b) During the period commencing on the Distribution Date and ending on the date that is two (2) years from the date hereof, unless an earlier or later date is otherwise specified for a Service on Schedule A, Schedule B or Schedule C hereto (for each such Service, such end date being herein referred to as the "Termination Date", with Schedule A, Schedule B and Schedule C being herein referred to as the "Services Schedules"), Service Provider shall provide, or shall cause one or more of its Affiliates or a contractor, subcontractor, vendor or other third-party service provider (each, a "Third Party Provider") to provide, upon the terms and subject to the conditions set forth herein, the services described on the Services Schedules, including under the headings "General Services Description" and "Scope of Services" (the "Services"); provided, Service Provider shall obtain the consent of Service Recipient (not to be unreasonably withheld, delayed or conditioned) in the event any such Service is to be provided by a Third Party Provider or Affiliate if such Services were not provided by such Third Party Provider or Affiliate to Service Recipient during the twelve month period prior to the Distribution Date; provided further, Service Provider shall remain primarily responsible for the performance by any such Affiliate or Third Party Provider of its obligations hereunder. Irrespective of whether Service Provider, an Affiliate or a Third Party Provider is providing a Service, Service Recipient may direct that any such Service be provided directly to Service Recipient or any other member of such Party's Group.

(c) Each Service provided hereunder shall be terminated on its applicable Termination Date (as defined in Section 1(b)), unless otherwise terminated earlier by Service Recipient pursuant to Section 11. Service Provider shall be under no obligation to provide a Service to Service Recipient after the Termination Date applicable to such Service, except to the extent otherwise agreed in writing by Service Provider and Service Recipient.

2. Consideration.

(a) Costs and Fees.

(i) For each Service, Service Recipient shall pay (in accordance with Section 2(b)) Service Provider an amount equal to the Monthly Costs (as defined in Section 2(a)(i)(1)); provided that (i) for any Service performed from and after January 1, 2012 through and including the day before the expiration date of the Minimum Service Period (as defined in Section 11(b)) for such Service, Service Recipient shall pay, along with and in addition to such Monthly Costs, an amount equal to 2% of such Monthly Costs and (ii) for any Service performed from and after the expiration date of the Minimum Service Period for such Service through and including the date as of which the provision of such Service hereunder has been terminated, Service Recipient shall pay, along with and in addition to the Monthly Costs, an amount equal to 10% of such Monthly Costs, unless, upon request by Service Recipient to terminate a Service, Service Provider is unable to transition the Service to Service Recipient or its designated Subsidiary in a commercially reasonable manner which does not unduly disrupt the Service and as a result, Service Recipient is unable to terminate such Service on or after the date on which

the Minimum Service Period expires (in which case any third party, out-of-pocket costs resulting to Service Recipient shall be shared in accordance with Section 11(b)).

(1) The "Monthly Costs" for each Service shall be an amount equal to the sum of (A) the costs or expenses incurred as set forth on the applicable Services Schedule; provided that if a Services Schedule is silent regarding costs and expenses, the amount under this subsection (A) shall be equal to Service Provider's allocated costs (including salary, wages and benefits, but excluding severance and retention costs, which shall be handled pursuant to Section 2(a)(ii)) for any of its (or its Affiliates') employees involved in providing Services, plus (B) any reasonable out-of-pocket costs and expenses incurred in connection with retaining Third Party Providers, including any fees for any Third Party Consent or Alternate Method, or pursuing any warranty or indemnity against a Third Party Provider in accordance with Section 3(d); provided that Service Recipient shall only be responsible for 50% of the fees for any Third Party License, with Service Provider responsible for the other 50%, plus (C) any sales, transfer, goods, services, value added, gross receipts or similar taxes, fees, charges or assessments (including any such taxes that are required to be withheld); provided that the Parties agree to use commercially reasonable efforts to minimize any such tax with respect to the Services, plus (D) other reasonable miscellaneous out-of-pocket costs and expenses; provided, however, that any such expenses exceeding \$5,000 per month for each Service (other than routine business travel and related expenses) shall require advance approval of Service Recipient. The Monthly Costs for a Service shall not include any severance and retention costs incurred by Service Provider as a result of retaining the necessary employees to supply such Service to Service Recipient in accordance with the terms of this Agreement, which costs shall be handled pursuant to Section 2(a)(ii) below.

(2) Any costs and expenses provided for on a Services Schedule shall be subject to an increase of 4.5% per annum beginning on January 1, 2012 in order to adjust for inflation.

(3) Service Provider shall notify Service Recipient of any event that may reasonably be expected to increase the Monthly Costs by more than 5%.

(ii) Subject to the terms of this Section 2(a)(ii), Service Provider shall use commercially reasonable efforts to retain its workforce required to provide the Services and, consistent with its severance and retention policies then in effect, may make severance and retention payments to employees providing the Services. As provided for on Annex A (the "Severance and Retention Schedule"), Service Recipient shall be responsible for the percentage as therein provided of Service Provider's actual severance and retention costs (which are estimated in the Severance and Retention Schedule) for those individuals or job descriptions as set forth therein; provided that Service Recipient shall only be so responsible for its portion of severance costs if such costs were incurred as a result of terminating such an employee in connection with the termination of a Service; provided further that (a) if the severance and retention costs change from the

estimates provided in the Severance and Retention Schedule, Service Recipient shall be responsible for its percentage of such costs so long as such change in costs is consistent with the Service Provider's severance and retention policies as then in effect and (b) any such employee is actually terminated and not rehired for at least ninety (90) days following such termination. Service Provider shall prepare and deliver, within thirty (30) days following the end of each quarterly period ending each March 31, June 30, September 30 and December 31 (it being understood that the first such period shall be shorter than one quarter), to Service Recipient an invoice setting forth the amount of severance and retention costs to be paid by Service Recipient in accordance with the foregoing provisions of this Section 2(a)(ii), which invoice Service Recipient shall pay pursuant to the terms of Section 2(b).

(iii) Unless the Parties otherwise agree in writing, (i) where Services are provided in a country outside of the United States by a Person located in the same country, amounts shall be invoiced and paid in the local currency of the entity providing the Services and (ii) if payments are to be made between legal entities not within the same country, such amounts shall be invoiced and paid in U.S. Dollars. To the extent necessary, local currency conversion on any such invoice shall be based on Service Provider's internal exchange rate for the then-current month, based upon the average for such month, as calculated consistently with how such local currency conversion was calculated in the twelve month period prior to the Distribution Date.

(iv) All charges based on a monthly or other time basis will be pro-rated based on actual calendar days elapsed during the period of service.

(v) With respect to any service that a Service Provider provides or causes an Affiliate to provide to itself or its Affiliates that is the same or substantially similar to a Service provided to Service Recipient or its Subsidiaries hereunder (such service, a " Self-Service"), if Service Provider determines to no longer provide such Self—Service to itself or its Affiliates, Service Provider shall notify Service Recipient of such termination no later than the number of days prior to such termination as is provided in Section 11(b) for terminating the corresponding Service. If Service Provider terminates a Self-Service prior to the end of the Minimum Service Period applicable for the corresponding Service, the Monthly Costs of such Service following any such termination and up to but not including date on which the Minimum Service Period expires shall be calculated as if Service Provider had not terminated such Self-Service. Notwithstanding the foregoing, Service Provider shall continue to provide the Service in accordance with the provisions of this Agreement, unless such Service is otherwise terminated pursuant to Section 11, and Service Provider shall not be permitted to terminate any Self-Service prior to the Termination Date for the applicable Service if such termination would adversely affect the level of service, security or control of such Service or the scope or content thereof required pursuant to Sections 1(a) and 4(a).

(b) Invoices and Payment.

(i) Service Provider shall invoice Service Recipient for the amounts owed hereunder in arrears on a calendar monthly basis or, in the case of Section 2(a)(ii), as

provided therein, and shall provide reasonable documentation supporting such amounts owed pursuant to Section 2(a), except to the extent such amounts are set forth on the Services Schedules. Service Recipient shall pay the amount of such invoice by electronic transfer of immediately available funds not later than thirty (30) days after of the date of such invoice. Neither Party nor any of its respective Subsidiaries shall have a right of set-off against the other Party or its Subsidiaries, except in connection with any amounts billed hereunder. In the event Service Recipient does not pay Service Provider in accordance with the terms hereof (i) all amounts so payable and past due shall accrue interest from the 31st day after the date of the invoice to the receipt of payment at a rate per annum equal to the six (6)-month LIBOR rate (as quoted in the “Money Rates” section of The Wall Street Journal or any other similarly reputable published source on the 31st day after the date of the invoice, or the next Business Day, if such day is not a Business Day) plus 3% (the “Interest Rate”, with the applicable rate to be recalculated every six months), until such amounts, together with all accrued and unpaid interest thereon, are paid in full, and (ii) Service Recipient shall pay, as additional fees, all reasonable out-of-pocket costs and expenses incurred by Service Provider in attempting to collect and collecting amounts due under this Section 3, including all reasonable attorneys fees and expenses.

(ii) In the event that Service Recipient in good faith disputes an invoice submitted by Service Provider, Service Recipient may withhold payment of any amount subject to the dispute; provided, however, that (x) Service Recipient shall continue to pay all undisputed amounts in accordance with the terms hereof, (y) Service Recipient shall notify Service Provider, in writing, of any disputed amounts and the reason for any dispute by the due date for payment of the invoice containing any disputed charges and (z) in the event any dispute is resolved in the Service Provider’s favor, any amount that the Service Recipient should have paid shall be deemed to have accrued interest at the Interest Rate from the date such payment should have been made. In the event of a dispute regarding the amount of any invoice, the Parties shall use all reasonable efforts to resolve such dispute within thirty (30) days after Service Recipient provides written notification of such dispute to Service Provider. Each Party shall provide full supporting documentation concerning any disputed amount or invoice within thirty (30) days after written notification of the dispute. Unpaid fees that are under good faith dispute shall not be considered a basis for default hereunder. To the extent that a dispute regarding the amount of any invoice cannot be resolved pursuant to this Section 2(b)(ii), the dispute resolution procedures set forth in Section 9 herein shall apply.

3. Cooperation.

(a) Service Recipient and Service Provider shall cooperate and work together in good faith to develop a global transition plan in order to facilitate a smooth and orderly termination of a Service by its applicable Termination Date or at such earlier time as Service Recipient terminates Service Provider’s performance of the Services in accordance with Section 11. In furtherance of the foregoing, Service Provider will, if requested and at Service Recipient’s expense, provide Service Recipient with reasonable support necessary to transition or migrate the services to Service Recipient or any third party or parties chosen by the Service

Recipient, which may include consulting and training and providing reasonable access to data and other information and to Service Provider's employees; provided, however, that such activities shall not unduly burden or interfere with Service Provider's business and operations.

(b) It is understood that it will require significant efforts by the Parties to implement this Agreement and ensure performance hereunder. Service Recipient shall (i) cooperate with and provide Service Provider with such information and documentation as is reasonably necessary for Service Provider to perform the Services; and (ii) perform such other duties and tasks as may be reasonably required to permit Service Provider to perform the Services, including (x) cooperating in obtaining any consents or approvals from third parties necessary to facilitate Service Provider's ability to provide the Services and (y) upon thirty (30) days prior written notice by the Service Provider, conducting such testing as may be reasonably required by Service Provider in connection with any updates or changes to the applicable systems or processes involved in providing a Service. A Service Provider shall not be deemed to be in breach of its obligations to provide or make available any Service to the extent that Service Recipient has not provided information and access to appropriate personnel that is reasonably necessary for the performance of such Service.

(c) Service Recipient shall use commercially reasonable efforts to make or obtain any approvals, permits and licenses and implement any systems as may be necessary for it to perform the Services independently in each country and applicable jurisdiction as soon as practicable following the Distribution Date.

(d) Upon Service Recipient's written request and without prejudice to Service Recipient's direct rights against a Third Party Provider, Service Provider shall use commercially reasonable efforts to pursue any warranty or indemnity under any contract Service Provider or its Subsidiaries may have with a Third Party Provider with respect to any Service provided to Service Recipient by such Third Party Service Provider.

(e) Service Provider shall use commercially reasonable efforts to obtain, if required, the consent of any relevant Third Party Provider (a "Third Party Consent") or a license from any relevant Third Party Provider (a "Third Party License"), and Service Recipient shall, as necessary, cooperate with Service Provider in obtaining any such Third Party Consent or Third Party License. If a Third Party Consent or Third Party License cannot be obtained on reasonable terms, the Parties will use commercially reasonable efforts to arrange for an alternative method of obtaining any such Service on Service Recipient's behalf ("Alternative Method"), which may include Service Provider providing such Service itself. If there is any Third Party Consent or Third Party License which was not required as of the date hereof but will subsequently be required before the Minimum Service Period expires for a particular Service, Service Provider shall identify in writing to Service Recipient such Third Party Consent or Third Party License within sixty (60) days of the date hereof.

(f) The Parties shall use the fiscal month, quarter and year ends as set forth in Schedule D in connection with the provision and receipt of applicable Services hereunder, for so long as such Services are being provided.

(g) In connection with the provision of Services hereunder, except as provided pursuant to Section 2(a)(iii) for local currency conversion for invoices, the Parties shall use the same methodology to determine the appropriate foreign exchange conversion rate as used in the twelve month period prior to the Distribution Date, which may be determined or based upon the average for the month or other applicable period or the spot rate at the end of such month or period or otherwise.

4. Performance Standard; Reports; Personnel.

(a) Except as otherwise provided in the Services Schedule and Section 1(a) herein, nothing in this Agreement shall require or be interpreted to require Service Provider to provide a Service to Service Recipient beyond the scope and content of such Service as provided by Service Provider to the ITT Retained Business, Water Business or Defense Business, as the case may be, during the twelve month period prior to the Distribution Date, excluding any actions taken in contemplation of the Distribution.

(b) Service Provider shall not make changes in the manner of providing a Service unless (i) Service Provider is making similar changes in a Self-Service being performed for itself or its Subsidiaries or such changes are *de minimus*, in each case so long as such changes do not adversely affect the level of service, security or control of such Service or the scope or content thereof required pursuant to Sections 1(a) and 4(a) above, (ii) such changes are required by Service Provider or Service Recipient pursuant to applicable Law (including changes required by Service Provider or Service Recipient in connection with the provision of the Services to the other Party) or (iii) Service Recipient provides its prior written consent (which shall not be unreasonably withheld, conditioned or delayed) to such changes (in each case, for the avoidance of doubt, with the costs of any such change to be included in the calculation of Monthly Costs). In the event Service Provider determines to change the location of delivery of any Service, Service Provider shall provide Service Recipient with thirty (30) days prior written notice. All Services shall be performed in compliance with applicable Law, including all applicable U.S. and non-U.S. laws and regulations relating to export controls, sanctions, and imports, including without limitation those regulations maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control, the Export Administration Regulations maintained by the U.S. Department of Commerce, Bureau of Industry and Security, and the International Traffic in Arms Regulations maintained by the U.S. Department of State, Directorate of Defense Trade Controls.

(c) In performing the Services, Service Provider shall prepare and furnish to Service Recipient reports concerning the Services with such reports to contain substantially the same data, in substantially the same format, and prepared and delivered on substantially the same timetable, as reports prepared during the twelve month period prior to the Distribution Date (excluding any reports solely prepared in contemplation of the Distribution), except as may be otherwise required by Service Recipient or Service Provider pursuant to applicable Law. Upon Service Recipient's written request for modifications to the reporting and data transfer practices reasonably required to assist Service Recipient in transitioning off the Service, Service Provider shall cooperate and consult in good faith with Service Recipient to make such modifications; provided that if Service Provider reasonably determines in its sole discretion that any such

modification may cause Service Provider to be in breach of its obligations to the other Party hereunder (including as a result of breaching its obligations as a Service Provider to the other Party as Service Recipient), then Service Provider shall not be under any obligation to make such modifications.

(d) Service Provider shall use commercially reasonable efforts consistent with past practice to make available such personnel as may be required to provide the Services. Service Provider shall have the right to designate which personnel it will assign to perform the Services. Service Provider also shall have the right to remove and replace any such personnel at any time or designate any of its Subsidiaries or a Third Party Provider (subject to Section 1(a) herein) at any time to perform the Transition Services; provided, however, that Service Provider shall use its commercially reasonable efforts consistent with past practice to limit the disruption to Service Recipient in the transition of the Services to different personnel. Subject to and consistent with Section 2(a)(ii), Service Provider shall have no obligation to retain any individual employee for the sole purpose of providing a particular Transition Service.

(e) In the event Service Recipient or any of its Subsidiaries hires away an employee of Service Provider or its Subsidiaries, and such employee was providing Services to Service Recipient and will not continue to provide such Service, Service Provider shall have the option, in its sole discretion (in addition to any other remedies available to it under the Distribution Agreement or otherwise), upon ten (10) Business Days written notice to Service Recipient to reduce its obligations with respect to such Service (with a proportionate reduction in the applicable Monthly Costs) effective on the date of such employee's termination of employment with Service Provider. Any provision of Service thereafter pursuant to such a reduction in Service Provider's obligations shall be deemed to be consistent with Service Provider's obligations under this Agreement, so long as Service Provider satisfies the other obligations contained in this Section 4 with respect to such Service.

(f) Each Party agrees that it shall take appropriate action by instruction of or agreement with its personnel (including any Third Party Provider) to ensure that all such personnel performing or otherwise involved with Services shall be bound by and comply with all of the terms and conditions of this Agreement.

(g) In the event Service Provider has received a notice of default or breach in the performance of a Service hereunder (including as a result of substantial errors in the performance of such Service), it will use its commercially reasonable efforts to cure such default or breach. In the event Service Provider is unable to cure such default within thirty (30) days from receipt of notice thereof, in addition to the rights available under Section 11, there shall be an adjustment to Monthly Costs to reflect the costs to Service Recipient associated with such default, breach or error, including any reasonable out-of-pocket costs and expenses incurred by Service Recipient in retaining any Third Party Provider to provide such Service or in providing the such Service itself.

(h) Each Party shall notify the applicable other Party as promptly as practicable after becoming aware of any breach of this Agreement committed by either it or the applicable other Party. Service Provider shall notify Service Recipient of any event that may reasonably be expected to materially impact a Service provided hereunder, which may include a

Termination Notice (as defined in Section 11(b)) provided by the other Party as Service Recipient hereunder or a notice of termination of a Self-Service, issued pursuant and in accordance with, Section 2(a)(v).

(i) In the event of any conflict, as reasonably determined by Service Provider in its sole discretion, between requests for modification or termination of Services made by the two other Parties and each properly delivered hereunder, Service Provider shall determine which request it received first and, subject to the other terms and conditions of this Agreement, make such modifications or terminations pursuant to the request that was first received before making any modifications or terminations pursuant to any requests received afterwards.

5. New Services.

If, after the date hereof and on or prior to March 31, 2012, or, with respect to Services provided in connection with any Transfer that, pursuant to Section 2.6(a) of the Distribution Agreement, is not consummated at or prior to the Effective Time, one hundred (100) days following the actual date of such Transfer (notwithstanding that under Section 2.6(b) of the Distribution Agreement such Transfer may be deemed to have occurred on the Effective Time) the Parties determine that a service required by Service Recipient and provided by Service Provider or one of its Subsidiaries prior to the Distribution Date was inadvertently omitted from the Services Schedules, Service Recipient may request that Service Provider perform such service (“New Service”) in addition to the Services being provided hereunder. Service Provider shall promptly begin performing any New Service consistent with past practice upon a timely written request from Service Recipient (which request may be in the form of email) including (i) a description of the work Service Recipient anticipates being performed by Service Provider in connection with such New Service and (ii) a schedule for commencing and completing such New Service, and Service Provider and Service Recipient shall enter into good faith negotiations to agree to an amendment to the Services Schedules providing for such New Service; provided that if no agreement for an Additional Service Schedule Amendment has been reached in writing in thirty (30) days, such New Service shall be deemed to have a Minimum Service Period expiring on June 30, 2012 and a Termination Date of two years from the Distribution Date, with Monthly Costs as provided for in Section 2(a)(i), calculated as if the amendment to the Services Schedule for such New Service were silent regarding costs and expenses (such amendment or deemed amendment pursuant to the foregoing proviso, an “Additional Service Schedule Amendment”). Any New Service shall be considered a Service hereunder and the Services Schedules shall incorporate, and be deemed to be duly amended by, such Additional Service Schedule Amendment.

6. Intellectual Property; IT Security.

(a) Except as provided in the Services Schedules, the Monthly Costs shall include the allocable portion of any amounts that are required to be paid by Service Provider to any third party licensors of software that is used by Service Provider in connection with the provision of any Services hereunder, including (i) license, right-to-use and royalty fees and (ii) any amounts required to obtain the consent of such licensors to allow Service Provider to provide any of the Services hereunder. Service Recipient agrees to comply and cause its Subsidiaries to comply with the terms of any license or other agreement of Service Provider or

any of its Subsidiaries relating to software that is provided to Service Recipient and is used in connection with the provision of any Services hereunder; provided that in the event that Service Provider enters into new software licenses after the Distribution Date, Service Recipient shall have the prior opportunity to review and confirm its ability to comply therewith, which it shall do in good faith. In the event that Service Recipient provides notice of its inability to comply therewith, Service Provider may at its sole discretion discontinue its provision of any Services under such new software licenses effective after thirty (30) days notice of the same, and Service Recipient shall indemnify Service Provider for any claims by third parties arising out of or in connection with Service Recipient's noncompliance or violation of such software licenses. Subject to the foregoing, Service Provider shall use commercially reasonable efforts to obtain any consent that may be required from such licensors in order to provide any of the Services hereunder and the Parties shall cooperate to identify any material licenses or consents necessary for such provision and shall use commercially reasonable efforts to minimize the costs associated therewith.

(b) If the receipt or provision of any Service hereunder requires the use by a Party of the Intellectual Property (other than Trademarks) of the other Party, then such Party and its Subsidiaries shall have the non-exclusive, royalty-free, non-sublicensable (except as required for its and its Subsidiaries' receipt or provision of Services) right and license to use such Intellectual Property for the sole purpose of, and only to the extent necessary for, the receipt or provision of such Services hereunder, pursuant to the terms and conditions of this Agreement. This license does not permit a Party to access, possess, or modify the source code of the other Party or to reverse engineer the software of the other Party. Upon the Termination Date applicable to such Service, or the earlier termination of any Services in accordance with Section 11, the license herein to the applicable Intellectual Property will terminate; and the applicable Service Recipient and/or Service Provider shall cease all use of the Intellectual Property licensed hereunder. Nothing in this Section 6(b) shall be deemed to limit, modify or terminate any License Agreement between the Parties.

(c) Subject to the limited licenses granted in Section 6(b), each Party shall exclusively own any Intellectual Property that it creates, develops or invents in connection with the provision of any Services hereunder.

(d) While using or accessing any computers, systems, software, networks, information technology or related infrastructure or equipment (including any data stored thereon or transmitted thereby) ("Systems") of the other Party (whether or not a Service), each Party shall and shall cause each of its Subsidiaries to, adhere in all respects to the other Party's controlled processes, policies and procedures (including any of the foregoing with respect to Confidential Information, data, communications and system privacy, operation, security and proper use) as in effect on the Distribution Date or as communicated to such Party from time to time in writing.

(e) Those employees of Service Recipient and Service Provider (or their respective Affiliates) having access to the other Party's Systems may be required by Service Provider or Service Recipient, as the case may be, to enter into a customary non-disclosure agreement in connection with, and as a condition to, such access.

7. Records.

Service Provider shall provide to Service Recipient, taking into consideration the financial reporting, internal controls and other public company requirements of Service Recipient, all information and records reasonably required to maintain full and accurate books relating to the provision of Services to the extent any such information and/or records were provided or maintained during the twelve month period prior to the Distribution Date, excluding any actions taken in contemplation of the Distribution. Upon reasonable notice and reasonable request from the Service Receiver, and at the Service Receiver's cost, Service Provider shall (a) make available for inspection and copying by Service Receiver's agents or representatives such information, books and records relating to the Services during reasonable business hours and (b) certify that the controls in effect prior to the Distribution Date continue to be in effect, or if Service Provider is aware of any instances where such controls are not so in effect, in lieu of certification for such instances, provide a list of such instances and descriptions of the change in such controls thereof.

8. Force Majeure: Reduction of Services.

No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other applicable Parties of the nature and extent of any such Force Majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible. Notwithstanding the foregoing, Service Recipient shall be entitled to terminate Services so affected by a Force Majeure upon fifteen (15) day prior written notice in respect of any such delay or failure resulting from any such Force Majeure without any penalty or obligation to pay for Services not performed; provided that, for the avoidance of doubt, Service Recipient shall remain responsible, pursuant to and in accordance Section 2(a)(ii), for its portion of any severance and retention costs for any such Services.

9. TSA Managers: Dispute Resolution.

(a) Each Party shall nominate in writing one representative to act as the primary contact with respect to the provision and receipt of Services (a "TSA Manager"), with the initial TSA Managers as listed on Schedule E. Each Party may, at its discretion, from time to time select another individual to serve in these capacities during the term of this Agreement; provided, however, each Party shall notify the other Party promptly (and in any event within five (5) Business Days) of any change in an individual serving in this capacity, setting forth the name and contact information of the replacement, and stating that such replacement is authorized to act for such Party in accordance with this Section 9(a).

(b) The TSA Managers shall meet as expeditiously as possible to resolve any dispute hereunder, and notwithstanding anything in Article IX (Dispute Resolution) of the Distribution Agreement to the contrary, in the event any dispute is not so resolved within thirty

(30) days, a TSA Manager may provide written notice of such dispute to the Chief Financial Officer of each Party (or such other executive as designated by the Chief Executive Officer of such Party), who shall attempt within a period of fifteen (15) days following the end of such previous thirty (30) day period to conclusively resolve any such issue, and in the event the dispute remains unresolved following such fifteen (15) day period, either Party may submit the dispute to mediation in accordance with Section 9.2 (Mediation) of the Distribution Agreement (provided that, for the avoidance of doubt, the forty-five (45) day waiting period referenced therein shall be inapplicable), and if any dispute remains unresolved after the Mediation Period (as defined in the Distribution Agreement), such dispute shall be determined, at the request of either Party, by arbitration in accordance with Section 9.3 (Arbitration) of the Distribution Agreement and the other applicable provisions of Article IX (Dispute Resolution) of the Distribution Agreement. Each Party may treat an act of any other Party's TSA Manager or Chief Financial Officer (or such other executive as designated by the Chief Executive Officer of such other Party), in each case that is consistent with the provisions of this Agreement, as being authorized by such other Party to resolve such dispute without inquiring behind such act or ascertaining whether such TSA Manager or Chief Financial Officer (or such other executive as designated by the Chief Executive Officer of such other Party) had authority to so act; provided, however, that none of the TSA Managers or Chief Financial Officer or other executives so designated shall have authority to amend this Agreement, except as otherwise provided pursuant to Section 16.

(c) In the event of any dispute between the Parties regarding a Service, prior to the applicable Termination Date, Service Provider shall not discontinue the supply of any such Service, unless so provided for in a settlement agreement between the Parties or arbitral determination pursuant to and in accordance with Section 9(b) herein and Article IX of the Distribution Agreement or as requested by Service Recipient pursuant to a Termination Notice.

10. Disclaimer: Limited Liability.

(a) Service Recipient acknowledges that Service Provider is not in the business of providing the Services and that the Services being provided pursuant to this Agreement are provided as an accommodation to Service Recipient. Other than in the event of Service Provider's gross negligence or willful misconduct, Service Provider will not be liable for any error or omission in rendering Services under this Agreement, or for any defect in Services so rendered; provided that if there is a substantial error in any of the Services, Service Provider shall use commercially reasonable efforts to attempt to correct the error, or if Service Provider is unable to so correct such error, to provide an adjustment to the Monthly Cost for such Service in reasonable proportion to that which the error bears to the Service provided for such month, which adjustment may, pursuant to Section 4(g), include any reasonable out-of-pocket costs and expenses incurred by Service Recipient in retaining a Third Party Provider to provide such Service or in providing such service itself. Other than in the event of Service Recipient's gross negligence or willful misconduct, and other than for the Monthly Costs, severance and retention costs owed under Section 2(a)(ii) and other amounts expressly owed hereunder, Service Recipient will not be liable for any damages caused in connection with the Services provided under this Agreement.

(b) Service Provider shall have no responsibility to maintain insurance to cover any loss or damage to goods or equipment to which Service Recipient has title that are in the possession or control of Service Provider, its Subsidiaries or a Third Party Provider as a result of this Agreement and the risk of loss with respect to such goods or equipment shall be solely with Service Recipient. Service Recipient shall obtain from its insurance company a waiver of subrogation on behalf of Service Provider and its Subsidiaries effective as of Distribution Date. Service Recipient shall have no responsibility to maintain insurance to cover any loss or damage to goods or equipment to which Service Provider has title that are in the possession or control of Service Recipient or its Subsidiaries as a result of this Agreement and the risk of loss with respect to such goods or equipment shall be solely with Service Provider. Service Provider shall obtain from its insurance company a waiver of subrogation on behalf of Service Recipient and its Subsidiaries effective as of the Distribution Date.

(c) NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESSED OR IMPLIED (INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, ACCURACY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO ANY REPRESENTATION OR DESCRIPTION), ARE MADE BY SERVICE PROVIDER OR ANY OF ITS AFFILIATES WITH RESPECT TO THE PROVISION OF SERVICES UNDER THIS AGREEMENT AND, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL SUCH REPRESENTATIONS OR WARRANTIES ARE HEREBY WAIVED AND DISCLAIMED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, UNDER NO CIRCUMSTANCES, INCLUDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY REMEDY, SHALL SERVICE PROVIDER BE LIABLE FOR, INCLUDING BUT NOT LIMITED TO, ANY LOST PROFITS, REMITTANCES, COLLECTIONS, INVOICES, PENALTIES, INTEREST OR SPECIAL, INCIDENTAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES CAUSED BY THE PERFORMANCE OF, ANY DELAY IN THE PERFORMING, FAILURE TO PERFORM OR DEFECTS IN THE PERFORMANCE OF, THE SERVICES CONTEMPLATED TO BE PERFORMED BY SERVICE PROVIDER PURSUANT TO THIS AGREEMENT, REGARDLESS OF WHETHER A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

11. Term and Service Termination Dates.

(a) This Agreement (other than Sections 9, 10, 11 and 13) shall terminate upon the last of the Termination Dates in respect of all Services to be provided hereunder; provided that the rights of the parties in respect of any claims that have accrued prior to such termination shall survive such termination.

(b) For each Service, the minimum service period (“Minimum Service Period”) during which Service Provider is obligated to provide such Service to Service Recipient is set forth on the Services Schedule. The Parties agree to cooperate if necessary to adjust such Minimum Service Period (and the applicable Termination Date) to end on a date that is the end of a calendar or fiscal month, as deemed appropriate. Service Recipient may terminate any Service prior to its Termination Date by providing to Service Provider written notice of termination, which shall be deemed irrevocable upon delivery (a “Termination Notice”), not less

than (i) thirty (30) days before the date of such earlier termination if the Service is to be terminated on or before December 31, 2011, (ii) sixty (60) days before the date of such earlier termination if the Service is to be terminated after December 31, 2011 but on or before June 30, 2012, (iii) ninety (90) days before the date of such earlier termination if Service is to be terminated after June 30, 2012 but on or before December 31, 2012 and (iv) one hundred and twenty (120) days before the date of such earlier termination if Service is to be terminated on or after January 1, 2013; provided that if the Services Schedule indicates that any Service is dependent on one or more other Services, then each such Service must be terminated together; provided further that any termination may be on a location by location basis if so indicated on the Services Schedules. In the event a Service is terminated prior to the end of its Minimum Service Period pursuant to Service Recipient's Termination Notice, Service Recipient shall pay a make-whole fee equal to the actual out-of-pocket costs and any additional costs that would have been incurred by Service Provider if such Service had not been terminated (which costs, for the avoidance of doubt, exclude the 2% and 10% increases described in Section 2(a)(i)) between the actual date of termination of the Service and the applicable date on which the Minimum Service Period expires (subject to Service Provider exercising commercially reasonable efforts to mitigate such costs). Notwithstanding the foregoing, upon the receipt of a Termination Notice, if Service Provider is unable to transition the applicable Service to the Service Recipient or its designee in a commercially reasonable manner which does not unduly disrupt the Service on the requested termination date, Service Provider shall use commercially reasonable efforts consistent with past practice to transition such Service as soon as possible, and any resulting third party, out-of-pocket costs to Service Recipient shall be shared equally between Service Provider and Service Recipient.

(c) In the event either Party defaults in the performance of any of its obligations under this Agreement, and if such default is not excused and not cured within thirty (30) days after written notice from the other Party specifying such default, then the non-defaulting Party may at any time thereafter terminate, at its option, any such Service that is the subject of such default by giving five (5) days prior written notice; provided that if no such termination notice is given within fifteen (15) days after the end of the thirty (30) day cure period, then the non-defaulting Party waives all rights to terminate such Service with respect to such default; provided further, that such fifteen (15) day period referred to in the immediately foregoing proviso shall be extended if (x) the Parties dispute whether there has been a default hereunder or (y) agree that there has been a default hereunder and have a dispute related to such default, and in either case are attempting to resolve such dispute pursuant to Section 9(b) until ten (10) days after there has been a final determination pursuant to the procedures in Section 9(b).

12. Independent Contractor.

The Parties hereto understand and agree that this Agreement does not make either of them an agent or legal representative of the other for any purpose whatsoever. No Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge (i) that Service Provider is an independent contractor with respect to Service Recipient in all respects,

including the provision of the Services, and (ii) that the parties are not partners, joint venturers, employees or agents of or with each other.

13. Confidentiality.

(a) Any Confidential Information of either Party shall be subject to Section 8.6 of the Distribution Agreement. With respect to any information disclosed by one Party to another Party for the purpose of this Agreement or otherwise accessible to such other Party during the performance hereunder (“Confidential Information”), the Party receiving such Confidential Information agrees that it will use the same skill and care as set forth in Section 4(a) to prevent the disclosure or accessibility to others of the disclosing Party’s Confidential Information and will use such Confidential Information only for the purposes of this Agreement, the Distribution Agreement and the Ancillary Agreements. The receiving Party and its employees, representatives and agents (including any Third Party Provider) (collectively, the “Recipient Parties”) shall only disclose and permit access to the other’s Party’s Confidential Information to such Recipient Parties who have a need to know such Confidential Information for the purposes of this Agreement, the Distribution Agreement and the Ancillary Agreements. For Confidential Information provided with respect to any Service, the obligations of the Recipient Parties pursuant to this Section 13 shall expire on the date that is five (5) years from the termination of such Service. Each Party shall provide prompt written notice of any breach of the obligations under this Section 13 by such Party or its Recipient Parties and shall use commercially reasonable efforts to assist the other Party in remedying any such breach.

(b) Specifically excluded from the definition of Confidential Information is any and all information that:

(i) is independently developed by or on behalf of a Recipient Party without use of or reference to Confidential Information;

(ii) is or becomes available to the public, other than as the result of a breach by a Recipient Party of the confidentiality obligations under this Agreement;

or

(iii) is rightfully received from a third party not known by the Recipient Party to be bound by an obligation of confidentiality to the disclosing Party .

(c) If the Recipient Party is required to disclose Confidential Information by law, process or regulation, to the extent legally permissible, such Recipient Party shall promptly notify the disclosing Party, reasonably cooperate with the disclosing Party to the extent it may seek to limit such disclosure and, insofar as a protective order or waiver from the disclosing Party is not obtained, only disclose such Confidential Information as is required to be disclosed.

(d) In connection with any permitted disclosure of this Agreement to any third party, each Party shall redact the portions of the Services Schedules that are not relevant to such third party’s inquiry.

(e) It is further understood and agreed that money damages may not be a sufficient remedy for any breach of this Section 13 and that each Party shall be entitled to seek

equitable relief, including injunction and specific performance, as remedy for any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach, but shall be in addition to all other remedies herein described available at law or equity.

14. Beneficiary of Services: No Third Party Beneficiaries.

This Agreement is for the sole benefit of the Parties hereto, and nothing expressed or implied shall give or be construed to give any person any legal or equitable rights hereunder, whether as a third-party beneficiary or otherwise. Each Party agrees, and each Party in its capacity as a Service Recipient represents and warrants, that the Services shall be provided solely to, and shall be used solely by, Service Recipient and its Subsidiaries. Service Recipient shall not resell or provide the Services to any other Person, or permit the use of the Services by any Person other than Service Recipient and its Subsidiaries.

15. Entire Agreement.

This Agreement, together with the Distribution Agreement and the other Ancillary Agreements, constitutes the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements, understandings and negotiations, both written and oral, between the Parties with respect to the subject matter hereof. In the event and to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of the Distribution Agreement or any other Ancillary Agreement, the Parties agree that this Agreement shall govern. The Parties agree that, in the event of an express conflict between the terms of this Agreement and a Services Schedule, the terms of the Services Schedule shall govern.

16. Amendment; Waiver.

This Agreement and the Services Schedules may be amended, and any provision of this Agreement may be waived, if but only if such amendment or waiver is in writing and signed, in the case of an amendment, by each of the Parties, or in the case of a waiver, by the Party against whom the waiver is effective. No failure or delay by either Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

17. Notices.

All notices, requests and other communications to any Party hereunder shall be in writing (including telecopy or similar writing) and shall be given as follows:

if to ITT or to any of its Affiliates:

ITT Corporation
1133 Westchester Avenue
Suite 3000
White Plains, NY 10604

Attn: General Counsel
Facsimile: (914) 696-2970

if to Exelis or to any of its Affiliates:

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attn: Chief Legal Officer
Facsimile:

if to Xylem or to any of its Affiliates:

Xylem Inc.
1133 Westchester Avenue
Suite 2000
White Plains, NY 10604
Attn: General Counsel
Facsimile:

or to such other address or telecopy number and with such other copies, as such Party may hereafter specify for the purpose of notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by fax, when such fax is transmitted to the fax number specified in this Section 17 and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 17.

18. Non-Assignability.

Neither this Agreement nor any of the rights, interests or obligations of either Party hereunder may be assigned or transferred by any such Party without the prior written consent of the other Party (not to be unreasonably withheld, delayed or conditioned), and any purported assignment, without such prior written consent shall be null and void; provided a Party may assign or transfer all its rights hereunder without such consent to an acquirer in connection with a sale of all or substantially all of its assets or other similar change in control of such Party.

19. Further Assurances.

From time to time after the date hereof, without further consideration, each Party shall use commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably proper or advisable under applicable Law, and execute and deliver such documents as may be required or appropriate to carry out the provisions of this Agreement and to consummate, perform and make effective the transition contemplated hereby.

20. Definitions and Rules of Construction.

(a) Defined terms used in this Agreement have the meanings ascribed to them by definition in this Agreement or in the Distribution Agreement.

(b) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

(c) Whenever the words “include”, “including”, or “includes” appear in this Agreement, they shall be read to be followed by the words “without limitation” or words having similar import.

(d) As used in this Agreement, the plural shall include the singular and the singular shall include the plural.

21. Counterparts; Effectiveness.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Section 21, provided that receipt of copies of such counterparts is confirmed. This Agreement shall become effective when each Party has received a counterpart hereof signed by the other Party hereto.

22. Section Headings.

The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

23. Severability.

If any provision of this Agreement shall be declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement shall not be affected and shall remain in full force and effect, and the Parties shall negotiate in good faith to replace such illegal, void or unenforceable provision with a provision that corresponds as closely as possible to the intentions of the parties as expressed by such illegal, void, or unenforceable provision.

24. Governing Law.

This Agreement shall be governed by and construed in accordance with the Laws, but not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ITT CORPORATION

By: _____
Name: _____
Title: _____

EXELIS INC.

By: _____
Name: _____
Title: _____

XYLEM INC.

By: _____
Name: _____
Title: _____

Schedule AB1
eBuyITT INVOICE PROCESSING
SERVICES

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, expect where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Philip Galluzzi ITT Corporation	Manager, TDS Business Relationships & Corporate Travel		phil.galluzzi@ittcorp.net
Mary Marts Xylem Inc.	Sr. Financial Analyst, Fluid and Motion Control		mary.marts@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform eBuyITT Invoice Processing Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide eBuyITT Invoice Processing Services:			
		<ul style="list-style-type: none"> eBuyITT Invoice Review — The Service Provider will receive designated invoice submissions from the Service Receiver’s eBuyITT enabled Suppliers (via EDI transaction or manual entry) and prep invoices and feed the submitted invoices to Perfect Commerce. The Service Provider will use the daily invoice feeds from Perfect Commerce to prep invoices for financial back office operations. 	4,174 Hard Copy Invoices Annually* / 16,501 Invoices Annually		
		<ul style="list-style-type: none"> eBuyITT Exception Handling and Resolution — The Service Provider will reconcile and re-validate invoices flagged with validation errors. Once the invoice is validated, the Service Provider will process it as stated above. Mismatched invoices will not be paid without resolution. 	1,300 Transactions Annually		
		<ul style="list-style-type: none"> Invoice Recording & Payment Processing — Service Provider will send the balanced invoices to an internal business unit within the Service Provider, on a daily basis, for additional Accounts Payable recording and payment processing for the Service Receiver. 	4,174 Hard Copy Invoices Annually* / 16,501 Invoices Annually		
SS-eBuyITT—01	eBuyITT Invoice Processing Services	<ul style="list-style-type: none"> Vendor File Maintenance — The Service Provider will receive vendor master data for new vendor setup from an internal business unit to perform Vendor File Maintenance. Tax Exempt Certificate File Maintenance — The Service Provider will receive Service Receiver Supplier’s tax exempt vendor certificates from an internal business unit to maintain tax exempt master file. Cost Distribution Services — Service Provider will use validated invoices as documented above to provide Service Receiver a cost distribution file transmitted via FTP and/or email, or transmitted to an internal business unit data and centralized tax services via the current Purchase to pay distribution process to all Service Receiver’s business units that are currently on Purchase to Pay. The Service Provider will provide cost distribution and taxability indicators, per agreed frequency to the Service Receiver’s business units that are not currently supported by the Shared Services Accounts Payable (P2P) process). 	As Needed Basis	18	Cost plus 2% - 10%
			4,174 Hard Copy Invoices Annually* / 16,501 Invoices Annually		
			As Needed Basis		

- eBuyITT Aged-Invoice Workflow Notification — Service Provider will perform routine communication of aged open invoices requiring Service Receiver triage and action.

As Needed Basis

* Note: The BAU transaction volume for hard copy invoices, and not the total invoice volume (i.e., both electronic and hard copy), will be used as the pre-distribution date baseline to calculate changes in service volumes (plus or minus 10%) as defined in the next section.

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes (e.g., Benefits provider change) are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
SS-eBuyITT-02	eBuyITT Invoice Processing Services Migration	<p>Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, and current state functional data mapping <p>Service Provider will provide the following knowledge transfer services:</p>	Time and Materials Based on Additional Pricing Section
SS-eBuyITT-03	eBuyITT Invoice Processing Services Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to eBuyITT services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to eBuyITT Invoice Processing by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Palm Coast, FL USA to other USA locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain current Cost Distribution data delivery methodologies (e.g., FTP drop site/email attachment receipt).
- If Service Receiver or their suppliers provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Receiver must actively be engaged on the GSCS Service Agreement from Global Supply Chain Services (GSCS) and utilize Perfect Commerce as the eProcurement platform for the duration this agreement is in effect.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

SCHEDULE AB2

P-CARD TRANSACTION PROCESSING

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Philip Galluzzi ITT Corporation	Manager, TDS Business Relationships & Corporate Travel		phil.galluzzi@ittcorp.net
Mary Marts Xylem Inc.	Sr. Financial Analyst, Fluid and Motion Control		mary.marts@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform P-Card Transaction Processing Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide P-Card Transaction Processing Services:			
		<ul style="list-style-type: none"> • P-Card Invoice Review — The Service Provider will receive a notification and data file from US Bank once monthly containing transaction details and Company information for Service Receiver’s P-Card holders. In addition, the Service Provider will receive from an internal business unit an authorization to proceed with the P-Card File download. The Service Provider will review the file, format data for financial processing, and validate invoices for completeness and accuracy. The Service Provider will flag invoices with validation errors. The Service Provider will use booked AP invoices to generate proprietary data files to be sent via email to Service Receiver’s Treasury Department for payment settlement. 	125 Transactions Annually		
SS-PCard Processing- 01	P-Card Transaction Processing Services	<ul style="list-style-type: none"> • P-Card Exception Handling and Resolution — The Service Provider will reconcile and re-validate invoices flagged with validation errors. Once the invoice is validated, the Service Provider will process it as stated above. Mismatched invoices will not be paid without resolution. For processing credits, the Service Provider will insure that management accounts have monthly debit balances prior to transmission to Service Receiver’s Treasury Department. If a management account is received as a zero or credit balance, the Service Provider will remove credit transactions from being processed in ascending order until the management account reflects a debit balance. The Service Provider will communicate the removed credits to the internal business unit for resolution. • P-Card Cost Distribution — The Service Provider will use validated invoices as documented above to provide Service Receiver a Cost Distribution file transmitted via File Transfer Protocol (FTP) and/or email. • P-Card File Maintenance — The Service Provider will perform file maintenance based on internal business unit approval for new and/or changes to P-Card holders. Only valid, internal business unit-approved cardholder transactions are processed. Three (3) business days prior notice is required to maintain P-Card file. 	40 Transactions Annually	18	Cost plus 2% - 10%
			15 Transactions per Month		
			As Needed Basis		

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
SS-PCard Processing-02	P-Card Transaction Processing Migration	<p>Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, and functional data mapping <p>Service Provider will provide the following knowledge transfer services:</p>	Time and Materials Based on Additional Pricing Section
SS-PCard Processing-03	P-Card Transaction Processing Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to P-Card Transaction Processing services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to P-Card Transaction Processing by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Palm Coast, FL, USA to other USA locations.

PREREQUISITES/DEPENDENCIES

- If Service Receiver, or their Supplier(s), provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver, in a separate and independent agreement, must utilize US Bank as the P-Card supplier for the duration this agreement is in effect.
- Service Receiver must actively be engaged on the GSCS Service Agreement from Global Supply Chain Services (GSCS) for the duration this agreement is in effect.
- Service Receiver must maintain current Cost Distribution data delivery methodologies (e.g., FTP drop site/email attachment receipt) and payment settlement interface (Treasury) for the duration this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$75	\$ 100	\$125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

**SCHEDULE AB3
TELECOM INVOICE PROCESSING
SERVICES (TAPS)**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Philip Galluzzi ITT Corporation	Manager, TDS Business Relationships & Corporate Travel		phil.galluzzi@ittcorp.net
Mary Marts Xylem Inc.	Sr. Financial Analyst, Fluid and Motion Control		mary.marts@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Telecom Invoice Processing Services (TAPS), for Long Distance Voice and Data Circuitry, for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide Telecom Invoice Processing (TAPS) Services:			
		<ul style="list-style-type: none"> TAPS supplier statements — The Service Provider will receive Service Receiver's current Primary Telecom Service Supplier statements monthly. The statements are transmitted via EDI, or entered manually via paper statements, to the Service Provider. To produce balanced TAPS statements, the Service Provider will perform various validation and duplication protection routines with criteria including Master Control Number, Account number, and AT&T Statement numbers. Only total current charges are recognized in the TAPS system for processing each month. 	2,100 Transactions Annually		
SS-TAPS-01	Telecom Invoice Processing Services (TAPS)	<ul style="list-style-type: none"> TAPS Exception Handling and Resolution - Service Provider will reconcile accounts that failed validation. The Service Provider will make commercially reasonable efforts to gain resolution from the Service Receiver, to produce resolved accounts that are ready for financial processing. Accounts that fail validation are not paid without resolution. Invoice Recording & Payment Processing — Service Provider will send the balanced invoices to an internal business unit within the Service Provider, on a monthly basis, for additional Accounts Payable recording and payment processing for the Service Receiver. TAPS Cost Distribution — The Service Provider will transmit to the Service Receiver a Cost Distribution file from the processed validated Statements, Service Provider will transmit this file via FTP and/or email to the Service Receiver. TAPS Customer File Maintenance — The Service Provider will perform Customer File Maintenance after receiving a Change Request from the Service Receiver. Only valid, ITT Customer accounts and Statements are processed. Three (3) business days prior notice are required to maintain the Customer file. 	60 Transactions Annually	9	Cost plus 2% - 10%
			2,100 Transactions Annually		
			15 Transactions per Month		
			30 Transactions Annually		

Service Volumes Greater or Less Than Observed Pre-Distribution

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented in this agreement
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:	
SS-TAPS-02	Telecom Invoice Processing (TAPS) Migration	<ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes and functional data mapping Service Provider will provide the following knowledge transfer services:	Time and Materials Based on Additional Pricing Section
SS-TAPS-03	Telecom Invoice Processing (TAPS) Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to Telecom Invoice Processing (TAPS) services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Telecom Invoice Processing Services (TAPS) by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Palm Coast, FL, USA to other USA locations and select EU and Asia locations.

PREREQUISITES/DEPENDENCIES

- Security and access controls will be maintained as set forth in the Master Services Agreement.
- If Service Receiver, or their Supplier(s), sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must actively be engaged in the circuitry configuration and inventory control of their networks and have Subject Matter Experts (SME) available to assist with statement processing discrepancies.
- Service Receiver, in a separate and independent agreement, must utilize AT&T as the telecommunication data vendor.
- Service Receiver will maintain current Cost Distribution data delivery methodologies (e.g., FTP drop site/email attachment receipt).

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be

required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

**SCHEDULE AB4
U.S
ACTIVE SALARIED ELIGIBLE
EMPLOYEES MEDICAL, PHARMACY
AND DENTAL PROGRAM**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider's Contact</u> ITT Corporation Deborah Macchia	Mgr, Benefits Planning and Administration		<u>Deb.macchia@itt.com</u>
Lisa Munoz	Benefits Analyst		<u>Lisa.munoz@itt.com</u>
Thomas Hickey	Manager, Benefits Financial Reporting	[]	<u>Thomas.hickey@itt.com</u>
<u>Service Recipient's Contact</u> Xylem Inc.			
Keith Dick	Director, Global Benefits		<u>Keith.dick@itt.com</u>

PARTIES TO THE AGREEMENT

Service Provider: ITT Corporation — White Plains, NY
Service Recipient: Xylem Inc. — White Plains, NY

TERM

Services provided hereunder shall terminate December 31, 2013; provided that for the avoidance of doubt the coverages provided hereunder and described below only apply to Claims (as defined herein) made by Service Recipient's Covered Employees (as defined herein) and incurred on or before December 31, 2011.

GENERAL SERVICE DESCRIPTION

Service Provider currently provides active medical, pharmacy(Rx) and dental administration for coverages provided through Empire and Anthem (medical), Medco(Rx), MetLife(dental) and SHPS (FSA) (Empire, Anthem, Medco, MetLife and SHPS collectively, the "Vendors") for its U.S. Active, Salaried, Eligible Employees ("Covered Employees"). Service Provider shall keep the current contracts with the Vendors and the ITT CORPORATION SALARIED MEDICAL AND DENTAL PLAN (PLAN NUMBER 502 EIN 13-5158950) and the ITT Salaried Medical Plan and Salaried Dental Plan General Plan Terms (collectively, the "Plans") and all coverage thereunder in full force through December 31, 2011 for Service Recipient's Covered Employees. All claims of Service Recipient's Covered Employees made under the Plans and incurred on or prior to December 31, 2011 the ("2011 Plan Year") will be adjudicated in accordance with the current contract and Service Provider will continue to take such actions on behalf of Service Recipient's Covered Employees as if such employees are employees of Service Provider.

All medical, dental, pharmacy and FSA claims of Service Recipient's Covered Employees made under the Plans (the "Claims") will be paid by the Vendors on behalf of the Service Provider. Service Recipient will pay Service Provider for coverage based on 2011 budget premium rates previously set for the calendar year 2011 and described in the "Pricing" section below. Service Recipient will pay Service Provider monthly premium payments for this service, for any full or partial months, based on actual enrollment for the months covered post-spin using enrollments as of the first (1st) calendar day of the month, commencing on the day after the Distribution Date. Service Recipient will prepare and deliver to Service Provider a monthly self bill containing cost breakdown by business unit and plan tier as set forth on Attachment A, within five (5) Business Days after the beginning of each calendar month. The Service Recipient will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient's employees covered, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request.

Service Provider will retain responsibility for executing funding of Claim payments and eligibility management with Vendors through December 31, 2013.

Service Provider will conduct a Headcount True-Up (as defined below) of the monthly premiums and establish an Incurred But Not Reported (“IBNR”) claims reserve for Claims incurred prior to December 31, 2011 date, but paid after that date, and conduct a reconciliation of such reserve. See “Headcount True-Up” and “IBNR Reconciliation” sections under Additional Pricing for details.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below or described above (collectively, the “Services”).

- Monthly Premium billing.
- Monthly administrative services billing (for administrative services billed on an hourly basis. See Additional Pricing section for Hourly Rates).
- See General Service Description for a description of payments and billing hereunder. See Pricing for a description of the Headcount True-Up (as defined below) and reconciliation for IBNR (as defined below) Claims.
- Claims processing
 - All Vendor Claims process will remain unchanged from the process as used during the 12-month period prior to the Distribution Date.
 - The Claims appeal process will not change from the process as used during the 12-month period prior to the Distribution Date. Empire/Anthem/Medco, MetLife and SHPS will handle all appeals as provided under the Employee Retirement Income Security Act. Once all such appeals have been exhausted, escalations will be handled by Service Provider.
 - Service Provider will pay all Claims incurred during the 2011 Plan Year.
- Eligibility
 - All eligibility adjustments (adding dependents, new hires, ect.) will be handled by local Service Recipient HR through the Infinium interface.
 - The Service Recipient may add or remove employees/dependants to coverage in accordance with the terms of the Plans, generally upon a qualifying event, new hire or termination. These rules will be the same rules in effect immediately prior to Distribution Date and will remain in effect until January 31, 2012.
 - Manual adjustments to eligibility will be handled directly with the Vendors by authorized Service Recipient local HR. These adjustments will be one off type adjustments that cannot be made through Infinium due to timing.
 - All file transmissions to Vendors will be handled by the Exelis Inc. Fort Wayne Shared Service team under the HR/Payroll/Benefits Transition Services Agreement.

- All files normally maintained manually by the Service Recipient local HR departments during the twelve (12) month period prior to the Distribution Date will remain unchanged.
- COBRA qualifying events notices will be handled by SHPS. Service Recipient Local HR department will notify SHPS of termination of employment (as is the current practice in the twelve (12) months prior to Distribution Date). SHPS will provide election notice to Covered Employees with appropriate coverages. There is a separate Letter of Intent with SHPS, attached as Appendix B.
- Claims payment
 - All Covered Employee Claims made under the Plans and incurred for the 2011 Plan Year will be paid by Service Provider.
 - Vendor administrative service charges for the 2011 Plan Year will be paid by Service Provider.
 - Empire and MetLife maintain bank accounts which Service Provider funds daily to pay claims. Each Vendor will separate claims paid by claims incurred date.
 - Service Provider will pay all Medical and Dental Claims incurred for the 2011 Plan Year, but submitted for payment after the end of the 2011 Plan Year but no later than allowed under the terms of the applicable Plan.
 - MEDCO invoices bi-weekly for claims paid. Service Provider will pay for all MEDCO claims incurred for the 2011 Plan Year.

PREREQUISITES/DEPENDENCIES

Service Recipient Responsibilities

- Service Recipient will provide accurate and timely employee enrollments via Infinium.
- Service Recipient will research eligibility issues as needed.
- In case of inaccurate data sent to Service Provider it will be the responsibility of the Service Recipient to rectify any problems and assessments incurred.
- Local Human Resources/Benefits departments will support Covered Employees.

BILLING LOCATION

Service Recipient will provide Service Provider a self billed invoice and payment to their address set forth below. The bill will cover all charges for Services under this Schedule provided by Service Provider. The invoice will contain the number of enrolled employees per tier per coverage, as set forth in Schedule A. A detailed list of Covered Employees will be provided by the Service Provider upon reasonable request of the Service Recipient. All administrative functions handled by the Service Provider in the twelve (12) month period prior to the Distribution Date are contained in the fee structure set forth below. The Service Provider and Service Recipient agree to negotiate in good faith for any additional services related to the Service provided hereunder that are outside the normal course of business.

SERVICE LEVEL

The Service Provider will provide the same service level to the Service Recipient as it provides to its Covered Employees.

NOTICE REQUIREMENTS

ITT Corporation
1133 Westchester Avenue, Suite 3000
White Plains, NY 10604
Attn: Deborah Macchia

Xylem Inc.
1133 Westchester Avenue, Suite 2000
White Plains, NY 10604
Attn: Keith Dick

Termination notices are not required. Service Provider will pay Claims incurred during the 2011 Plan Year, during the period from November 1, 2011 through December 31, 2013 with no further premium billed to the Service Recipient. Pursuant to the terms of the Plans there is a twenty-four (24) month Claim filing limit.

PRICING

In addition to the costs specifically set forth below, Service Recipient shall also pay all routine business travel expenses relating to such Services. The below table contains the monthly premium rates the Service Provider shall charge. The Service Recipient will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the

beginning of each calendar month. A detailed listing of Service Recipient’s Covered Employees, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request. Each business unit has been banded 1 through 5. Depending on the assigned band the appropriate budget amount is charged to that business unit. The amounts in the table are per employee per month, by plan and coverage tier. See “General Service Description” for further detail on payment and billing for the monthly premium payments.

Medical and Pharmacy Premium

Rating Band	Basic		
	Employee Only	Employee + 1	Family
Band 1	\$	\$	\$
Band 2	\$	\$	\$
Band 3	\$	\$	\$
Band 4	\$	\$	\$
Band 5	\$	\$	\$

Rating Band	Enhanced		
	Employee Only	Employee + 1	Family
Band 1	\$	\$	\$
Band 2	\$	\$	\$
Band 3	\$	\$	\$
Band 4	\$	\$	\$
Band 5	\$	\$	\$

Rating Band	EPO		
	Employee Only	Employee + 1	Family
Band 1	\$	\$	\$
Band 2	\$	\$	\$
Band 3	\$	\$	\$
Band 4	\$	\$	\$
Band 5	\$	\$	\$

Rating Band	HDHP		
	Employee Only	Employee + 1	Family
Band 1	\$	\$	\$
Band 2	\$	\$	\$
Band 3	\$	\$	\$
Band 4	\$	\$	\$
Band 5	\$	\$	\$

Dental Premium

MetLife Dental
EE

EE+1 Family
\$ \$

Add FSA pricing

Additional Pricing

Hourly Rates

Hourly Rates for Services not specified or normally provided by Service Provider in the twelve (12) month period prior to the Distribute Date but otherwise provided by Service Provider employees (including but not limited to modification, consulting, exit strategy development, transition, etc.) are documented below. The employee category is defined by Service Provider. The rates documented below apply to Service Provider employees only, should external resources be required, the costs for those external resources will be reviewed with the Service Recipient prior to execution of the project.

Notwithstanding anything in the Agreement to the contrary, the following rates shall not be subject to (a) the 4.5% increase for inflation in 2012 described in Section 2(a)(3) (but such rates shall be subject to such increase in 2013) or (b) the 2% or 10% increases described in the proviso to Section 2(a)(i) of the Agreement.

General Category of Employee	Hourly Rate
1. Secretarial/Administrative	\$ 50.00
2. Non-Executive	\$ 100.00
3. Executive	\$ 150.00

Headcount True-Up

Service Provider shall conduct a “headcount” true-up by March 31, 2012 (the “Headcount True-Up”), based on actual enrollment during the period beginning on the day after the Distribution Date and ending on December 31, 2011. The Headcount True-Up will be based on reviewing the actual monthly Infinium enrollment by Plan and coverage tier, by unit, but, for the avoidance of doubt, no true-up of actual Claims will be conducted. The Service Provider shall promptly provide the results of the Headcount True-Up to Service Recipient together with any supporting

data reasonably requested by Service Recipient. Within ten (10) Business Days after the parties reach agreement on the amount of the Headcount True-Up, the appropriate party shall pay to the other the amount so due.

IBNR Reconciliation

- Reconciliation for Incurred But Not Reported (“IBNR”) Claims
 - The premiums collected from Service Recipient hereunder will be credited to Service Provider’s active medical ledger.
 - The amount that Service Provider should hold in reserve to cover payment for all IBNR Claims incurred for the 2011 Plan Year shall be calculated in accordance with the following procedures:
 - This calculation will be made by June 30, 2012 using the same methods, assumptions, processes, etc. as used during the 12-month period prior to the Distribution Date to calculate the IBNR Claim reserve remaining to pay Claims incurred before January 1, 2012, but paid after June 30, 2012.
 - Service Provider and Service Recipient will engage Towers Watson, or such other person as the parties may agree to engage (the “Calculation Agent”), to calculate the target level of the IBNR claim reserve, whose determination shall be binding and conclusive on the Service Provider and Service Recipient.
 - The IBNR Claim reserve will have its final reconciliation calculated the Calculation Agent by June 30, 2012.
 - If the amount held for the IBNR Claim reserve is greater than the target level of the IBNR Claim reserve, as determined herein, within ten (10) Business Days of Service Provider being notified of such determination by the Calculation Agent, Service Provider shall pay its proportionate amount to Service Recipient (based upon Service Recipient’s number of Covered Employees (as of December 31, 2011) in relation to the total number of Covered Employees (for all of the Parties to the Agreement) in the IBNR Claim reserve pool (as of December 31, 2011) (the “Proportionate Amount”)), required, when included with the Proportionate Amounts to be paid to the other Parties to the Agreement, required to bring the amount held for the IBNR Claim reserve to its targeted level, as determined by the Calculation Agent.
 - If the amount held for the IBNR Claim reserve is less than the target level of the IBNR claim reserve, as determined herein, within ten (10) Business Days of Service Recipient being notified of such determination by the Calculation Agent and its Proportionate Amount by the Service Provider, Service Recipient shall pay its Proportionate Amount to Service Provider, required, when included with the Proportionate Amounts to be paid by the other Parties to the Agreement,

necessary to bring the amount held for the IBNR Claim reserve to its targeted level, as determined by the Calculation Agent.

Attachment A

(Monthly self bill example)

<u>Unit</u>	<u>Value Center</u>	<u>Grand Total</u>
FTC-HQ	HQ	
Motion and Flow Controls HQ	HQ	
ITT Heat Transfer	RCW	
ITT Bell & Gossett Division	RCW	
Rule Industries	Flow Controls	
Sanitaire (WPCC)	WWW	
AC Custom Pump	IP	
Flo-Jet	Flow Controls	
Sanitaire — Royce	WWW	
Sanitaire WET	RCW	
Flowtronex	RCW	
RCW	RCW	
ITT Water Technology, Inc.	RCW	
Texas Turbine Operations-Lubbock	RCW	
Flygt Florida	WWW	
Leopold Salary	WWW	
WEDECO	WWW	
ITT Flygt Corp.	WWW	
Flygt-Indiana	WWW	
Laing	RCW	
Nova Analytics	ITT Analytics	
Global Water Instruments	ITT Analytics	
Bellingham and Stanley	ITT Analytics	
Aanderaa Data Instruments	ITT Analytics	

Attachment B



May 20, 2011

Ms. Deb Macchia
Manager, Benefits Planning and Communication
ITT Corporation
1133 Westchester Avenue
White Plains, NY 10604

RE: Trivestiture of ITT Corporation

Dear Ms. Macchia:

As you know, SHPS Human Resource Solutions, Inc. ("Company") currently provides ITT Corporation ("Client") spending account administration ("SAM") and COBRA services (collectively "Services") pursuant to a Service Agreement dated January 1, 2008 ("the Service Agreement"). This letter acknowledges the intent of Client to separate into three different entities; namely, Defense Co. ("Defense"), ITT Co. ("ITT") and Water Co. ("Water"). As part of this restructuring, you have requested we perform certain implementation services in order to set up ITT and Water as separate entities. It is the intent of the parties that Defense will assume the Service Agreement and that ITT and Water will enter into a transition services agreement with Defense through December 31, 2011. Existing services provided by the Company to Defense, ITT and Water will continue through December 31, 2011. Effective January 1, 2012, ITT and Water will enter into separate agreements with the Company. The Company agrees to (i) continue performing ongoing Service and (ii) provide implementation services, pursuant to terms and conditions of the Service Agreement and the following:

1. Services

Beginning on or about June 1, 2011, Company will begin implementation services to setup ITT and Water. Company will continue providing ongoing Services to the Client, including Defense, ITT and Water populations, until the Separation Date.

2. Termination Fee

Company agrees to defer implementation Fees in an amount of \$. Of this amount, \$ shall be with respect to ITT (\$ for COBRA and \$ for FSA, respectively) and \$ shall be with respect to Water (\$ for COBRA and \$ for FSA, respectively) (the "Deferred Implementation Fees") over the period between January 1, 2012 and December 31, 2012, which will be included in the new agreements. In the event the Service Agreement is terminated for any reason prior to the expiration the Separation Date the Client shall pay Company the Deferred Implementation Fees in accordance with the payment terms set forth in the Service Agreement.

If the foregoing correctly sets forth the understanding of the parties, please acknowledge your acceptance of this Agreement by signing both copies of this letter at the place provided below and return one to my attention.

SCHEDULE AB5
XYLEM RETIREE MEDICAL AND
FINANCIAL SHARED SERVICES (FSS)
ACTIVE MEDICAL AND DENTAL
ADMINISTRATION

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
<hr/>			
Service Provider's Contact			
ITT Corporation Conrad Arnold	Director Human Resources		Conrad.arnold@itt.com
<hr/>			
Service Recipient's Contact			
Xylem Inc. Dawn DeRue	Human Resources Mgr.		Dawn.derue@itt.com

PARTIES TO THE AGREEMENT

Service Provider: ITT Corporation— Seneca Falls, NY (IP)

Service Recipient: Xylem Inc. — Auburn, NY and ITT Water Technologies, Inc. — Seneca Falls, NY (Financial Shared Services)) (collectively, "Service Recipients")

TERM

Services provided hereunder shall terminate June 30, 2012; provided that for the avoidance of doubt the coverages provided hereunder and described below only apply to Claims (as defined herein) made by Service Recipient's Covered Employees (as defined herein) and incurred on or before December 31, 2011.

GENERAL SERVICE DESCRIPTION

Service Provider currently provides administration for the Financial Shared Services active medical through Excellus Blue Cross\Blue Shield BluePoint2 E Plan, Group , dept. 0007 and active Dental through Excellus Dental plan, Group dept. 0007 and Retiree medical (pre 65 MVP), Group (collectively, the "Benefit Plans") for Service Recipients' employees covered under such Benefit Plans (such employees, the "Covered Employees"). Service Provider shall keep the Benefit Plans and all coverage thereunder in full force through December 31, 2011 for Service Recipient's Covered Employees. Each Service Recipient may add or remove Covered Employees to or from coverage under the Benefit Plans as outlined under the terms of the Benefit Plans. All claims of Service Recipient's Covered Employees made under the Benefit Plans (the "Claims") and incurred on or prior to December 31, 2011 the ("2011 Plan Year") will be adjudicated in accordance with the current contract and Service Provider will continue to take such actions on behalf of Service Recipients' Covered Employees as if such employees are employees of Service Provider.

All Claims of Service Recipients' Covered Employees made under the Benefit Plans will be paid on behalf of the Service Provider.

Service Recipients will pay Service Provider for coverage based on 2011 budget premium rates previously set for the calendar year 2011 and described in the "Pricing" section below. Service Recipients will pay Service Provider monthly premium payments for this service, for any full or partial months, based on actual enrollment for the months covered post-spin using enrollments as of the first (1st) calendar day of the month, commencing on the day after the Distribution Date.

The Service Recipients will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient's employees covered, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below or described above (collectively, the "Services").

- Monthly premium billing.
- Monthly administrative services billing (for administrative services billed on an hourly basis. See Additional Pricing section for Hourly Rates).

See General Service Description for a description of payments and billing hereunder

The following services listed below will be provided by "experts", who are employees of Service Provider, (the "Experts") with the following persons the initial Experts: Cindy Jansen, Porzia Quinn and Conrad Arnold.

- Administration as needed on daily basis for the Benefit Plans. The Service Provider will provide all services that were provided during the twelve (12) months prior to the Distribution Date. The Service Provider will maintain the same level of service provided during the twelve (12) months prior to the Distribution Date.
 - Answer any questions pertaining to medical coverage.
 - Assist in resolving any issues that may arise regarding, medical coverage, ex. Claims, Medicare questions, etc.
 - Add employees/dependents to the Medical coverage as needed.
 - Reconcile and pay premiums from Medical carriers pertaining to the Exelis employees.
- Should the Service Recipient need services not provided during the twelve (12) months prior to the Distribution Date, the parties will negotiate in good faith to determine any additional cost involved in the services

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Recipients acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the initially named Experts are no longer employed by Service Provider, Service Provider's then current benefit manager (or such other person as has the skill and knowledge to so provide such Services) will, at the request of the Service Recipients, provide such Service as described herein.

The Service Recipients' human resources department shall cooperate with the Service Provider, including the Experts, in order for the Service Provider and Experts to provide such Service under this Schedule.

BILLING LOCATION

Service Provider will provide ITT Water Technologies, Inc. and Xylem, Inc. FSS each with separate invoices to their address set forth below. The bill will cover all charges for services under this Schedule provided by Service Provider to both Service Recipients and, to the extent reasonably feasible, will be itemized between the two Service Recipients. The invoice will contain the number of Covered Employees per tier per coverage. A detailed list of Covered Employees and dependents covered will be provided by the Service Provider upon reasonable request of the Service Recipient. All administrative functions handled by the Service Provider in the twelve (12) month period prior to the Distribution Date are contained in the fee structure

set forth below. The Service Provider and Service Recipients agree to negotiate in good faith for any additional services related to the Service provided hereunder that are outside the normal course of business.

SERVICE LEVEL

The Service Provider, including the Experts, will provide the same service level to the Service Recipients as it provides to its own Covered Employees.

NOTICE REQUIREMENTS

ITT Corporation
240 Falls Street
Seneca Falls, NY 13148

Xylem Inc.
1 Goulds Drive
Auburn, NY 13021

ITT Water Technologies, Inc
1 Goulds Drive
Auburn, NY 13021

PRICING

In addition to the costs specifically set forth below, Service Recipients shall also pay all routine business travel expenses relating to the Services. The Service Recipients shall pay the Service Provider based on the number of Covered Employees as of the first (1st) calendar day of the month. The Service Recipient will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient's Covered Employees, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request. See "General Service Description" for further detail on payment and billing for the monthly premium payments. The below table are the rates the Service Provider shall charge.

Coverage		Employee
(Invoicing for medical/dental premiums Only as noted below):		
BluePoint POS (FSS) Active	Employee	\$
	Employee + 1	\$
	Employee + Child(ren)	\$
	Family	\$
Dental (FSS) Active	Employee	\$
	Employee + 1	\$
	Family	\$
MVP (Retirees Pre 65)	Employee	\$
	Employee + 1	\$
	Family	\$

Additional Pricing

Hourly Rates for Services not specified or normally provided by Service Provider in the twelve (12) month period prior to the Distribute Date but otherwise provided by Service Provider employees (including but not limited to modification, consulting, exit strategy development, transition, etc.) are documented below. The employee category is defined by Service Provider. The rates documented below apply to Service Provider employees only, should external resources be required, the costs for those external resources will be reviewed with the Service Recipient prior to execution of the project.

Notwithstanding anything in the Agreement to the contrary, the following rates shall not be subject to (a) the 4.5% increase for inflation in 2012 described in Section 2(a)(3) (but such rates shall be subject to such increase in 2013) or (b) the 2% or 10% increases described in the proviso to Section 2(a)(i) of the Agreement.

General Category of Employee	Hourly Rate
1. Secretarial/Administrative	\$ 50.00
2. Non-Executive	\$ 100.00
3. Executive	\$ 150.00

**SCHEDULE AB6
EPICOR 9 AND MFG PRO**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Kevin Loucks ITT Corporation	Manager, Transition Management Office		kevin.loucks@itt.com
Eva Jakubowska Xylem Inc.	RCW IT Director		eva.jakubowska@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Epicor 9 and MFG Pro Application Support Services for the Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider’s resources based on the functionality, processes, input and output screens and documents that support Service Provider’s business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide Epicor 9 Application support required to support Enterprise Resource Planning (ERP) services:	Three Requests per Month		
		<ul style="list-style-type: none"> Access to Epicor 9 Application — Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider after receiving an emailed Access Request Form from the Service Receiver, will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, production Interfaces, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration. The lead-time required for these activities is one day. 			
IT-Epicor 9-01	Epicor 9 Application Support Services	<ul style="list-style-type: none"> Epicor 9 Application Support & Maintenance — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. The Service Provider after receiving an emailed Epicor 9 Modification Request Form from the Service Receiver, will create or modify for the Service Receiver Crystal Reports, Business Process Management (BPM) procedures, Business Activity Queries (BAQ), Dashboard, User Defined fields, and or propose and create an alternate solution as necessary. A lead-time of 4 days is required for these Program Change Requests. The Service Provider after receiving an emailed request will provide training and consulting on process and Epicor 9 modules, to the Service Receivers users, as needed and requested. 	40 Hours per Month	12	Cost plus 2% - 10%

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> <li data-bbox="464 281 959 611">• Epicor 9 Application Database Support — Service Provider on receipt of an emailed Service Request Form, will trouble shoot database related incidents, maintain database schema if necessary, bounce databases as required, perform data cleanup activities as needed, monitor and maintain, and provide support for all database issues in test/dev environments, archive and truncate database tables as required, compact databases as required, backup, restore, compress, and delete old log files as needed, and conduct scheduled maintenance activities. <li data-bbox="464 642 959 831">• The Service Provider, after receiving an emailed Service Request Form from the Service Receiver, will create or modify the following: Progress SQL database interfaces, Electronic Invoice process, SQL Reporting, and Application tuning. The lead-time for these services will be three weeks. <li data-bbox="464 863 959 1335">• Access to SICAF Electronic Invoicing for Epicor 9 Application — Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider after receiving an emailed Access Request Form from the Service Receiver, will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. <li data-bbox="464 1367 959 1698">• SICAF Electronic Invoicing Application Support & Maintenance — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system. The Service Provider will utilize the SICAF Vendor for all activities to develop solutions and approach to address break in application. The SICAF Vendor will implement fixes to resolve break in application. 	<p data-bbox="992 281 1170 333">Daily Backups are performed</p> <p data-bbox="992 396 1170 449">One Restore per week</p> <p data-bbox="992 642 1170 695">2 Service Requests per Month</p> <p data-bbox="992 863 1170 915">2 Service Requests per Month</p>		

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide MFG Pro Application support required to support Enterprise Resource Planning (ERP) services:			
		<ul style="list-style-type: none"> Access to MFG Pro Application — Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider after receiving an emailed Access Request Form from the Service Receiver, will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, production Interfaces, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration. The lead-time required for these activities is one day. 	One Request per Month	3	
IT-MFG Pro-01	MFG Pro Application Support Services	<ul style="list-style-type: none"> MFG Pro Application Support & Maintenance — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. MFG Pro Application Database Support — Service Provider on receipt of an emailed Service Request Form, will trouble shoot database related incidents, maintain database schema if necessary, bounce databases as required, perform data cleanup activities as needed, monitor and maintain, and provide support for all database issues in test/dev environments, archive and truncate database tables as required, compact databases as required, backup, restore, compress, and delete old log files as needed, and conduct scheduled maintenance activities. 	Daily Backups are performed One Restore per Month		

Note: The costs incurred by the Service Provider from a 3rd Party necessary to troubleshoot, maintain or resolve failures in the systems environment for Epicor 9 will be allocated evenly between the Service Provider and Service Receiver as an additional charge. All of the costs incurred by the Service Provider from a 3rd Party necessary to troubleshoot, maintain or resolve failures in the systems environment for MFG Pro will be passed on to the Service Receiver as an additional charge.

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-Epicor 9-03	Epicor 9 and MFG Pro Application Migration	Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details Service Provider will provide the following knowledge transfer services:	Time and Materials Based on Additional Pricing Section
IT-Epicor 9-04	Epicor 9 and MFG Pro Application Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Epicor 9 and MFG Pro Application and related interfaces	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Epicor 9 and MFG Pro by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Tizayuca, Mexico, to sites in Queretaro and Mexico City, Mexico.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the applications and interfaces documented in Attachment A.
- Service Receiver will maintain the current data delivery methodologies (e.g., FTP drop site/email) ensuring they are accessible and reachable to the Service Provider for the period of this TSA.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Provider must keep the TSA Gateway active and accessible to the Service Receiver as needed for the period of this TSA.
- If Service Receiver provides inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

Support for Epicor 9 and MFG Pro will be provided Monday through Friday, 8:30am to 5:30pm Mexico time. For emergencies Epicor 9 and MFG Pro support staff is available by contacting Manuel Moreno, via his mobile phone.

All incidents will be handled and responded to as they have been during the 12 months prior to the Distribution Date. In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$100	\$125
Greece	\$35	\$46	\$58
Mexico	\$19	\$25	\$31
Sweden	\$75	\$100	\$125

ATTACHMENT A

Interface Name	Business Purpose	Source System	Destination System
Sales Orders	<p>Service Provider's Epicor 9 application will create 2 flat files, one containing Sales Order header and one with Sales Order detail information.</p> <p>This interface is executed from a daily Batch schedule, and runs at 3am Daily.</p> <p>The flat files are transmitted with FTP to a Service Receiver's FTP site.</p> <p>Service Provider's Epicor 9 application will generate 2 flat files, one containing Invoice header and one with Invoice detail information.</p>	Epicor 9	Service Receiver
Invoicing	<p>This interface is executed from a daily Batch schedule, and runs at 3am Daily.</p> <p>The flat files are transmitted with FTP to a Service Receiver's FTP site.</p>	Epicor 9	Service Receiver

Schedule AB7

ePrism

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Vassilis Gerardos ITT Corporation	Knowledge Management Supervisor, Athens Group		vasilis.gerardos@itt.com
Doug Olson Xylem Inc.	eBusiness Manager ITT Residential & Commercial Water		doug.olson@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform ePrism Application Support Services for the Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens and documents that support Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<p>Provide ePrism Application support services required to support Integrated Sales and Manufacturing, including a WEB based Sales and Manufacturing configuration capability set of services:</p> <ul style="list-style-type: none"> ePrism Knowledge Engineering — Service Provider, after receiving a service request from the Service Receiver, will update the appropriate information within ePrism. ePrism Data and Curve Management — Service Provider, after receiving a service request, validated data, and specifications will maintain the information within ePrism. 	350 Knowledge Engineer Hours per Month		
IT-ePrism-01	ePrism Application Support Services	<ul style="list-style-type: none"> ePrism Application Support & Maintenance — Service Provider will provide System Administration services to the Service Receiver’s ePrism application. Service Provider will provide Break/Fix support and monitor incident resolution requests, and recommend and implement incident resolution per the Service Level Agreement (SLA) outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. <p>The Service Provider will only provide modifications to the Service Receiver’s ePrism code in the following situations for the redesign and modification of existing products, as listed in Attachment A.</p> <ul style="list-style-type: none"> The Service Provider will perform code changes to the Service Receiver’s ePrism code stream if the Service Provider determines it is appropriate and necessary to address with Product Specific Requests that have been approved by the Joint ePrism Committee. <p>The Service Provider will deliver these changes to the Service Receiver in a Quarterly release cycle.</p>	305 Programmer Hours per Month	24*	“Cost plus 2% - 10%”

* Beyond the minimum service period this agreement can be extended for another 12 months on a month-to-month basis

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities

on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:	
IT-ePrism-02	ePrism Application Migration	<ul style="list-style-type: none"> Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details 	Time and Materials Based on Additional Pricing Section
IT-ePrism-03	ePrism Application Data Migration	Service Provider will provide data and rule extraction services in a common understandable format to assist the Service Receiver to migrate from the ePrism application.	No Charge

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will provide the following knowledge transfer services:	
IT-ePrism-04	ePrism Application Knowledge Transfer	<ul style="list-style-type: none"> Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the ePrism application support services and related interfaces 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to ePrism by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Athens, Greece to global locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain applications and interfaces required for the services documented in this agreement.
- If Service Receiver sends inaccurate data to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.

- Service Receiver must provide access to secure VPN for the Service Provider's staff, required at all times, for the period of this TSA.
- Service Receiver must implement the necessary hardware and have the appropriate support personnel in place.
- Service Provider must complete the in-process ePrism enhancements and projects as specified in Attachment B, prior to the Distribution Date, or as determined by the Joint ePrism Committee.
- Service Receiver, on termination of this TSA, must and will remove all versions of the ePrism executable code from the Service Receiver's environment, located on online or offline storage. Service Receiver will provide appropriate notification upon removal completion to Service Provider.
- Service Provider, on termination of this TSA, must and will remove all versions and copies of the Service Receiver's versions of the ePrism executable code, data and rule information, located online or offline storage. Service Provider will provide appropriate notification upon removal completion to the Service Receiver.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

The Service Provider will provide support to the Service Receiver, 12 hours per day, 8:30 am to 8:30 pm Greece time, Monday through Friday except on Greek and U.S. holidays as appropriate.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be

required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

List of Existing Products/Models to be supported:

1. Building Services
 - a. Waste Water Products
 - b. Water Supply
2. Vertical Turbine Products
 - a. All Vertical Turbine Products for Water and Industrial Applications

ATTACHMENT B

This is the list of ePrism Enhancements and Projects that will be completed by October 3, 2011, unless specifically noted otherwise. The actual release schedule for these enhancements will be determined by the joint ePrism steering committee:

**SCHEDULE AB8
ERP-LX & TANGO APPLICATION
INDIA**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Kevin Loucks ITT Corporation	Manager, Transition Management Office		kevin.loucks@itt.com
Eva Jakubowska Xylem Inc.	RCW IT Director		eva.jakubowska@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform ERP-LX & Tango Application Support Services for Baroda, India and Hong Kong for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide hosting and ongoing application support for ERP-LX and Tango (Sarbanes-Oxley Auditing) for Baroda, India and the Hong Kong Trading Company:			
		<ul style="list-style-type: none"> • Access to ERP-LX &Tango Applications — Service Provider will provide access to the application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes; and monitor and maintain application administration. 			
IT-ERP- LX & Tango India -01	ERP-LX & Tango Application Support Services	<ul style="list-style-type: none"> • ERP-LX &Tango Support & Maintenance — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. • ERP-LX & Tango Database Support — Service Provider will trouble shoot database related incidents, maintain database schema if necessary, bounce databases as required, perform data cleanup activities as needed, monitor and provide support for all database issues in test/dev environments, archive and truncate database tables as required, compact databases as required, backup, compress, and delete old log files as needed, and conduct scheduled maintenance activities. • ERP-LX & Tango Hosting Services — Service Provider will provide hosting for ERP-LX environment from Seneca Falls Data Center (SFDC). 	38 ERP-LX named users	3	Cost plus 2% – 10%

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver	
IT-ERP- LX & Tango India -02	ERP-LX & Tango Application Migration	<ul style="list-style-type: none">• Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details <p>Service Provider will provide the following knowledge transfer services:</p>	Time and Materials Based on Additional Pricing Section
IT-ERP- LX & Tango India -03	ERP-LX & Tango Application Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the ERP-LX and Tango applications and related interfaces	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to ERP-LX & Tango Applications by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Seneca Falls, NY, USA to Baroda, India and Hong Kong.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the applications and interfaces documented in Attachment A.
- If Service Receiver provides inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must have eLogia System active and maintained for the duration this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment B. In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

<u>Interface Name</u>	<u>Program Name</u>	<u>Business Purpose</u>	<u>Owner</u>	<u>Source</u>	<u>Destination</u>	<u>Frequency</u>
eLogia	ORDZ761C	Perform product configuration	Water Co.	Wintel Emmaboda	iSeries Emmaboda	Continuous
ePrism	ORD789	Perform product configuration	ITT Co.	Wintel ITT Co.	iSeries Emmaboda	Continuous
Supplier Portal	PUR500	Issue Purchase Orders via a Portal	Water Co.	Wintel Emmaboda	iSeries Emmaboda	Continuous
Supplier Portal	PUR500	Issue Purchase Orders via a Portal	Water Co.	iSeries Emmaboda	Wintel Emmaboda	Continuous

ATTACHMENT B

Production Support Break Fix Service Level Agreement

A Remedy help desk request must be entered for each incident. For Urgent incidents, a phone call may also be initiated directly to the Service Provider's Support Team. The primary support number for North America is +1-219-405-9459 (available 24 hours/day) and the secondary support number is + (available 8:00 AM — 5:00 PM Eastern Time, Monday through Friday). All support calls will be returned within 15 minutes.

Severity	Description	Resolution
Urgent	Service Receiver is unable to enter orders or ship product. No work around is available for the issue.	Service Provider will provide a work around or permanent solution within four (4) hours for 95% of these incidents.
High	Service Receiver is able to enter orders and ship product, but in a degraded mode and productivity is seriously impacted.	Service Provider will provide a work around or permanent solution within two (2) working days for 95% of these incidents.
Medium	Service Receiver is able to function normally with minor impact from problem.	Service Provider will provide a permanent solution within five (5) working days for 95% of these incidents.
Low	Service Receiver is able to function normally. Issue is an inconvenience.	Service Provider will provide a permanent solution within 30 working days for 95% of these issues.

**SCHEDULE AB9
MyITT.COM APPLICATION**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Ken Gill ITT Corporation	Manager , Web, Social Media & Collaboration Solutions		ken.gill@itt.com
Beth Davidovich Xylem Inc.	Director, Corporate IT & Collaboration COE		beth.davidovich@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform myITT.com Portal Application Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

The Service Receiver may request changes or enhancements to such systems and the Service Provider shall implement those changes provided (i) such changes or enhancements do not materially and negatively impact the Service Provider (acting as a service recipient) or any other service receiver, (ii) Service Receiver agrees to pay for such changes or enhancements in accordance with the pricing schedule below, (iii) such changes do not increase the ongoing operating costs for the Service Provider (as a service recipient) or any other service receiver and (iv) Service Provider, in its discretion, deems that it is capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Notwithstanding the forgoing, Service Provider is required to make any changes required by law.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide hosting and ongoing myITT.com application support: <ul style="list-style-type: none"> • Access to myITT.com Application — Service Provider will use help desk tickets from Service Receiver and provide access to myITT.com application for an unlimited number of authorized Service Receiver users per the security guidelines outlined in the Master Services Agreement. One business day is required to respond to the ticket after receiving the request. 			
IT- myITT.com Portal-01	myITT.com Maintenance Support Services	<ul style="list-style-type: none"> • myITT.com Support & Maintenance — Service Provider will use help desk tickets from Service Receiver to support closing the help ticket within 1 business day of request. Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. 	40calls/month	3	Cost plus 2% - 10%

Services that will not be provided as part of this agreement are:

- Creating new sites (on myITT.com)
- Updating functionality in existing sites
- Updating functionality or providing support on sites migrated to Connect beyond initial functionally ported over from myITT.com

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities

on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented in this agreement
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:	
		<ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver or third parties authorized to act on behalf of the Service Receiver 	
IT- myITT.com Portal-02	myITT.com Migration	<ul style="list-style-type: none"> • Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, functional data mapping, and impacts of design decisions • Service Provider will support Service Receiver or third parties authorized to act on behalf of Service Receiver in project managing the myITT.com site migration 	Time and Materials Based on Additional Pricing Section
		Service Provider will provide the following knowledge transfer services:	
IT- myITT.com Portal-03	myITT.com Knowledge Transfer	<ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to myITT services 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to myITT Applications by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Seneca Falls, NY, USA and White Plains, NY, USA and by on-shore and off-shore consultants to global participants.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain site, content and applications within the Oracle Webcenter Interaction Suite (formerly Plumtree) and interfaces to AD domains.
- Service Receiver, in a separate independent agreement, must have project management, migration architect, developer etc. services active with Avanade for the period of time to complete the migration project.
- Service Receiver will use its resources to support migration services for data clean up, testing and cleaning in a timely manner.
- If Service Receiver sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.

- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment A.

In the event incidents cannot be resolve in the time outlined in Attachment A, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

In addition to the costs specifically set forth above, Service Receiver shall also pay commercially reasonable business travel expenses relating to the Services.

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

<u>Scenario</u>	<u>Response Time</u>	<u>Description</u>
Non-Critical Remedy ticket assignment on Weekdays during Business hours	3 Hrs.	Ticket will be picked-up or assigned to one of the team members within 3 hrs.
Critical Remedy ticket assignment on Weekdays during Business hours	1 Hr.	Ticket will be picked-up or assigned to one of the team members within 1 hr.
Non-Critical Remedy ticket assignment on Weekdays during off-hours	Next Business Day	Ticket will be picked-up or assigned to one of the team members on Next Business Day
Critical Remedy ticket assignment on Weekdays during off-hours	2 Hr.	Ticket will be picked-up or assigned to one of the team members within 2 hr.
Non-Critical Remedy ticket assignment on Weekends and Holidays	Next Business Day	Ticket will be picked-up or assigned to one of the team members on Next Business Day
Critical Remedy ticket assignment on Weekends and Holidays	2 Hr.	Ticket will be picked-up or assigned to one of the team members within 2 hr.

Note:

1. Business hours are 8:00 am — 5:00 pm ET
2. Critical Incident — The portal is completely down or inaccessible
3. Non-Critical Incident — All incidents which are not classified as critical as defined in this agreement

**SCHEDULE AB10
P2P DELIVERY ENVIRONMENT**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Tom Restaino ITT Corporation	Director, Information Technology Financial Shared Services		tom.restaino@ittcorp.com
Eva Jakubowska Xylem Inc.	RCW IT Director		eva.jakubowska@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Purchase-to-Pay (P2P) Delivery Environment Application Support Services for the Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider’s resources based on the functionality, processes, input and output screens and documents that support Service Provider’s business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
IT-P2P-01	P2P Delivery Environment Application Support Services	<p>Provide application support services for P2P Delivery Environment, which consists of SAP, Vendor Portal, Taxware, OpenText, and Interface Infrastructure MQ and XI (MQ support is only on Provider's MQ):</p> <ul style="list-style-type: none"> Access to P2P Delivery Environment — Service Provider will provide access to applications through user request form(s) submitted by Service Receiver via Service Provider P2P Help Desk tickets for authorized service receiver users. Service Provider will maintain and reset SAP user passwords and application security through Provider P2P Help Desk requests. , Service Provider will monitor and restrict unauthorized access to source code and data. User add/update/delete requests will be completed within three (3) business days of receipt of complete, approved form. P2P Delivery Environment Support & Maintenance — Service Provider will monitor incident resolution requests; and recommend and implement incident resolution. Service Provider will identify and communicate breaks in application, develop solution to address break, and implement fixes to resolve break. Service Provide reserves the right to charge time and material for a Service Receiver initiated break which requires greater than 8 hours to resolve. Service Provider will maintain production batch schedule, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes; and monitor and maintain application administration. Service Provider will provide SAP Basis support, development support for the P2P Delivery Environment, and configuration management in support of business as usual activities (excludes enhancement requests by Service Receiver). Requests for support and maintenance will be submitted and tracked via Service Provider Help Desk ticket. <p>Service Provider will publish scheduled down time which will allow for normal maintenance of the P2P environment including operating system upgrades; database maintenance, and other tasks required in order to keep environment running efficiently. Ad-Hoc down time will be communicated to Service Receiver with 72 hours advance notice where possible.</p> <ul style="list-style-type: none"> P2P Delivery Environment Testing Support — Support of Receiver requested testing cycles are included in services during the TSA with the following exceptions to be treated as supplemental services and charged via Time and Materials Based on Additional Pricing Section: 	<p>219 SAP Users 122,741 Invoice Postings per Year 64,008 New Purchase Orders Created per Year</p>	18	"Cost plus 2% - 10%"

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> • Testing requiring a client refresh more than twice a year. • Testing requiring run and verification of a full month-end close where Provider and Receiver aren't in consensus that the change has an impact to month-end close. • SAP Shared Services Application Master Programs, Tables and Data Maintenance — The Service Provider reserves the right to be the sole owner and administrator of Master Programs, Tables, Data, and Application Security and Access controls will as necessary get joint approval from all Service Receivers for those proposed changes that will impact another Service Receiver. <p>In addition, the Provider will provide the following services: Complete SAP Month End jobs and reports to support postings (Vendor Banking Approvals).</p>			

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 3% (such activity, including any such 3% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party

relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver 	
IT-P2P-02	P2P Delivery Environment Migration	<ul style="list-style-type: none"> • Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details Service Provider will provide the following knowledge transfer services:	Time and Materials Based on Additional Pricing Section
IT-P2P-03	P2P Delivery Environment Knowledge Transfer	<ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the P2P Delivery Environment and related interfaces 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to P2P Delivery Environment by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing

operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Seneca Falls, NY, USA to other USA and Canada locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the interfaces documented in Attachment A.
- If Service Receiver, or the Service Receiver's Supplier(s), provides inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must have one of following the ERP systems active and maintained along with associated interfaces for the duration this agreement is in effect: Business Planning and Control System (BPCS), and PRMS.
- Service Receiver must have MQ Series active and maintained for the duration this agreement is in effect.
- Service Receiver must submit requests, into the Service Provider's P2P Help Desk system.
- Service Receiver will support testing as required for changes implemented by Service Provider.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

The P2P Delivery Environment scheduled downtime will be Mondays and Tuesdays from 10:00 PM to 3:30 AM ET and Sundays from 1:00 AM to 8:00 AM ET.

Service Provider P2P Help Desk support is available 8:00 AM — 5:00 PM ET Monday through Friday except for holidays. Items are assessed for priority within one (1) hour of receipt. Barring circumstances outside of Service Provider’s control, urgent priority items are addressed within one (1) hour. High priority items will be responded to within one (1) business day and medium priority within two (2) business days. Priority is assessed by the helpdesk staff with direction from Service Receiver.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$75	\$ 100	\$125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

<u>Interface Name</u>	<u>Business Purpose</u>	<u>Source</u>	<u>Destination</u>	<u>Frequency</u>
Vendor	Central Vendor Master Maintenance	Service Provider	Service Receiver	Real-time
Purchase Order	Purchase Order add, change, delete	Service Receiver	Service Provider	Real-time
Receipts	Receipt posting and reversals	Service Receiver	Service Provider	Real-time
Invoice Posting	Invoice posting and reversals	Service Provider	Service Receiver	Real-time
Invoice Payment	Payment posting and reversals	Service Provider	Service Receiver	Real-time
Month End Reconciliation:				
ME_APRECLS	ME A/P trade reclass	Service Provider	Service Receiver	Month End
ME_FCREVAL	ME Foreign Currency revaluation	Service Provider	Service Receiver	Month End
ME_HCR	ME Headquarter cash reclearing	Service Provider	Service Receiver	Month End
ME_ICRECFX	MW Intercompany FX reclass	Service Provider	Service Receiver	Month End
ME_ICRECLS	ME Intercompany Payables reclass	Service Provider	Service Receiver	Month End
ME_OCR	ME Uncleared Cash reclass	Service Provider	Service Receiver	Month End
ME_SMLDIFF	ME Small Difference balancing	Service Provider	Service Receiver	Month End
ME_SSF	ME Shared Service Fee - 2PP	Service Provider	Service Receiver	Month End
ME_SSFEBUY	ME Shared Service Fee — eBuyITT	Service Provider	Service Receiver	Month End
ME_TAXRCLS	ME Sales & Use tax reclass (for self-assessed tax)	Service Provider	Service Receiver	Month End
ME_VDPFX	MW Vendor down payment	Service Provider	Service Receiver	Month End

**SCHEDULE AB11
PRMS SHARED SERVICES AND ERP
APPLICATION SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
<hr/>			
PRMS Shared Services			
Tom Restaino ITT Corporation	Director, Information Technology Financial Shared Services		tom.restaino@ittcorp.com
Shashank Patel Xylem Inc.	RCW Controller		shashank.patel@itt.com
PRMS ERP Services			
Kevin Loucks ITT Corporation	Manager, Transition Management Office		kevin.loucks@itt.com
Eva Jakubowska Xylem Inc.	RCW IT Director		eva.jakubowska@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will provide PRMS Shared Services and ERP Application Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide PRMS Shared Services Application Support services e.g., Customer Master, Accounts Receivable (AR), General Ledger (GL), Cash Application, and Order Release:			
IT-PRMS-01	PRMS Shared Services Application Support Services	<ul style="list-style-type: none"> • Access to PRMS Shared Services Application — Service Provider will provide access to application for authorized Service Receiver per the security guidelines outlined in the Master Services Agreement. Service Provider will receive the PRMS Shared Services Application User Access forms and menu sets from Service Receiver to update menu sets and user profiles; Service Provider will provide periodic SOX access reports to allow Service Receiver to conduct internal SOX user access compliance certifications. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Security access will need a five day lead time, and the SOX access reports will be performed no more than twice a year. • Access to PRMS Shared Services AutoClear — Service Provider will provide access to application for authorized Service Receiver per the security guidelines outlined in the Master Services Agreement. Service Provider will use the PRMS Shared Services AutoClear user access forms and menu sets from Service Receiver to update menu sets and user profiles; Service Provider will provide periodic SOX access reports to allow Service Receiver to conduct internal SOX user access compliance certifications. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Security access will need a five day lead time, and the SOX access reports will be performed no more than twice a year. 	15 new or modified Users per Month	18	Cost plus 2% - 10%

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> • PRMS Shared Services Application Support & Maintenance — Service Provider will monitor Help Desk incident resolution requests from the Service Receiver, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will receive Help Desk ticket from Service Receiver to update applications and ensure regulatory and security compliance. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Robot and CL programs. • PRMS Shared Services Application Master Programs, Tables and Data Maintenance — The Service Provider reserves the right to be the sole owner and modifier of PRMS Master Programs, Tables and Data. The Service Provider on receiving a Help Desk Master Data change ticket form from the Service Receiver will as necessary get joint approval from all Service Receivers for those proposed changes that will impact another Service Receiver, and then maintain the PRMS Master Programs, Tables and Data appropriately. • PRMS Shared Services Database Support — Service Provider's IT staff and data center will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. • PRMS Shared Service Application Capacity Management — The Service Provider will monitor the environment and make recommendations for capacity changes to the Service Receiver as necessary. 			
IT-PRMS-02	PRMS ERP Application Support Services	Provide PRMS ERP Support services e.g. Materials Resource Planning (MRP), Enterprise Resource Planning (ERP), Order Processing and Invoicing, Debit and Credit Memo, Inventory, Forecasting, Purchasing and Receiving, Costing and Shipping and Manufacturing Operations:			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Access to PRMS ERP Application — Service Provider will provide access to application for authorized Service Receiver per the security guidelines outlined in the Master Services Agreement. Service Provider will use the PRMS Shared Services Application user access forms and menu sets from Service Receiver to update menu sets and user profiles; Service Provider will provide periodic SOX access reports to allow Service Receiver to conduct internal SOX user access compliance certifications. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Security access will need a five day lead time, and the SOX access reports will be performed no more than twice a year. PRMS ERP Support & Maintenance — Service Provider will monitor Help Desk incident resolution requests from the Service Receiver, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will address all things other than Applications incidents, identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. Service Provider will maintain production batch schedule, execute batch jobs, notification of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Robot and CL programs. The Service Provider after receiving Help Desk production control requests and tested objects from the Service Receiver will move the tested objects into the PRMS ERP production environment. Should the object fail in the process of being moved into production, the Service Provider will work with the Service Receiver to triage and troubleshoot the issues, and move the corrected objects into the PRMS ERP production environment. 	25 new or modified Users per Month	9	Cost plus 2% - 10%

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> PRMS ERP Operating System and Database Support — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in OS discovered by automated or monitoring system, develop solution and approach to address break in OS, and implement fixes to resolve break in OS. The Service Provider on receiving Help Desk service requests from the Service Receiver will perform the following: <ul style="list-style-type: none"> Create, add files to and Manage Journals Perform program and database backups Perform program and database restores Reorganize Files Create and add to Data Mirrors PRMS ERP Capacity Management — The Service Provider will monitor the environment and make recommendations for capacity changes to the Service Receiver as necessary. 			

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

Service Provider will actively monitor CPU and storage utilization of AS400 based applications in the Seneca Falls Data Center. Costs associated with increasing capacity of CPU and Storage within the AS400 environment will be split and allocated to each AS400 based applications by the Service Provider and an applicable portion of costs borne by the Service Receiver. Service Provider is required to provide Service Receiver with 30 days prior notice in advance of any increases in costs related to incremental allocation of CPU and storage costs.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this

agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:	
		<ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver 	
IT-PRMS-03	PRMS Application Migration	<ul style="list-style-type: none"> • Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details 	Time and Materials Based on Additional Pricing Section
		Service Provider will provide the following knowledge transfer services:	
IT-PRMS-04	PRMS Application Knowledge Transfer	<ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the PRMS Shared Services Application and related interfaces 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to PRMS Application by Service Receiver not mentioned in this Schedule, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If

Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Seneca Falls, NY, USA to global locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will for the period of this TSA, maintain and have active the applications and interfaces documented in Attachment A.
- If Service Receiver, or the Service Receiver's Supplier(s), sends inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must have bank accounts in place prior to the Distribution Date. Changes or new bank accounts must be communicated to Service Provider and completed on a time and materials basis.
- Service Receiver must have DDM, FTP, GetPaid and Custom.net Applications active and maintained for the duration this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Receiver, in a separate and independent agreement, must have Websphere MQ systems active and maintained with the correct interfaces and data feeds to the Supplier Portal by the Service Receiver for the period of time in which this agreement is in effect.
- Service Receiver must have Elogia, system active and maintained for the duration this agreement is in effect.
- Service Receiver must have Electronic Data Interchange (EDI) active and maintained during the period in which this agreement is in effect.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment B.

In the event incidents cannot be resolved in the time outlined in Attachment B, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

Interface Name	Business Purpose	Source	Destination	Frequency
Credit Held Orders	Credit held orders for review and release (approval) by FSS	VC ERP System(s)	PRMS Shared Services Application	Real-Time
Order Value Synchronization	Weekly open order value synchronization with VC's to re-compute credit values	VC ERP System(s)	PRMS Shared Services Application	Real-Time Weekly
Invoices	Invoice posting and reversals	VC ERP System(s)	PRMS Shared Services Application	Daily
Customer	Central customer master administration	PRMS Shared Services Application	VC ERP System(s)	Real-Time
Credit Values	Central credit administration (gross\$, open orders, net available\$)	PRMS Shared Services Application	VC ERP System(s)	Real-Time
Credit Held Orders Released	Release (approval) to ship previously credit held order	PRMS Shared Services Application	VC ERP System(s)	Real-Time

ATTACHMENT B

COST & SERVICE METRICS

TARGET PERFORMANCE

System Availability — Percentage of hours the Seneca Falls (SFDC) administered AS/400 processors were available during production workdays for both batch and interactive utilization, Monday through Saturday, 24 hours per day.

99.90%

Interactive Service Availability — Percentage of hours the Seneca Falls (SFDC) administered AS/400 processors were available during production workdays for interactive utilization; Monday through Friday (20 hours per day) and Saturday (14 hours per day).

99.90%

85.0% < Day

90.0% < Days

95.0% < Days

iSeries Service Requests —

- 1) Running Robot Jobs
- 2) Requesting a Restore
- 3) Running Batch Jobs
- 4) Requesting a File Copy
- 5) Printing/ Re-Printing Reports
- 6) Permission to use EZVIEW and Query Commands
- 7) Requesting a Back Up
- 8) New printer configurations

Service Commitment: Service requests are processed Monday through Friday between the hours of 6:00 AM to 9:00 PM (EST). Response Time is measured from the time the request is received and logged in at the Seneca Falls Data Center (SFDC). Turn around for ROBOT jobs is 2 weeks. No production changes will be made from the Wednesday before M/E until M/E processing is complete. No production changes will be made in December.

98.0% < Days

99.0% < Days

100.0% < Days

iSeries User Profile Requests —

- 1) Create new user accounts or
- 2) Change a current user account or
- 3) Deactivate a user account on the Seneca Falls AS/400's.

Service Commitment: Service requests are processed Monday through Friday between the hours of 6:00 AM to 9:00 PM (EST). Response Time is measured from the time the request is received and logged in at the Seneca Falls Data Center (SFDC). Turn around time for user profiles is 3 business days

Note: Service Level Objectives/Targets are measured during the following service window:

6:00 AM to 2:00 AM (EST) ; Monday through Friday

6:00 AM to 8:00 PM (EST) ; Saturday

Need More Information?

Points of Contents

Name	Jean Lindsley	Supervisor Name	TBD
	Datacenter Services,		
	Chief of Technology		
Telephone Number		Telephone Number	
Email Address	jean.lindsley@itt.com	Email Address	

Customer Info Link

**SCHEDULE AB12
POST SPIN HYPERCARE**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Karla Viglasky ITT Corporation	Chief Information Officer		karla.viglasky@itt.com
Peter Olive Xylem Inc.	Chief Information Officer		peter.olive@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Post Spin Hypercare Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>Provide Post Spin Hypercare support services:</p> <p>Facility Shutdown Services – Service Provider will provide Service Receiver with Facility Shutdown services that include:</p> <ul style="list-style-type: none"> Disposition of network and computer assets Disposition of furniture and miscellaneous equipment; boxing of HR files, ITT logo, posters, etc. Maintain working environment for remaining employees Control the activation and deactivation of access cards Close all third party contracts with vendors, such as food, vending machines, cable, printers, cleaning, etc. <p>Program Shutdown Services – Service Provider will provide Service Receiver with Program Shutdown services that include:</p>			
IT-Hypercare-01	Hypercare Support Services	<ul style="list-style-type: none"> Crisis management for final cutover, to ensure all projects go live on spin date Command center support and ramp down Access to TPMO and IT-SS Connect sites through ITT Co. Active Directory and VPN accounts for up to 20 people <p>Financial Support Services –Service Provider will provide Service Receiver with financial support services that include:</p> <ul style="list-style-type: none"> Purchase Order (invoice payment) and Contract management for suppliers assisting with separation <p>Miscellaneous Support Services – Service Provider will provide Service Receiver with supplemental and miscellaneous project support services that include:</p> <ul style="list-style-type: none"> Project management, strategy development, infrastructure consulting, etc. Prioritization and resource allocation for these services will be jointly agreed to by CIOs. <p>All requests for support will be directed to and coordinated through Cindy Hoots.</p>		3 *	Cost plus 2% - 10%

* TSA duration will end on 12/31/2011 regardless of actual spin-date.

** Costs represent salary expense (no retention or severance) and additional facility charges for the Hanover location.

LOCATIONS

Services are initially provided from Hanover, MD, USA to other USA locations.

PREREQUISITES/DEPENDENCIES

- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Travel and expenses will be paid by the requesting organization.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

**SCHEDULE AB13
SERVICES TSA SCHEDULE FOR
MEXICO**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Service Provider Araceli Europa	Controller IP Mexico Bombas Goulds de Mèxico, S. de R.L. de C.V		Araceli.europa@ittcorp.net
Service Recipient Anna Guerrero	Controller, WWW Mexico ITT Water Technology Mexico, S. de R.L. de C.V.		Anna.Guerrero@fluidtechnology.net

PARTIES TO THE AGREEMENT

1. **Service Provider** — Bombas Goulds de Mèxico , S. de R.L. de C.V
2. **Service Recipient** — ITT Water Technology Mexico, S. de R.L. de C.V.

GENERAL SERVICE DESCRIPTION

1. Finance & Accounting Services
2. Payroll Services
3. Accounts Payables Services
4. Billing and Accounts Receivables Services
5. Cost Accounting Services

TERM AND OPTION

1. Minimum Service Period — 9 months — Commencing on the Distribution Date
2. The Monthly Costs are set forth below under Pricing & Payment Terms. The Service Recipient and Service Provider agree that, except as set forth in this Services TSA Schedule for Mexico (“this TSA”) no additional 2%, 10% or 4.5% increase in such pricing should be applied as set forth in Section 2 of the Agreement.
3. Service Recipient shall have the option to renew at 1.10 times the monthly fixed charge as noted below for an additional 3 months if written notice is provided 60 days prior to the end of the Minimum Service Period.
4. Service Recipient will have the option to terminate this agreement at any time, with no additional make-whole fee as required by Section 11(b) of the Agreement, after the 1st 3 months with 2 months advance written notice to the Service Provider

SERVICES TO BE PROVIDED

1. Finance and accounting services

- a. Maintain general ledger and chart of accounts
- b. Reconcile balance sheet accounts at a minimum of once per quarter
- c. Reconcile Service Recipient legal entity bank accounts a minimum of once a month
- d. Close books and prepare local financial statements monthly on a timely basis
 - i. US GAAP financial statements will be prepared as required by the Mexican Government
 - ii. Prepare all required JV's required to close the books on a monthly basis
 - iii. File required local statutory financial statements with the authorities in a timely manner
 - iv. File required US GAAP financial statements (P&L and Balance Sheet) in both local currency and on a US FAS 52 basis with the Service Recipient's parent company by the 1st Monday after the closing date
- e. Request cash when needed from the Service Recipient's parent company in order to support business activities
- f. Analyze cash requirements at a minimum of once per month and allocate funds to bank accounts (vendor invoices / purchase orders, payroll, tax payments, customer receipts, special unusual items)
- g. Perform all bank account related maintenance (signatory changes, relationship management etc)
- h. Prepare, file and pay (provided Service Recipient has made available to Service Provider sufficient funds) all required local statutory tax returns (including but not limited to income tax, sales tax, VAT, GST, payroll related, social security, housing, property taxes). Provide information to Service Recipient' tax advisor in this regard.
- i. Prepare and file all required statutory reports with the appropriate governmental authorities on a timely basis
- j. Fixed Asset accounting
 - i. Maintain detailed fixed asset subsidiary ledger and reconcile to general ledger
- k. Provide required support to Service Recipient's internal & external auditors
- l. Provide required support for government audits
- m. Respond to special requests from service recipients legal advisors
- n. Prepare monthly financial forecasts
- o. Prepare annual budget, strategic plan, and operating plan financial statements
- p. Prepare required business review meeting materials on a monthly basis
- q. Respond to Service Recipient's ad hoc requests for financial data in a timely manner within reason

2. Payroll Services

- a. Process payroll on a bi weekly basis (provided Service Recipient has made available to Service Provider sufficient funds)
 - b. Download employee time clock information
 - c. Input employee information obtained from Service Recipient's HR function
 - i. New Hires
-

- ii. Terminations
- iii. Vacations
- iv. Salary changes
- v. Validate approvals
- d. Maintain and update payroll related files
 - i. Vacations
 - ii. Salary advances
 - iii. Child support
 - iv. Housing withholdings
 - v. Employee savings
 - vi. Leaving indemnity
- e. Provide employees with bank cards
- f. Calculate payroll via payroll software
- g. Review printed payroll reports for accuracy
- h. Make net pay file and submit to bank & validate deposits to employee bank accounts on a timely basis
- i. Print and distribute pay stubs / advices to employees on a timely basis
- j. File copies of pay stubs and file payroll booklet

3. Accounts Payable Services

- a. Process vendor invoices for payment twice per week (provided Service Recipient has made available to Service Provider sufficient funds)
- b. Perform 3 way match in Accounts payable system
- c. Review invoice approvals
- d. Maintain PO balance when partial shipments
- e. Maintain form control over purchase orders (Note: all other purchasing department activities to be performed by the Service Recipient)
- f. Invoice coding to general ledger account
- g. Process vendor check run once per week
- h. Process vendor wire transfers twice per week
- i. Review and process travel expense reports and travel advances twice per week
- j. Process payroll child support withholding payments on a weekly basis
- k. Process employee savings fund withdrawal requests twice per week

4. Billing and Accounts Receivables Services

- a. Generate customer invoices from ERP system on a daily basis
- b. Review invoices for accuracy
- c. Charge taxes (VAT, Sales) as required by law
- d. Update and control customer master file based on information provided by Service Recipient
- e. Recommend customer credit terms.
- f. Maintain accounts receivable subsidiary ledger and reconcile to general ledger
- g. Post billings to accounts receivable ledger on a daily basis
- h. Post cash receipts to open accounts receivable ledger on a timely basis and follow up with customers when unable to identify cash received to open accounts receivables
- i. Follow up as required with customers via telephone and email on past due receivables to ensure cash is collected as quickly as possible
- j. Travel to customers in special circumstances only to facilitate collection of open accounts receivables

k. Recommend customers be places on credit hold or shipping hold when appropriate. Service Recipient must approve Service Provider's recommendation

- l. Prepare and analyze aged accounts receivables report and review monthly with Service Recipient**
- m. Recommend write offs of overdue accounts receivables**

5. Cost Accounting Services

- a. Prepare and review all plant inventory and manufacturing variance journal entries on a monthly basis**
 - b. Reconciliation of perpetual inventory to general ledger**
 - c. Prepare instructions and oversee annual physical inventory including test count audits**
 - d. Reconcile physical inventory and record appropriate book to physical adjustment to general ledger**
 - e. Coordination and oversight of cycle count program**
 - f. Review of cycle count program adjustments and record adjustments in general ledger**
 - g. Review and analysis of manufacturing variances on a monthly basis**
 - h. Review of financial statement inventory balances on a monthly basis with comparison to prior month balances**
 - i. Establish and substantiate appropriate inventory reserves (Excess and Obsolete, Lower of Cost or Market, Inventory revaluation)**
 - j. Develop new standard costs once per year in Q4 of each year**
 - k. Prepare annual cost of production statement for the Mexico Government in Q1-Q2 of each year**
 - l. Prepare annual transfer price analysis in support of annual statutory audit in Q1-Q2 of each year**
-

LOCATIONS

1. IP facility located at the following address;

Bombas Goulds de México , S. de R.L. de C.V
Avenida eje Oriente Poniente Lote 4 Manzana 9
Ciudad Industrial Tizayuca , Hidalgo
Mexico
Z.C 43800

PREREQUISITES/DEPENDENCIES

- 1. Power of Attorney is granted to the IP Mexico Controller to execute banking transactions, and access RCW IT systems only. If approval is required from Service Recipient in advance of any filing with any governmental agency and approval is not obtained in a timely manner, the Service Recipient, in addition to its waiver of liability as set forth in Section 10 of the Agreement, waives all rights to make any claim for damages resulting from the late filing and agrees to pay and fines or penalties that result from the late filing(s). The Power of Attorney that is granted to the IP Mexico Controller will cease the date that this agreement is terminated**
 - 2. Both the Service Provider and the Service Recipient agree to the month end closing dates for the 3 month period of this agreement**
 - 3. If US GAAP compliant reporting is required by the Service Recipient, then the Service Recipient agrees to provide the Service Provider with the software to facilitate this reporting and to install the software and train Service Provider's employees at Service Recipient's cost prior to the commencement date of this agreement**
 - 4. After the termination of this agreement, it may be necessary from time to time for the Service Provider, on behalf of the Service Recipient, to respond to inquiries made by government authorities about Service Recipient's financial statements and tax filings, including providing support for audits. In this event, the Service Provider will contact the Service Recipient and agree on an appropriate course of action and response. To the extent that Service Provider's resources are to be used to respond to the inquiries, the Service Provider will be entitled to invoice the Service Recipient at the following rates per hour provided if assistance is needed under this section after 2012, the parties will renegotiate such rates in good faith;**
 - a. Clerical — US\$20.00**
 - b. Professional — US\$30.00**
 - c. Management — US\$77.00**
 - 5. To the extent that the Service Provider is required to terminate any of its employees who are providing services solely to the Service Recipient (and not supporting any other aspect of the Service Provider's business) under this agreement at the end of this agreement because of lack of work, the Service Recipient agrees to reimburse the Service Provider for any one time termination costs that are required to be paid as per government regulation or company policy.**
 - 6. At the termination of this agreement, the Service Recipient will provide the necessary support at its own expense to transfer data to its own systems. The Service Provider will agree to provide training to the Service Recipient's employees on the Service Provider's premises or via conference call / web ex prior to the termination of the agreement. The Service Provider will not be required to send any of its employees to any other Service Recipient location.**
-

7. **Service Recipient is precluded from hiring Service Provider's employees that provide the services under this agreement for the duration of this agreement plus for an additional two years after the agreement is terminated.**
8. **In the event of 3rd party claims against the Service Recipient which are unrelated to this agreement, the Service Recipient agrees to indemnify the Service Provider for any costs that the Service Provider may incur in the event that the 3rd party elects to also claim damages against the Service Provider because of their relationship with the Service Recipient. The Service Recipient also agrees to defend the Service Provider at its sole cost to the extent permitted to do so under Mexican Law**

TAX STATUS

1. **Service Provider — Payments received under the terms of this agreement will be considered taxable income in Mexico**
2. **Service Recipient — Payments made under the terms of this agreement will be tax deductible in Mexico**
3. **VAT of 15% of the invoice amount will be charged by the service provider to the service recipient**

***BILLING LOCATION
NOTICES***

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following;

1. Service Provider — Joanne Scalard
1133 Westchester Ave
White Plains, NY 10605
 2. Service Recipient — Dan Kelly
1133 Westchester Avenue
White Plains, NY 10605
-

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
	None required	See Term and Option above

PRICING & PAYMENT TERMS

1. The monthly fixed charge for all services provided under this TSA will be \$13,000 for the 1st 9 months of this agreement — Payable in US Dollars
 2. Invoices will be prepared monthly and mailed to the service provider via email.
 3. There will be no additional backup attached to these invoices
 4. The 1st invoice will be dated the Commencement Date
 5. Invoice payment terms are net 30 days from invoice date.
 6. Subsequent invoices will follow every 30 days
 7. Exit costs as well as costs incurred to respond to inquiries by the authorities by the Service Provider on behalf of the Service Recipient will be billed by the Service Provider as soon as practicable with appropriate backup documentation
-

**SCHEDULE AB14
SERVICES TSA SCHEDULE FOR
NOGALES**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Service Provider Arnulfo Soto	Controller ICS Nogales Mexico		Arnulfo.soto@ittcorp.net
Service Recipient John Sullivan	Controller, Flow Control		John.sullivan@fluidtechnology.net.

PARTIES TO THE AGREEMENT

1. **Service Provider** – ITT Cannon de Mexico, S.A. de C.V.
2. **Service Recipient** – Jabsco Sociedad de Responsabilidad Limitada de Capital Variable

GENERAL SERVICE DESCRIPTION

1. Finance & Accounting Services
2. Payroll Services
3. Accounts Payables Services
4. Import / Export Services

TERM AND OPTION

1. Minimum Service Period — 12 months – Commencing on the Distribution Date
 2. The Monthly Costs are set forth below under Pricing & Payment Terms. The Service Recipient and Service Provider agree that, except as set forth in this Services TSA Schedule for Nogales (“this TSA”) no additional 2%, 10% or 4.5% increase in such pricing should be applied as set forth in Section 2(a) of the Agreement.
 3. Service Recipient shall have the option to renew at 1.15 times the monthly fixed charge as noted below for an additional 3 months if written notice is provided 60 days prior to the end of the Minimum Service Period. Service Recipient will have the option to terminate this agreement at any time, with no additional make-whole fee as required by Section 11(b) of the Agreement, after the 1st 6 months with 6 months advance written notice to the Service Provider
-

SERVICES TO BE PROVIDED

1. Finance and accounting services

- a. Maintain general ledger and chart of accounts
- b. Reconcile balance sheet accounts at a minimum of once per quarter
- c. Reconcile banks accounts a minimum of once a month
- d. Close books and prepare local financial statements monthly on a timely basis
 - i. US GAAP financial statements will be prepared as required by the Mexican Government
 - ii. Prepare all required JV's required to close the books on a monthly basis
 - iii. File required local statutory financial statements with the authorities in a timely manner
 - iv. File required US GAAP financial statements (P&L and Balance Sheet) in both local currency and on a US FAS 52 basis with the Flow Control USA LLC parent company by the 1st Monday after the closing date
- e. Request cash when needed from the Flow Control USA LLC parent company in order to support business activities via creation of maquiladora services invoice on a monthly basis
- f. Analyze cash requirements at a minimum of once per month and allocate funds to bank accounts (vendor invoices / purchase orders, payroll, tax payments, customer receipts, special unusual items)
- g. Perform all bank account related maintenance (signatory changes, relationship management etc)
- h. Prepare, file and pay (provided Service Recipient has made available to Service Provider sufficient funds) all required local statutory tax returns (including but not limited to income tax, sales tax, VAT, GST, payroll related, social security, housing, property taxes). Provide information to Service Recipient' tax advisor in this regard.
- i. Prepare and file all required statutory reports with the appropriate governmental authorities on a timely basis
- j. Fixed Asset accounting (leasehold improvements only)
 - i. Maintain detailed fixed asset subsidiary ledger and reconcile to general ledger
 - k. Provide required support to Tenant's internal & external auditors
 - l. Provide required support for government audits

2. Payroll Services

- a. Process payroll on a weekly basis (provided Service Recipient has made available to Service Provider sufficient funds)
 - b. Download employee time clock information
 - c. Input employee information obtained from Service Recipient's on site HR manager
 - i. New Hires
 - ii. Terminations
 - iii. Vacations
 - iv. Salary changes
 - v. Validate approvals
 - d. Prepare and print weekly hours report
 - e. Distribute weekly hours report to employee supervisors and obtain
 - i. Employee signature
 - ii. Supervisor approvals
-

- f. **Maintain and update payroll related files**
 - i. **Vacations**
 - ii. **Salary advances**
 - iii. **Child support**
 - iv. **Housing withholdings**
 - v. **Employee savings**
 - vi. **Leaving indemnity**
 - g. **Provide employees with bank cards**
 - h. **Calculate payroll via payroll software**
 - i. **Review printed payroll reports for accuracy**
 - j. **Review time clocked vs. payroll report and resolve differences**
 - k. **Make net pay file and submit to bank & validate deposits to employee bank accounts on a timely basis**
 - l. **Print and distribute pay stubs / advices to employees on a timely basis**
 - m. **File copies of pay stubs and file payroll booklet**
- 3. Accounts Payable Services**
- a. **Process vendor invoices for payment, twice per month on the 10th and 25th of each month through the Peso ledger (provided Service Recipient has made available to Service Provider sufficient funds)**
 - b. **Perform 3 way match in Accounts payable system**
 - c. **Review invoice approvals**
 - d. **Maintain PO balance when partial shipments**
 - e. **Maintain form control over purchase orders and assignment of PO numbers (Note: all other purchasing department activities to be performed by the Service Recipient)**
 - f. **Invoice coding to general ledger account**
 - g. **Process vendor check run twice per month on the 10th and 25th of each month**
 - h. **Process vendor wire transfers**
 - i. **Review and process travel expense reports and travel advances as required**
 - j. **Review and process employee salary advances once per week**
 - k. **Process payroll child support withholding payments on a weekly basis**
- 4. Import / Export Services**
- a. **Supervise activities of Service Recipient's personnel (Service Recipient's personnel are required to perform the following activities)**
 - i. **Exports**
 - 1. **Classify merchandise**
 - 2. **Input parts and data to CAM system**
 - 3. **Process pro forma invoice, packing list, pedimento**
 - 4. **Review above for accuracy**
 - 5. **Dispatch truck**
 - ii. **Imports**
 - 1. **Review list of goods**
 - 2. **Classify merchandise**
 - 3. **Input parts and data to CAM system**
 - 4. **Coordinate with counterpart broker**
 - 5. **Process pro forma invoice, packing list, pedimento**
 - 6. **Review above for accuracy**

7. Dispatch truck

iii. Other Shipments (Chihuahua, Durango, Guadalajara)

1. Review list of goods
 2. Classify merchandise
 3. Input parts and data to CAM system
 4. Coordinate with counterpart broker
 5. Process pro forma invoice, packing list, pedimento
 6. Review above for accuracy
 7. Dispatch truck
- iv. Virtual imports exports
1. Review list of goods
 2. Classify merchandise
 3. Input parts and data to CAM system
 4. Coordinate with counterpart broker
 5. Process pro forma invoice, packing list, pedimento
 6. Review above for accuracy
 7. Dispatch truck
- v. In cases of customs inspection, coordinate with inspector for clearance of goods
- vi. Tracking of open and close Pedimentos
- vii. Process complimentary Pedimentos to pay duties
- viii. Prepare paperwork required to comply with Anexo 24
- ix. Import / export record keeping
- b. Provide support for classification of merchandise for US & Mexico customs purposes
- c. Review import export shipment information for accuracy
- d. Coordinate shipments and carriers to Service Recipient factories/customers in Mexico (Chihuahua, Durango, Guadalajara)
- e. Coordinate virtual import/exports
- i. Coordinate with counterpart broker
 - ii. Review documentation for accuracy
 - iii. Agree with data to be submitted
- f. Coordination of customs shipment inspection activities to ensure timely resolution and clearance of goods
- g. Record keeping
- i. Ensure customs related documents are filed on a timely basis
 - ii. Assure easy access to customs documentation when needed
- h. Coordinate with broker to ensure timely opening and closing of Mexican Pedimentos
- i. Ensure Mexican Pedimento duties are paid on a timely basis
- j. Maintain relationship with the Mexico Secretary of the Economy. Provide information as required.
- k. Insure timely compliance with Anexo 24
- l. Completion and filing of annual report of Foreign Business Transactions
- m. Process and file amendment applications for the Maquila Program
- n. Provide information to the tax authorities as required or requested
- o. Support D&T audits of customs activities
- i. Attend meetings
 - ii. Provide information
 - iii. Maintain control over audits

p. Support customs audits

i. Attend meetings

ii. Provide information & review audit findings and comments

5. IT Services

- a. CAM applications support**
 - b. Qualisys applications support**
 - c. Timekeeping system support**
-

LOCATIONS

1. ICS Nogales Mexico facility located at the following address;

ITT Cannon de Mexico, S.A. de C.V.
Avenida del Libre Comercio S/N
Entre Calzada Industrial Nuevo Nogales y
Calzada del Raquet Club
Col. Parque Industrial Nuevo Nogales
Nogales, Sonora C.P. 84093

PREREQUISITES/DEPENDENCIES

1. New Flow Control Mexico legal entity is established and fully capable of legally conducting business by the commencement date of this agreement
 2. New Flow Control Mexico legal entity has registered with all of the appropriate governmental agencies and secured required permits (including but not limited to US and Mexico customs permits)
 3. New Flow Control Mexico legal entity Bank account(s) are established by the commencement date of this agreement
 4. Nogales Mexico Financial, HR/Payroll, and Import export hardware and software platforms are separated by the commencement date of this agreement.
 5. Power of Attorney is granted to the ICS Nogales Controller to execute banking transactions and access Flow Control IT systems for the purpose of providing all services contained in this agreement. The ICS Nogales Controller will not be granted Power of Attorney to file appropriate reports and tax returns with governmental authorities. If approval is required from Service Recipient in advance of any filing with any governmental agency and approval is not obtained in a timely manner, the Service Recipient, in addition to its waiver of liability as set forth in Section 10 of the Agreement, waives all rights to make any claim for damages resulting from the late filing and agrees to pay and fines or penalties that result from the late filing(s) The Power of Attorney that is granted to the ICS Nogales Controller under this provision will cease on the date that this agreement is terminated
 6. The Service Recipient agrees to provide Power of Attorney privileges to 2 of its employees as of the commencement date of this TSA, for the purpose of reviewing, authorizing and signing, tax returns and other statutory reports which are prepared by the Service Provider as per the services described in this agreement
 7. Both the Service Provider and the Service Recipient agree to the month end closing dates for the 1 year period of this agreement 8. If US GAAP compliant reporting is required by the Service Recipient, then the Service Recipient agrees to provide the Service Provider with the software to facilitate this reporting and to install the software and train Service Provider's employees at Service Recipient's cost prior to the commencement date of this agreement
 9. Service Recipient contracts with a tax advisor prior to the commencement of this agreement
 10. The Service Recipient will hire its own local Nogales HR Manager and Import Export Broker prior to the commencement date of this TSA. The Service Provider will assist in the proper training of these individuals prior to the commencement date of this TSA. If the Service Recipient fails to hire these employees by the commencement date of this agreement, the monthly fixed charge will increase based upon good faith negotiations
-

between the parties, until such time as the positions are filled and Service Provider agrees to provide the services that would have been performed by these individuals during the time that the positions are vacant.

11. If during the term of this agreement, the Service Recipient's HR Manager or Import Export clerical positions become vacant, the monthly fixed charge will increase based upon good faith negotiations between the parties, until such time as both positions are filled and Service Provider agrees to provide the services that would have been performed by these individuals during the time that the positions are vacant.
 12. After the termination of this agreement, it may be necessary from time to time for the Service Provider, on behalf of the Service Recipient, to respond to inquiries made by government authorities about Service Recipient's financial statements and tax filings, including providing support for audits. In this event, the Service Provider will contact the Service Recipient and agree on an appropriate course of action and response. To the extent that Service Provider's resources are to be used to respond to the inquiries, the Service Provider will be entitled to invoice the Service Recipient at the following rates per hour, provided if assistance is needed under this section 12 after 2012, the parties will renegotiate such rates in good faith;
 - a. Clerical – 255 Mexico Pesos (\$20.00 notional US\$)
 - b. Professional – 382.00 Mexico Pesos (\$30.00 notional US\$)
 - c. Management – 980.00 Mexico Pesos(\$77.00 notional US\$)
 13. To the extent that the Service Provider terminates any of its employees who are providing services solely to the Service Recipient (and not supporting any other aspect of the Service Provider's business) under this TSA at the end of this agreement because of lack of work, the Service Recipient agrees to reimburse the Service Provider for any one time termination costs that are required to be paid as per government regulation or company policy.
 14. At the termination of this agreement, the Service Recipient will provide the necessary support at its own expense to transfer data to its own systems. The Service Provider will agree to provide training to the Service Recipient's employees on the Nogales premises or via conference call / web ex prior to the termination of the agreement. The Service Provider will not be required to send any of its employees to any other Service Recipient location.
 15. Service Recipient is precluded from hiring Service Provider's employees that provide the services under this TSA for the duration of this TSA plus for an additional one year after the TSA is terminated. Notwithstanding the above, the Service Recipient will have the right to hire the ICS 2 import export clerks that are providing services to the Service Recipient under the terms of this agreement, upon termination of this agreement
 16. The Service Provider's IT department will be allowed access to tenant's designated areas as per the floor plan that forms a part of the Nogales facility rental TSA for purposes of providing the services that are included in this agreement. The landlord's IT department will have the right to access the tenant's IT data in order to provide the services that are included in this agreement. The Service Recipient will hire an onsite IT support to oversee all of the Service Recipient's IT operations. To the extent that the IT services listed in the services provided section of this TSA are required from the Service Provider, for whatever reason including but not limited to the inexperience of the Service Recipient's IT Manager or the failure to the Service Recipient to hire an IT Manager by the commencement date of this agreement, the Service Recipient agrees that they will accept charges for services provided in accordance with the Pricing and Payment Terms provision #3 as shown in this agreement.
-

TAX STATUS

- 1. Service Provider – Payments received under the terms of this agreement will be considered taxable income in Mexico
- 2. Service Recipient – Payments made under the terms of this agreement will be tax deductible in Mexico

BILLING LOCATION

- 1. Nogales, Sonora, Mexico

NOTICES

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following;

- 1. Service Provider – Suzy Lee
666 East Dyer Road
Santa Ana, Ca. 92705
- 2. Service Recipient – Dan Kelly
Xylem Inc.
Suite 2000
1133 Westchester Avenue
White Plains, NY 10605

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
	None required	See Term and Option above

PRICING & Payment Terms

1. **The monthly fixed charge for finance, accounting, accounts payable and payroll services will be 216,393 Mexico Pesos (\$16,998 notional US\$) for the term of this agreement – Payable in Mexico Pesos**
 2. **The monthly fixed charge for import and export services will be 126,696 Mexico Pesos (\$9,952 notional US\$) for the term of this agreement – Payable in Mexico Pesos**
 3. **IT Services, as defined in this agreement, will be charged on a time and materials basis. Materials will be charged at Service Provider's cost and required labor will be charged at a rate of 318.00 Mexico Pesos (\$25.00 notional US\$) per hour. Invoices will be prepared monthly and mailed to the Service Recipient via email.**
 4. **There will be no additional backup attached to these invoices for items 1 and 2 above. For item 3 copies of vendor invoices will be attached to the invoice to support the materials charges and timesheets showing the number of hours and dates worked by person will be attached to support labor charges**
 5. **VAT of 11% will be added to all invoices**
 6. **The 1st invoice will be dated the same date as the Distribution Date**
 7. **Invoice payment terms are net 30 days from invoice date.**
 8. **Subsequent invoices will follow every 30 days**
 9. **Exit costs as well as costs incurred to respond to inquiries by the authorities by the Service Provider on behalf of the Service Recipient will be invoiced & billed by the Service Provider as soon as practicable with appropriate backup documentation.**
-

**SCHEDULE AB15
SUBCONTRACT ARRANGEMENT IN WUXI**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Service Provider			
Paul Chen and	Finance Controller — Motion Tech Wuxi		paul.chen@ittcorp.net
Stephen Chan	China Share Service Manager		stephen.chan@itt.com
Service Recipient			
Meng Hing Chua	Vice President and Director of Finance		menghing.chua@itt.com

PARTIES TO THE AGREEMENT

Service Provider: ITT High Precision Manufactured Products (Wuxi) Co., Ltd. of No. 570 Yangda Road, Meicun, New District, Wuxi City, the PRC

Service Recipient: ITT (Shanghai) Trading Co. Ltd. of Suite 3011-3014, Floor 30, Tower A, Hongqiao Shanghai City, 100 Zunyi Road, Changning District, Shanghai, the PRC

GENERAL SERVICE DESCRIPTION

Service Provider will operate and manage (the “Service”) Service Recipient’s flow control business at the premises (the “Business”) currently located in the Premises during the term of this transition services agreement in a substantially similar manner, with the same level of customer service and response time with the same degree of reasonable skill and care and with the same level of security and control as the Business was operated and managed during the twelve month period prior to the Distribution Date. Service Provider will provide various services in connection with the operation and management of the Business including but not limited to the services set forth in “Services to be Provided”.

TERM AND OPTION

1. **Term.** The Minimum Service Period for this Schedule commences on the Distribution Date to March 31, 2012 and, if Service Recipient has not served a notice on Service Provider to terminate the Service, shall be further extended to May 31, 2012 (the term of Service is hereinafter referred as the “ **Term**”). Service Recipient may terminate the Service at any time prior to the end of the Term by providing thirty (30) days prior written notice without any additional make-whole fee as required by Section 11(b) of the Agreement.
 2. **Surviving clause.** The following provisions of this Schedule shall survive the termination of this Schedule: (a) Indemnification, (b) paragraphs 6 and 7 of “Pricing, Payment Terms” (*Audit, Post-termination Revenues and Expenses*), (c) paragraph 4 of “Term and Option ” (*Access to Business Records After the Term,*) (d) Insurance with respect to managing post Term claims and (e) Tax Status.
 3. **Access to the Premises and Business Records during the Term.** In addition to the right of access given to Service Recipient pursuant to Section 3(a) of the Agreement, during the Term, Representatives of Service Recipient (or its designee) shall be given access to the Premises during regular business hours if and to the extent reasonably necessary to:
 - 3.1 provide or receive any of the Services;
 - 3.2 examine, copy or photocopy, at Service Recipient’s expense, the Business Records, the Business Contracts and the purchase orders, customer invoices and any other contracts and/or agreements signed with the relevant customers, suppliers, distributors and agents relating to or in connection with the Business, during business hours and on reasonable prior written notice, to enable Service Recipient to verify the information contained in the monthly balance sheet and the monthly profit and loss accounts that Service Provider furnishes to Service Recipient in accordance with “Services to be Provided” and to determine the amount of the Monthly Costs payable by Service Provider or Service Recipient, as the case may be; and
 - 3.3 to inspect or examine the Assets, or otherwise transfer the Assets out of the Premises, as the case may be.
 4. **Access to Business Records after the Term.** For a period of seven (7) years from the expiration date of the Term:
 - 4.1 Service Provider shall make available, and allow Service Recipient (or its designee) to make copy of at Service Recipient’s expense, any books, accounts, returns and records (not delivered to Service Recipient (or its designee) prior to the expiration date of the Term (including, without limitation, Service Provider’s statutory books and accounting records, tax records, and all other records relating to the Business) which contain information which should be provided to Service Recipient (or its designee) or which is required for the purpose of the Business, any annual, tax or other returns, audits in connection with it for inspection by Representatives of Service Recipient (or its designee) during working hours on reasonable advance notice being given;
 - 4.2 If any Business Information is not in the possession of Service Recipient (or its designee) or readily discoverable by Service Recipient (or its designee) but is in the possession or under the control of or available to Service Provider or any other member of its Group, Service
-

Provider shall deliver copies of such Business Information to the Service Recipient promptly on request.

SERVICES TO BE PROVIDED

1. Export/Import
2. Materials Planner
3. Material and Logistics
4. Plant Purchasing
5. Warehouse (excluding bonded material)
6. Shipment
7. Logistics
8. IT Support
9. Customers Support
10. Accounts Payable Invoice Processing including bank disbursements and reconciliations
11. Accounts Receivable Invoice processing and collection
12. Manufacturing and assembly of the products the Business produces
13. Certain administrative and tax preparation/filing services
14. Facility and related services that enable to the Business to continue operations
15. Payroll and all HR services, for the employees Service Provider utilizes to operate and manage the Business
16. Foreign exchange verification
17. External audit and relating consulting services
18. Vendor and customer data maintenance
19. Accounting services to maintain accounting records
20. Security
21. Environmental, health and safety services
22. Administrative services, including office supplies and equipment, location assistant, reception and shuttle bus/car service
23. All other services which were provided to Service Recipient in the last twelve months
24. Invoice and payment. Service Provider shall maintain separate accounts for the Business during the Term. As promptly as practicable and in any event within ten (10) Business Days after the beginning of each calendar month, Service Provider shall prepare and deliver to Service Recipient a balance

sheet as at the end of the preceding calendar month and the profit and loss account in respect of the preceding calendar month (including separate line items for the Monthly Costs, Monthly Expenses and Monthly Revenues) in respect of the Business, prepared in accordance with the Generally Accepted Accounting Principles of the PRC and certified by the Finance Manager of Service Provider.

25. Affixation of company chop. To the extent that any documents of Service Recipient (or its designee) need to be affixed with the company chop of Service Provider, Service Provider shall render all assistance to execute or affix its company chop on all such documents as Service Recipient (or its designee) may from time to time reasonably request for the purpose of vesting in it the full benefit of the Business, provided such request has been approved by the General Manager of Wuxi Flow Control Business and the Legal Counsel of Service Recipient (or its designee).

EMPLOYEES

1. In addition to the Services to be provided by Service Provider to Service Recipient above, during the Term Service Provider shall supervise the Employees in accordance with the terms in this section.
2. Service Provider shall:
 - 2.1 continue the employment of the Employees with Service Provider to ensure that the Business shall be carried on in the ordinary course of business; and
 - 2.2 allow the Employees to perform their duties under the supervision of, fully comply with directions and instructions received from, and promptly carry out orders and assignments given by, any of the Representative of Service Recipient. Notwithstanding the foregoing, the Parties acknowledge and agree that the Employees shall comply with or otherwise subject to the policy (including compensation and benefits policy), handbook or guidelines as applicable to other employees of Service Provider.
3. Service Recipient and Service Provider acknowledge the importance of Employees to the ongoing success of the Business subsequent to the Distribution Date.
4. Upon Service Recipient's request, Service Provider shall terminate, or procure its staffing agency to terminate, any of the Employees during the Term. Notwithstanding the foregoing, Service Provider may, without the prior approval of Service Recipient, terminate the employment of any Employee in good faith on reasonable grounds pursuant to the employment laws and regulations of the PRC provided that Service Provider shall notify Service Recipient forthwith its decision of termination.

TRANSFER OF EMPLOYEES

- 1.

2. Service Provider and Service Recipient (or its designee) shall within fifteen (15) Business Days before the end of the Term jointly issue a written notice to all Employees, confirming the Employee Transfer Date and enclosing the new employment contract to be signed by Service Recipient (or its designee) with each of the Employees.
3. Service Provider shall pay Employees wages, bonuses, overtime pay, social insurance, statutory severance and housing fund contributions and other payments and benefits of such Employee in relation to his or her employment with Service Provider in accordance with the employment laws and regulations of the PRC during the Term up to and including the expiration date of the Term, provided that Service Recipient shall reimburse Service Provider all such payment incurred during the Term in accordance with "Pricing and Payment Terms".
- 4.

INSURANCE

1. Notwithstanding the provisions of Section 10(b) of the Agreement and without prejudice to its express obligations under this Schedule, Service Provider agrees that during the Term, it will maintain, at Service Recipient's expenses, insurance policies covering the Business similar in scope, amount and coverage as Service Provider maintained during the twelve month period prior to the Distribution Date. In the event any claim needs to be made under these insurance policies, Service Provider will make such claim on Service Recipient's behalf and transfer to Service Recipient all funds received less any out of pocket costs incurred in collection of such funds.

INDEMNIFICATION

1. Notwithstanding anything in the Agreement to the contrary, the indemnification obligations and procedures set forth in Article VII of the Distribution Agreement shall apply to any Indemnifiable Losses (as defined in the Distribution Agreement) Service Provider or any member of its Group incurs as a result of or in connection with providing the Services described in this Schedule. For the avoidance of doubt, Service Provider (or such member of its Group that has suffered an Indemnifiable Loss) shall be the “Indemnitee” and Service Recipient the “Indemnifying Party”, as such terms are defined in the Distribution Agreement. Notwithstanding the foregoing or anything in the Distribution Agreement to the contrary, Service Provider shall be permitted to consent to entry of judgment or settle any claim without the consent of Service Recipient and remain entitled to indemnification from Service Recipient; provided, that any such judgment or settlement is for a monetary amount under USD5,000; provided further that any such consent, judgment or settlement does not permit or provide for any injunction, declaratory relief, other order or other non-monetary relief to be entered against Service Recipient or any member of its Group.
2. For the period of seven (7) years from the expiration date of the Term, upon any claim being made against Service Provider, Service Recipient shall give such information and assistance to Service Provider for the purpose of avoiding, disputing, resisting, compromising, defending or contesting any such claim and liability, including:
 - 2.1 assignment of a legal advisor or a Representative appointed by Service Recipient to work with Service Provider or its professional advisors in avoiding, disputing, resisting, compromising, defending or contesting any such claim and liability; and
 - 2.2 access (during business hours and on reasonable prior written notice) such access to its personnel and to any relevant records and information in relation to the Business as Service Provider or its professional advisers reasonably request.

LOCATIONS

The premises of Service Provider located at Building 3, No. 570 Yangda Road, Meicun, New District, Wuxi City, the PRC (“Premises”).

PREREQUISITES/DEPENDENCIES

1. Service Provider and Service Recipient shall enter into an Asset Purchase Agreement dated _____, 2011 pursuant to which Service Recipient shall agree to purchase from Service Provider all of the Assets and assume all of the liabilities related to the Business.

TAX STATUS

1. Monthly Costs received by Service Provider under this Schedule during the Term shall be considered taxable income in China. Service Provider shall:
 - 1.1 duly file all tax returns and provided all information required or requested to be delivered to any tax authority. All such returns and information remain correct and complete and none is, or is likely to become, the subject of any investigation or dispute by or with any tax authority;
 - 1.2 prepare, keep and preserve complete, accurate and up-to-date records both as required by law and to enable it to deliver correct and complete tax returns and to calculate any present or, so far as possible, future tax liability of Business or the entitlement of the Business to claim any relief.
2. Notwithstanding the foregoing, any tax payable by Service Provider arising from the provision of Service or the operation of the Business shall be borne by Service Recipient (or its designee) in accordance with "Pricing and Payment Terms".

***BILLING LOCATION
NOTICES***

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following:

NOTICE REQUIREMENTS

SERVICE PROVIDER:

Address:

2405-6, 24/F, ING tower, 308 Dec Voeux Road Central, Hong Kong

Fax:

For the attention of: Mr. Stephen Chan, China Share Service Manager

SERVICE RECIPIENT:

Address:

Suite 3011-3014, Floor 30, Tower A, Hongqiao Shanghai City, 100 Zunyi Road, Changning District, Shanghai, the People's Republic of China

Fax:

For the attention of: Mr. Meng Hing Chua, Vice President and Director of Finance

PRICING & PAYMENT TERMS

1. The Parties agree that, notwithstanding the provisions of Section 2(a) of the Agreement, Service Recipient (or its designee) shall be entitled to all economic rights and benefits, and shall assume all economic loss, arising from and in connection with the conduct of the Business by Service Provider during the Term.
2. During the Term, Service Recipient or Service Provider, as the case may be, shall pay an amount equal to the Monthly Costs (“Monthly Costs”) to the other Party calculated in accordance with the following formula:

Monthly Costs = Monthly Expenses *plus* RMB20,000 *minus* Monthly Revenues

where:

Monthly Expenses means the aggregate of:

- (a) all documented, reasonable out-of-pocket costs and expenses incurred by Service Provider which are necessary to provide Services, provided, however, that any such expenses exceeding USD5,000 per month for each Service shall require advance approval of Service Recipient; *plus*
- (b) all wages, bonuses, overtime pay, social insurance and housing fund contributions, and other payments, benefits, retention and severance payments due to any of the Employees retained by Service Provider for the purpose of providing the Services; *plus*
- (c) all rents, rates, gas, water, electricity and other outgoings (including management fees) relating to or payable in respect of the Premises; *plus*
- (d) any sales, services, value added or similar taxes, fees, charges, assessments, or income taxes (including any such taxes that are required to be withheld) arising from or in connection with the provision of Services; and

Monthly Revenues means the aggregate of:

- (a) all revenues, rebates, refunds or otherwise payments collected or received by Service Provider arising from or in connection with the Business, as the case may be, during the Term; *plus*
- (b) all rents, rates, gas, water, electricity and other outgoings (including management fees) relating to the premises located at Room 902, E3 Building, Oriental Plaza, No.1 Chang’an Avenue, Beijing 100738, PRC and payable by ITT (China) Investment Company Limited in the amount of RMB32,060.82 per calendar month for the period from 31 October 2011 to 31 December 2011 and RMB34,173.63 per calendar month for the period from 1 January 2012 to the expiration date of the Term. In the event a total of RMB 511,059 is not added to Monthly Revenue over the life of the Term by the month prior to the end of the Term, the last month of the Term shall include that amount such that the total amount included in Monthly Revenue under this subsection (b) during the whole Term will equal RMB 511,059.

3. An amount equal to the Monthly Costs shall be paid by Service Recipient or Service Provider, as the case may be, to the other Party in the following manner:
 - 3.1 If the Monthly Costs is a positive number, then Service Recipient shall pay to Service Provider the Monthly Costs in accordance with section 2(b) of the Agreement
 - 3.2 If the Monthly Costs is zero, then no payment is due from Service Recipient or Service Provider to the other Party.
 - 3.3 If the Monthly Costs is a negative number, then Service Provider shall pay to Service Recipient the Monthly Costs in accordance with Section 2(b) of the Agreement.
 4. For the avoidance of doubt, no additional mark-up or inflation rate, as specified in Section 2(a)(i) of the Agreement, shall apply to any sum payable by Service Recipient to Service Provider under this Schedule.
 5. Taxes related to sums payable. Each Party shall pay all sums payable by it under this Schedule free and clear of all deductions or withholdings unless the law requires a deduction or withholding to be made. If a deduction or withholding is so required, the relevant Party shall pay such additional amount as will ensure that the net amount the payee receives equals the full amount which it would have received had the deduction or withholding not been required.
 6. Audit. Service Provider and Service Recipient shall, as promptly as practicable and in any event within fifteen (15) Business Days following the expiration date of the Term, jointly appoint Deloitte & Touche, or such other accounting firm as may be agreed to (“Auditors”) to conduct an audit of the accounts of the Business. The auditor shall, within thirty (30) days from its engagement, prepare and deliver to the Parties an audited balance sheet to be made up as at the expiration date of the Term and an audited profit and loss account for the period from the Distribution Date to the expiration date of the Term in respect of the Business, in accordance with the Generally Accepted Accounting Principles of the PRC. The costs and expenses of engaging the Auditors shall be borne by Service Recipient (or its designee). The balance sheet and profit and loss account prepared by the Auditors shall, in the absence of manifest error, be final and binding on the Parties. The Auditors shall be deemed to act as an expert and not as an arbitrator.
 7. Post-termination Revenues and Expenses. To the extent that any payment, rebate or refund is made to Service Provider in respect of the Business after the expiration date of the Term, Service Provider shall receive the same as trustee, place the same in a separate bank account, record the payment separately in its books, and account to Service Provider for the same within five (5) Business Days after the end of each calendar month for all funds collected during such calendar month. To the extent that any cost or expense is paid by Service Provider after the expiration date of the Term in connection with the Business arising from an act, event or circumstance that occurs during the Term, Service Provider shall provide Service Recipient with all relevant invoices, receipts and contracts, as the case may be, and Service Recipient shall, upon verifying the documents provided, pay to Service Provider within five (5) Business Days after the end of each calendar month for all payments made by Service Provider arising from or in connection with the Business during such calendar month.
-

Definitions

1. Definitions and interpretation of words and expressions used in this Schedule shall be as set forth below:

“Auditors” has the meaning set out in “Pricing and Payment Terms”.

“Assets” means the assets of Service Provider relating primarily to, used primarily in, or arising primarily from, the Business, to be transferred to Service Recipient pursuant to the Asset Purchase Agreement, dated _____, 2011 between Service Provider and Service Recipient.

“Business” has the meaning set out in “General Service Description”.

“Business Days” means, for the purpose of this Schedule, a day (excluding Saturdays, Sundays and public holidays) on which banks generally are open in the PRC for the transaction of normal banking business.

“Business Contracts” means customer contracts, supplier contracts, and all other contracts and engagements entered into and orders placed or received (a) on or before the Distribution Date by or on behalf of Service Provider in connection with the Business and which at Distribution Date remain (in whole or in part) to be performed; and (b) during the Term.

“Business Information” means all information relating to the Business, existing at the Distribution Date or otherwise arising during the Term, including but not limited to details of customers, suppliers, distributors and agents, sales targets, sales statistics, market share statistics, market surveys and information relating to future business development or planning, information relating to discounts, commissions and rebates received and/or paid and litigation or legal advice, in whatever form (including computer disks or tapes) that information may be recorded or stored.

“Business Records” means all books and records in whatever form (including computer disks or tapes) containing or relating to Business Information or on which Business Information is recorded or stored.

“Employees” means the employees physically located at the Premises, employed by Service Provider to support the Business immediately prior to the Distribution Date, a list of whom is stated in the Annex.

“Employees Transfer Date” has the meaning set out in “Transfer of Employees”.

“Monthly Costs” has the meaning set out in “Pricing and Payment Terms”.

“Parties” mean collectively, Service Provider and Service Recipient of this Schedule, and a “Party” means either of them.

“PRC” means the People’s Republic of China excluding, for the purpose of this Agreement, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan.

“Premises” has the meanings set out in “Location”.

“Representatives” means, the Service Owners identified under the section entitled “Service Owner” or such other person(s) designated by Service Recipient (or its designee) from time to time.

“RMB” means Renminbi, the lawful currency of the PRC.

“Service” has the meaning set out in “General Service Description”.

“Term” has the meaning set out in “Term and Option”.

“USD” means United States Dollars, the lawful currency of the United States of America.

Annex

List of Flow Control Employees in Wuxi

The employees who are retained by Service Provider to provide the Services are set forth below:

Name of Employees	Position	Date of Commencement of Employment with Service Provider
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**SCHEDULE AB16
BASIC TIME AND MATERIALS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
------	-------	-------	--------

Service Provider's Contact

ITT Corporation

Daryl Bowker

TSA Manager

Office:

Daryl.bowker@ittcorp.com

Service Recipient's Contact

Xylem Inc.

Tim Coogan

TSA Manager

Office

Tim.Coogan@itt.com

PARTIES TO THE AGREEMENT

Service Provider: ITT Corporation

Service Receiver: Xylem Inc.

TERM AND OPTION

The Term shall be 18 months commencing on the Distribution Date. There shall be no Minimum Service Period

GENERAL SERVICE DESCRIPTION

Service Receiver may need assistance after the Distribution Date from the Service Provider for miscellaneous services, including but not limited to consulting, advisory, knowledge transfer and other similar services in various areas including, but not limited to finance, tax, accounting, insurance, treasury, human resources and communications, which are not already provided for under all of the other TSAs between ITT Corporation, Xylem Inc., and Exelis Inc.

The Service Provider hereby agrees to cause its and its affiliates employees (collectively, "Experts") to provide a reasonable amount of services upon reasonable notice and request from the Service Receiver on a time and materials basis from the Distribution Date through June 30, 2013 (the "Minimum Term" and the "Maximum Term").

To utilize this TSA Schedule, employees of Service Receiver should request such services via email or telephonically where both parties have a clear expectation of the estimated number of hours of assistance being requested. For projects that are expected to require more than 5 to 10 hours of assistance a one or two paragraph project plan should be agreed to in order to avoid misunderstandings. The project plan should be put together by the Service Provider's "Expert" with respect to the requested services.

Employees of Service Receiver should advise their TSA manager that a request for services has been made together with a description of such services requested and the estimated number of hours requested.

The "Expert" should advise their TSA manager that a request for services has been made and the estimated number of hours requested.

SCOPE OF SERVICES

The scope of services will depend on the needs of the Service Recipient and the capabilities and availability of the Experts.

LOCATIONS

All locations around the world

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer

employed by Service Provider, Service Provider will, at the request of the Service Receiver, use commercially reasonable efforts to provide similar services. However, if Service Receivers or an affiliate employ any of the Experts, the specific service requested under this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver.

TAX STATUS

Sales tax will be charged as determined by the Service Provider and the Service Receiver shall pay such tax along with the payment for the service provided.

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below under Notice Requirements, except in cases where services are provided outside of the United States, in which case invoices will be created by the Service Provider's legal entity in the country where the services are being performed and invoiced to the Service Receiver's legal entity that requested the services in the Service Provider's local currency. The bill will cover all charges for services under this Schedule from Service Provider and, to the extent reasonably feasible, will be itemized among Service Receiver's legal entities if identified by the Service Receiver when requesting the service. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the US dollar amount per Expert.

The Experts shall track their time on either a time sheet or any other proper method such as the utilizing the time sheet attached hereto and Service Provider agrees that the time sheets will accompany the invoice that is sent to the Service Recipient for payment. In cases where the requested services are expected to take longer than 30 days to complete, the Service Provider will be allowed to invoice the Service Receiver once per month for all costs incurred to date.

NOTICE REQUIREMENTS

No notice of Termination is required under this Schedule and there shall be no make-whole fee under this Schedule.

Notices and bills to the Service Provider should be sent to:

ITT Corporation
240 Fall Street
Seneca Falls, NY 13148
Attention: Daryl R. Bowker

Notices and bills to the Service Receiver should be sent to:

Xylem Inc.
1133 Westchester Avenue
Suite 2000
White Plains, NY 10604
Attention: Tim Coogan

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services in accordance with Service Providers documented travel policies and any incremental out of pocket costs incurred by the Service Provider in order to provide the requested services that are invoiced by unaffiliated 3rd parties. Service Provider agrees to provide vendor invoices as backup to the Service Receiver when invoicing the Service Receiver under the terms of this TSA.

The hourly rates below includes a 4.5% increase for inflation and the 2% profit margin and shall be applicable in 2011 and 2012. The rates shall increase by 4.5% in 2013.

Service	Hourly Rate*
Hourly Rate Administrative/Secretarial.	\$50 per hour
Hourly Rate for a Non Executive	\$100 per hour
Hourly Rate for an Executive	\$150 per hour

* Note: In cases where invoicing is done outside the United States, the above rates should be converted to local currency based on the exchange rate on the date the invoice is prepared.

**SCHEDULE AB17
MANUFACTURING SERVICES TSA
SCHEDULE FOR VADODARA INDIA**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Service Provider Rabi Burman	General Manager, ITT Corporation India Pvt Ltd. Plot No 731A, GIDC Savli, Manjusar, Savli Road. Vadodara, Gujarat 391 770		<u>Rabi.Burman@itt.com</u>
Service Recipient Sam Yamdagni	President, Xylem Water Solutions India Pvt Ltd. Plot No 731B, GIDC Savli, Manjusar, Savli Road. Vadodara, Gujarat 391 770		<u>Sam.Yamdagni@itt.com</u>

PARTIES TO THE AGREEMENT

1. **Service Provider** — ITT Corporation India Pvt. Ltd.
2. **Service Recipient** — Xylem Water Solutions India Pvt. Ltd.

GENERAL SERVICE DESCRIPTION

1. Manufacturing of Xylem products
2. Finance & Accounting Services
3. Accounts Payables Services

TERM AND OPTION

1. Minimum Service Period — 2 months — Commencing on the Distribution Date
2. The Monthly Costs are set forth below under Pricing & Payment Terms. The Service Recipient and Service Provider agree that, except as set forth in this Manufacturing Services TSA Schedule for India (“this TSA”) no additional 2%, 10% or 4.5% increase in such pricing should be applied as set forth in Section 2 of the Agreement.
3. Service Recipient shall have the option to renew at 1.0 times the monthly fixed charge as noted below for an additional 3 months if written notice is provided 15 days prior to the end of the Minimum Service Period.

4. Service Recipient will have the option to terminate this agreement at any time, with no additional make-whole fee as required by Section 11(b) of the Agreement, after the 1st 3 months with 1 month advance written notice to the Service Provider

SERVICES TO BE PROVIDED

1. Manufacturing of Xylem products

- a. Provide order acknowledgement to Xylem India for the orders placed
- b. Manufacture Xylem products based on orders placed by Xylem India and supervised by Xylem India employees seconded to ITT
- c. Use Xylem assets and processes currently employed in Baroda and manufacture products per SOPs
- d. Manage the factory employees seconded to ITT by Xylem
- e. Place orders to suppliers on a timely manner and manage inventories in order to properly supply & fulfill customer orders
- f. Ship finished goods directly to Xylem customers as requested in the purchase order
- g. Maintain records of purchase cost based on latest purchase price as per BOM, stores and spares and packing material purchased for products manufactured by Xylem Water Solutions India Private Limited
- h. Invoice Xylem for the manufacturing services on a monthly basis

2. Finance and accounting services

- a. Maintain general ledger and chart of accounts
- b. Reconcile balance sheet accounts at a minimum of once per quarter
- c. Close books and prepare local financial statements monthly on a timely basis
 - i. US GAAP financial statements will be prepared as required by the Indian Government
 - ii. File required local statutory financial statements with the authorities in a timely manner
 - iii. File required US GAAP financial statements (P&L and Balance Sheet) in both local currency and on a US FAS 52 basis with the Service Recipient's parent company by the 1st Monday after the closing date
- d. Prepare and file all required statutory reports with the appropriate governmental authorities on a timely basis
- e. Fixed Asset accounting
 - i. Maintain detailed fixed asset subsidiary ledger and reconcile to general ledger
- f. Provide required support to Service Recipient's internal & external auditors
- g. Provide required support for government audits
- h. Respond to special requests from service recipients legal advisors
- i. Prepare monthly financial forecasts
- j. Respond to Service Recipient's ad hoc requests for financial data in a timely manner within reason

3. Accounts Payable Services

- a. **Process vendor invoices for payment twice per week (provided Service Recipient has made available to Service Provider sufficient funds)**
- b. **Perform 3 way match in Accounts payable system**
- c. **Review invoice approvals**
- d. **Maintain PO balance when partial shipments**
- e. **Maintain form control over purchase orders (Note: all other purchasing department activities to be performed by the Service Recipient)**
- f. **Invoice coding to general ledger account**
- g. **Process vendor check run once per week**
- h. **Process vendor wire transfers twice per week**
- i. **Review and process travel expense reports and travel advances twice per week**
- j. **Process payroll child support withholding payments on a weekly basis**
- k. **Process employee savings fund withdrawal requests twice per week**

LOCATIONS

1. IP facility located at the following address;

Plot No 731A, GIDC Savli, Manjusar, Savli Road.
Vadodara, Gujarat 391 770, India

PREREQUISITES/DEPENDENCIES

- 1. After the termination of this agreement, it may be necessary from time to time for the Service Provider, on behalf of the Service Recipient, to respond to inquiries made by government authorities about Service Recipient's financial statements and tax filings, including providing support for audits. In this event, the Service Provider will contact the Service Recipient and agree on an appropriate course of action and response. To the extent that Service Provider's resources are to be used to respond to the inquiries, the Service Provider will be entitled to invoice the Service Recipient at the following rates per hour provided if assistance is needed under this section after 2012, the parties will renegotiate such rates in good faith;**
 - a. Clerical — US\$20.00**
 - b. Professional — US\$30.00**
 - c. Management — US\$77.00**
- 2. At the termination of this agreement, the Service Recipient will provide the necessary support at its own expense to transfer data to its own systems. The Service Provider will agree to provide training to the Service Recipient's employees on the Service Provider's premises or via conference call / web ex prior to the termination of the agreement. The Service Provider will not be required to send any of its employees to any other Service Recipient location.**
- 3. In the event of 3rd party claims against the Service Recipient which are unrelated to this agreement, the Service Recipient agrees to indemnify the Service Provider for any costs that the Service Provider may incur in the event that the 3rd party elects to also claim damages against the Service Provider because of their relationship with the Service Recipient. The Service Recipient also agrees to defend the Service Provider at its sole cost to the extent permitted to do so under Indian Law.**

TAX STATUS

- 1. Service Provider — Payments received under the terms of this agreement will be considered taxable income in India**
- 2. Service Recipient — Payments made under the terms of this agreement will be tax deductible in India**
- 3. Service Provider takes credit of service tax paid on employee secondment**

**BILLING LOCATION
NOTICES**

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following;

1. Service Provider — Joanne Scalard
1133 Westchester Ave
White Plains, NY 10605
2. Service Recipient — Dan Kelly
1133 Westchester Avenue
White Plains, NY 10605

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
	None required	See Term and Option above

PRICING & PAYMENT TERMS

1. The monthly charges for contract manufacturing services provided under this TSA will be calculated on actual basis and the Service Provider will add 15% margin to the actual costs incurred.
 - a. Service Recipient has an option to extend the TSA for another 3 months at the same monthly rate
 - b. Service provider calculates all variable costs monthly — direct material and other costs (PPV, packaging, stores & spares, freight, customs, related to the manufacturing activity) and invoices the Service Recipient
 - c. Service Recipient will charge as service fee 5% of the cost of Direct Labor and Indirect Labor being supplied (seconded) to the Service Provider
 - d. Service Provider will credit Service Recipient labor fees from the overall monthly charges
 - e. Refer to the table below for monthly calculation for the contract manufacturing fees
2. All Invoices are payable in Indian Rupees (INR).
3. Invoices will be prepared monthly and mailed to the service recipient via email or regular mail.
4. Service Provider to attach additional backup of all variable costs (direct materials, attached to these invoices
5. The 1st invoice will be dated on the last day of the financial closing in November
6. Invoice payment terms are net 30 days from invoice date.
7. Subsequent invoices will follow every 30 days

**SCHEDULE AB18
SERVICES TSA ANNEX FOR
AXMINSTER**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to: **John Veness**

Name	Title	Phone	e-mail
Service Provider John Veness	General Manager		John.Veness@itt.com
Service Recipient Duncan Lewis	General Manager		Duncan.Lewis@itt.com

PARTIES TO THE AGREEMENT

1. **Service Provider:** ITT Industries Ltd.
2. **Service Recipient:** Lowara (UK) Ltd.

GENERAL SERVICE DESCRIPTION

1. **Operations Services**
2. **Import/Export Services**
3. **INTRASTAT Compliance Services**

TERM AND OPTION

1. **24 months — Commencing on the date of the separation into 3 companies**
2. **The 24 month Term shall not be extended. Service Recipient will have the option to terminate this agreement at any time after the 1st 12 months with 6 months advance written notice to the Service Provider.**

SERVICES TO BE PROVIDED

1. **Operations Services**
 - a. **Lowara may need the services of ITT's personnel for assistance with operations reporting.**
 - b. **Lowara may need the services of ITT's personnel for assistance with operational processes including quality control.**
2. **Import/Export Services**

- a. Lowara may require the assistance of ITT personnel in the matters of export and import processes.
- b. Lowara may require the assistance of ITT personnel in the matters of export and import regulatory compliance.

3. INTRASTAT Services

- a. Lowara may require the assistance of ITT personnel for collecting information for INTRASTAT.
- b. Lowara may require the assistance of ITT personnel for reporting information to the governmental authorities for INTRASTAT.

LOCATIONS

1. Lowara facility located at the following address:

Lowara (UK) Ltd.
Millwey Rise Industrial Estate
Axminster EX13 5HU, United Kingdom

PREREQUISITES/DEPENDENCIES

1. Real Estate Sublease is in effect.
2. Service Recipient will follow all of Service Provider's Environmental, Safety, & Health (ES&H) policies and procedures while using the pump testing facilities. Service Provider will provide its ES&H written policies to Service Recipient at the outset of this agreement and agrees to provide overview training prior to the Service Recipient's use of the pump testing facilities.
3. Service Recipient's customers will be granted access to the test facility along with Service Recipient's representatives for a customer witnessed pump test.
4. Service recipient is precluded from hiring Service Provider's employees that may provide these services under this agreement for the duration of this agreement plus an additional 1 year after the agreement is terminated.
5. In the event of 3rd party claims against Service Recipient which are unrelated to this agreement, the Service Recipient agrees to indemnify the Service Provider for any costs that the Service Provider may incur in the event that the 3rd party elects to also claim damages against the Service Provider because of their relationship with the Service Recipient. The Service Recipient also agrees to defend the Service Provider at its sole cost the extent permitted to do so under United Kingdom law.

TAX STATUS

1. Service Provider — Payments received under the terms of this agreement will be considered taxable income in the United Kingdom
2. Service Recipient — Payments made under the terms of this agreement will be tax deductible in the United Kingdom
3. VAT of the current rate % of the invoice amount will be charged by the service provider to the service recipient

BILLING LOCATION

Lowara (UK) Ltd. Millwey Rise Industrial Estate Axminster EX13 5HU, United Kingdom

SERVICE LEVEL

1. Service Provider agrees to use reasonable care and diligence in the fulfillment of all services described above. Service Provider also agrees that it will promptly carry out services based on reasonable business practices and judgment.

NOTICES

All correspondence with respect to this agreement should be sent to the Service Owners listed above.

NOTICE REQUIREMENTS

<u>No.</u>	<u>Third Party Provider</u>	<u>Prior Notice Requirement to Terminate Service</u>
N/A	None required	See Term and Option above

PRICING & PAYMENT TERMS

1. The hourly fixed charge for Operations services, Import/Export services, and INTERSTAT Compliance services will be Cost plus 2% - 10% per hour for the term of this agreement — Payable in British Pounds.
2. The fixed hourly rate of Cost plus 2% - 10% per hour shall be the minimum charge. Partial hour charges will be rounded up to include the entire hour. For example, a service provided in 2 hours and 20 minutes will be charged at 3 hours or Cost plus 2% - 10%.
3. Invoices will be prepared monthly and mailed to the service provider via email. Invoices shall include the date services were provided, the name(s) of the person(s) who provided the service, and the number of hours spent providing the service.
4. There will be no additional backup attached to these invoices.
5. Invoice payment terms are net 30 days from invoice date.

**SCHEDULE AB19
TESTING SERVICES TSA SCHEDULE FOR INDIA**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider</u> <u>Rabi Burman</u>	General Manager, ITT Corporation India Pvt Ltd. Plot No 731A, GIDC Savli, Manjusar, Savli Road. Vadodara, Gujarat 391 770		Rabi.Burman@itt.com
<u>Service Recipient</u> <u>Sam Yamdagni</u>	President, Xylem Water Solutions India Pvt Ltd. Plot No 731B, GIDC Savli, Manjusar, Savli Road. Vadodara, Gujarat 391 770		Sam.Yamdagni@itt.com

PARTIES TO THE AGREEMENT

1. **Service Provider** — ITT Corporation India Pvt. Ltd.
2. **Service Recipient** — Xylem Water Solutions India Pvt. Ltd.

GENERAL SERVICE DESCRIPTION

1. Testing services for Xylem products using IP test bed infrastructure in the Baroda plant

TERM AND OPTION

1. Minimum Service Period — 22 months — Commencing on the Date of physical separation of Service Provider and Service Recipient. Physical separation occurs when Xylem manufacturing operations move in to the new Service Recipient plant.
2. The Hourly Costs are set forth below under Pricing & Payment Terms.
3. Service Recipient will have the option to terminate this agreement at any time, with no additional make-whole fee as required by Section 11(b) of the Agreement, after the 1st 12 months with 1 month advance written notice to the Service Provider
4. This Agreement cannot be extended beyond 24 months after the Distribution Date.

SERVICES TO BE PROVIDED

1. Testing of Xylem products

- a. Service Provider provides Service Recipient full access to the test bed and infrastructure to fully test pumps and other related products**
- b. Service Provider also provides tools, equipment and personnel to fully validate a product**
- c. Service Provider also fully tests the products per instructions from Service Recipient or its customers or its agents**
- d. Service Provider provides full report(s) on the results of the test and performance of the products**
- e. Service Provider personnel will take control of the products at the loading dock and transfer the products to the test bed, install them on the test bed, fully test the products, remove the products and package them and return as required by Service Recipient**
- f. Service Recipient or its agents or its customers will have access to the products while they are being prepared for testing, while products are being tested and while the products are being processed for return to Xylem**
- g. Service Recipient or its agents or its customers will have access to the control room in order to witness the test.**
- h. Only Service Provider personnel are allowed to run the test and operate all tools, machinery and controls related to the testing of these products**

LOCATIONS

1. IP facility located at the following address;

Plot No 731A, GIDC Savli, Manjusar, Savli Road.
Vadodara, Gujarat 391 770, India

PREREQUISITES/DEPENDENCIES

- 1. After the termination of this agreement, it may be necessary from time to time for the Service Provider, on behalf of the Service Recipient, to respond to inquiries made by customers or government authorities about Service Recipient's financial statements and tax filings, including providing support for audits. In this event, the Service Provider will contact the Service Recipient and agree on an appropriate course of action and response. To the extent that Service Provider's resources are to be used to respond to the inquiries, after the TSA ends, the Service Provider will be entitled to invoice the Service Recipient at the following rates per hour provided if assistance is needed under this section after 2012, the parties will renegotiate such rates in good faith;**
 - a. Clerical — US\$20.00**
 - b. Professional — US\$30.00**
 - c. Management — US\$77.00**
- 2. At the termination of this agreement, the Service Recipient will provide the necessary support at its own expense to transfer data to its own systems. The Service Provider will agree to provide training to the Service Recipient's employees on the Service Provider's premises or via conference call / web ex prior to the termination of the agreement. The Service Provider will not be required to send any of its employees to any other Service Recipient location. 3. In the event of 3rd party claims against the Service Recipient which are unrelated to this agreement, the Service Recipient agrees to indemnify the Service Provider for any costs that the Service Provider may incur in the event that the 3rd party elects to also claim damages against the Service Provider because of their relationship with the Service Recipient. The Service Recipient also agrees to defend the Service Provider at its sole cost to the extent permitted to do so under Indian Law.**

TAX STATUS

- 1. Service Provider — Payments received under the terms of this agreement will be considered taxable income in India**
- 2. Service Recipient — Payments made under the terms of this agreement will be tax deductible in India**

**BILLING LOCATION
NOTICES**

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following;

1. Service Provider — Joanne Scalard

1133 Westchester Ave
White Plains, NY 10605

2. Service Recipient — Dan Kelly

1133 Westchester Avenue
White Plains, NY 10605

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
	None required	See Term and Option above

PRICING & PAYMENT TERMS

1. The hourly fixed charge for testing services provided under this TSA will be cost plus 10% to 15% handling charges.
 - a. Year 1 handling charges: 10% to 15%. Year 2 handling charges: 10% to 15%
2. Refer to the table below for the pricing details
3. All Invoices are payable in Indian Rupees (INR).
4. Invoices will be prepared monthly and mailed to the service recipient via email or regular mail.
5. The 1st invoice will be dated on the last day of the financial closing in December 2011
6. Invoice payment terms are net 30 days from invoice date.
7. Subsequent invoices will follow every 30 days as long as there is activity. If Service Recipient doesn't use any testing services in any given month, Service Provider doesn't have to provide an invoice.

	Details	INR	USD	Source
	Sale Value (To end Customer)		—	
Add	Taxes		—	
	Total Sales Value	—	—	
Less	Actual Cost of Material		—	
Less	PPV		—	
Less	Actual Cost of Packing Material		—	
Less	Actual Cost of Stores & Spares		—	
Less	Actual Cost of Freight		—	
Less	Actual Customs cost		—	
	Total Cost	—	—	
	Margin	—	—	
5%	Manpower Deputation Charges			
	Debit Note Basic Value			
Add	Service Tax			
	Xylem DN to ITTCo			

Notes

- 1 Invoices shall be raised on a monthly basis
- 2 All data will be from ERP Lx
- 3 Freight & Customs data will be based on actual bills booked

Xylem Manpower Deputation Charges

Salary Cost	Cost - Aug	(INR) Margin
DL		
Overheads		
S&M	—	
G&A	—	
Total		

Schedule AC1
ACCOUNTS PAYABLE, SUPPLIER
PAYMENT AND SALES & USE TAX
SERVICES

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, expect where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Kim Acker ITT Corporation	ITT Shared Service Working Capital Manager		kim.acker@itt.com
Elizabeth Webster Exelis Inc.	Senior Business Analyst		elizabeth.webster@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Accounts Payable, Supplier Payment and Sales and Use Tax Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide Accounts Payable, Supplier Payment and Sales and Use Tax Services:			
		Sales and Use Tax Services — The Service Provider will provide:			
SS-AP-SP -01	Accounts Payable and Supplier Payment Processing Services	<ul style="list-style-type: none"> The Service Provider based on Sales and Use tax data received in a predefined form from the Service Receiver’s Business Units, will prepare the Sales and Use Tax Returns. A list of all valid Service Receiver Business Units is found in Attachment A. The Service Provider will file all required Sales and Use Tax Returns together with payments that are required. The Service Provider will send copies of the Returns to the appropriate Service Receiver Business Units. The Service Provider, on receipt of phone calls and emails, will respond to routine inquiries and correspondence from the various jurisdictions. Taxware Configuration Support — The Service Provider on receiving Jurisdiction Change information from the Service Receiver will configure jurisdictional tax obligations. The Service Provider on receipt of a request from the Service Receiver will provide Use Tax information (via the ZUSE_TAX report) to the Service Receiver. Value Added Tax (VAT) Recovery Support — The Service Provider will review vendor invoices for VAT charges, and submit VAT included invoices to 3rd party (Meridian) for submission to VAT Taxing Authorities. Upon receipt of a VAT refund check from the Service Receiver’s 3rd party (Meridian), Service Provider will provide the funds to the Service Receiver’s Business Unit. 	720 Returns per Year		
		Accounts Payable and Supplier Payment Vendor Master Data Maintenance:			
		<ul style="list-style-type: none"> The Service Provider on receiving Service Receiver approved remit-to vendor set-ups and update requests submitted via the vendor portal, will utilize address standardization and duplicate checking to review and approve or reject the vendor request. If approved, the add/changed Vendor information will be updated in the vendor master within 1 hour between the hours of 8:00am and 5:00pm EST. The Service Provider on receiving a Credit Reference Request form, will forward the request to the Service Provider’s Banking partner (Citibank) where they process the request. The Service Provider after receiving electronic banking details from the Service Receiver or their Vendor, adds all Banking Details. The Service Provider requires complete (per banking requirement instructions) electronic banking details be sent to the Vendor Administrator, and will be processed within 48 hours. 			
				18	Cost plus 2% - 10%

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> The Service Provider reserves the right to be the sole owner and administrator of Master Programs, Tables, Data, and Application Security and Access controls will as necessary get joint approval from all Service Receivers for those proposed changes that will impact another Service Receiver. <p>In addition, the Provider will provide the following services: Complete SAP Month End jobs and reports to support postings.</p> <p>Accounts Payable and Supplier Payment Document Management and Processing:</p> <ul style="list-style-type: none"> The Service Provider will pick up mail from the Service Receiver's Seneca Falls Post Office Box. The Service Provider on receiving incoming documents (e.g., mail, fax, non-Service Receiver email) from the Service Receiver or Service Receiver's Suppliers, are opened, reviewed, and scanned into SAP within 1 business day, and are indexed within 2 business days. Priority documents are indexed within 1 business day. The Service Provider's Document Processing and Help Desk Teams determine priority. Upon completion of indexing, the documents route to either the Check Request portal for further input by the Service Receiver or on to Document Processing for matching by the Service Provider. Non-compliant workflow handling — Accounts Payable document received by the Service Provider, which does not contain sufficient information to be indexed, is routed to the Service Receiver for Non-Compliant Workflow review. The Service Receiver must provide direction to the Service Provider prior to any additional processing. Duplicate Checking — The Service Provider for each Accounts Payable document received compares it to previously received and processed documents to ensure no duplicate invoices are processed, and will delete duplicate as necessary. The Service Provider will store all Service Receiver's Invoices and attachment information onsite and off-site with an external document storage vendor (Iron Mountain). <p>Accounts Payable and Supplier Payment Document Processing:</p> <ul style="list-style-type: none"> The Service Provider will for all Purchase Order related invoices either 2 or 3 way match them. Any documents found by the Service Provider having exceptions or needing approvals, are parked for review by the Service Receiver, all matched documents are posted. 	159,878 Documents per Year		
		<ul style="list-style-type: none"> The Service Provider will for all Purchase Order related invoices either 2 or 3 way match them. Any documents found by the Service Provider having exceptions or needing approvals, are parked for review by the Service Receiver, all matched documents are posted. 	241,547 Documents per Year		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> • The Service Provider receives electronic documents via interface from the Service Receiver or an internal business group within Provider. Documents are received and posted automatically unless an exception exists. A combination of one or more of these components: PO, tax review, and an Accounts Payable document can be received from the Service Receiver or an internal business group within Provider. The Service Provider will retain all hard copy invoices for DCAA audit requirements. • For Service Receiver’s Business Units that cannot support foreign currency payments through Receiver’s Purchase Order systems, the Service Provider requires additional processing prior to payment. Invoices received in a currency other than USD and CAD require an update to the Purchase Order prior to invoice posting. The Service Provider will provide the Service Receiver the converted USD or CAD value, so that the Purchase Order can be updated to match the provided amount. • The Service Provider determining any Accounts Payable document that does not pass the 2 or 3 way match or requires approval, must be parked for review by the Service Receiver. • The Service Provider on receiving returned ‘parked’ documents from the Service Receiver, will: <ul style="list-style-type: none"> • Process the returned corrective actions for each ‘parked’ document, specified by the Service Receiver. The Service Receiver must review each ‘parked’ document. • Review the directions provided by the Service Receiver and either post, delete, delete and recreate, or re-park the document based on the comments provided by the Service Receiver and the ability to match the document • No item in the processing queue should remain in the queue greater than 5 business days. On a daily basis the processing team will also work priorities based on status and due date. • The Service Provider will review upon receipt of a One-Time Vendor check request submitted via the check request portal from the Service Receiver, will be reviewed by the Service Provider, and sent to the Service Receiver’s approver regardless of approval limit. • The Service Provider on receiving Stop Payment and Void notifications from the Service Receiver’s bank, will process Stop payments and voids within SAP (in conjunction with Treasury processing with the bank) and Invoice reversals when necessary. 	84,587 Documents per Year		
			521 Requests per Year		

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Accounts Payable and Supplier Payment Vendor Payment Processing:			
		<ul style="list-style-type: none"> The Service Provider will execute Payment runs on Mondays, Wednesdays, and Fridays (excluding USA and Canadian holidays) at 8:00am EST, for those invoices, which have reached to their Due Dates, and transmit Payment file to the Service Receiver's Bank. The Service Provider will review any exceptions from the payment process, and will update the system accordingly. The Service Provider on receipt of a Vendor Refund request from the Service Receiver, or a returned payment from the Post Office, will process them appropriately The Service Provider on receipt of an Emergency request, will provide to the Service Receiver Emergency payment services. These services are processed from Seneca Falls, between 1:00pm and 2:00pm EST daily excluding USA/Canadian Holidays. All overnight instructions are to be provided in advance. This service should be reserved for true emergencies only based on the urgency of the transaction (shut-offs which severely impact business operations) subject to approval by Service Provider. Emergency Check requests received by the Service Provider after 2:00pm EST are subject to additional charges. The Service Provider will process Intercompany Payments twice each month. 	1,368 Payment Runs per Year		
		Accounts Payable and Supplier Payment Help Desk Processing — The Service Provider will provide Help Desk services to the Service Receiver:			
		<ul style="list-style-type: none"> The Service Provider will receive inquiries via Issuetrak from the Service Receiver or their Vendors are received and recorded centrally. The Service Provider will create Tickets, assign priority and will be resolved by the Service Provider Help Desk staff or appropriate resources. The Service Provider will receive approved User ID requests through Issuetrak from the Service Receiver, and will update the appropriate user access information necessary to provide user access. The Service Provider will provide access to applications through user request form(s) submitted by Service Receiver via Service Provider P2P Help Desk tickets for authorized service receiver users. Service Provider will maintain and reset SAP user passwords and application security through Provider P2P Help Desk requests. Service Provider will monitor and restrict unauthorized access to source code and data. User add/update/delete requests will be completed within three (3) business days of receipt of complete, approved form. 	4,376 Internal User Inquiries per Year		176 Requests (Adds, Deletes, and Updates) per Year

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Tickets are assigned a priority of High, Medium and Urgent. High tickets are resolved within 1 business day, and Medium tickets are resolved within 2 business Days. Urgent priority tickets are responded to within 1 hour, during normal Service Provider business day. Tickets classified as User set-ups and others are completed within 3 days. 			
		<p>The Service Provider will receive approved User ID requests through Issuetrak from the Service Receiver and will update the appropriate user.</p>			
		<p>Accounts Payable and Supplier Payment Reporting and Processing:</p>			
		<ul style="list-style-type: none"> Daily Reporting — The Service Provider will continue to provide any daily reports currently provided to the Service Receiver automatically through email or SAP inbox. 	<p>11 Postings per Business Unit per Month (month-end processing)</p>		
		<ul style="list-style-type: none"> Month-End Processing — All transactions posted throughout the month are accounted for at month end and updates sent to the Service Receiver’s Business Units for posting on their ledger. Reports are sent to Service receiver via an email or SAP inbox. 			
		<ul style="list-style-type: none"> Year-End Processing — All parked documents as of 12/31 are completed and recreated in the new fiscal year via an electronic message. 			
		<ul style="list-style-type: none"> 1099’s — Service Provider will consolidate all transactions posted against vendors labeled as 1099 vendors throughout the year for 1099 issuance and filing. Service Receiver must continue to provide any non SAP 1099 data to the Service Provider and review and obtain W-9 for all One Time Vendor requests for 1099 compliance. 			
		<p>Accounts Payable and Supplier Payment Audit Support:</p>			
		<ul style="list-style-type: none"> The Service Provider will continue to provide existing reporting, invoice copies, and payment information (in conjunction with Treasury) upon audit request. Service Receiver will be responsible for transactions for which Service Provider systems are not the system of record. 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
SS-AP- SP -02	P2P Delivery Environment Application Support Services	<p>Provide application support services for P2P Delivery Environment, which consists of SAP, Vendor Portal, Taxware, OpenText, and Interface Infrastructure MQ and XI (MQ support is only on Provider's MQ):</p> <ul style="list-style-type: none"> • P2P Delivery Environment Support & Maintenance — Service Provider will monitor incident resolution requests; and recommend and implement incident resolution. Service Provider will identify and communicate breaks in application, develop solution to address break, and implement fixes to resolve break. Service Provider reserves the right to charge time and material for a Service Receiver initiated break which requires greater than 8 hours to resolve. Service Provider will maintain production batch schedule, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes; and monitor and maintain application administration. Service Provider will provide SAP Basis support, development support for the P2P Delivery Environment, and configuration management in support of business as usual activities (excludes enhancement requests by Service Receiver). Requests for support and maintenance will be submitted and tracked via Service Provider Help Desk ticket. <p>Service Provider will publish scheduled down time which will allow for normal maintenance of the P2P environment including operating system upgrades; database maintenance, and other tasks required in order to keep environment running efficiently. Ad-Hoc down time will be communicated to Service Receiver with 3 business days advance notice where possible.</p> <ul style="list-style-type: none"> • P2P Delivery Environment Testing Support - Support of Receiver requested testing cycles are included in services during the TSA with the following exceptions to be treated as supplemental services and charged via Time and Materials Based on Additional Pricing Section: <ul style="list-style-type: none"> • Testing requiring a client refresh more than twice a year. • Test requiring run and verification of a full month-end close where Provider and Receiver are not in consensus that the change has an impact to month-end close. 	534 SAP Users 241,547 Invoice Postings per Year 44,022 New Purchase Orders Created per Year		

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 3% (such activity, including any such 3% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

Scenario	One-Time Setup Fees	Monthly Fees
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
SS-AP-SP -03	Accounts Payable and Supplier Payment & P2P Delivery Environment Migration	Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, and current state functional data mapping	Time and Materials Based on Additional Pricing Section
SS-AP-SP -04	Accounts Payable and Supplier Payment & P2P Delivery Environment Knowledge Transfer	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to Accounts Payable and Supplier Payment; Sales and Use Tax; and P2P Delivery Environment services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Accounts Payable and Supplier Payment Processing by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Seneca Falls, USA to other USA and Canada locations.

PREREQUISITES/DEPENDENCIES

- If Service Receiver or their Supplier(s) provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear extraordinary cost and external fees incurred to rectify the issue.
- The Service Receiver, will strive to see that all invoices sent by their Suppliers are sent directly to Seneca Falls and must reference a valid Purchase Order number (where applicable), in order for the Service Provider to meet existing Service Levels.
- Any external fees associated with late returns due to the Service Receiver missing these requirements (3 bullets below) is the responsibility of the Service Receiver
- The Service Receiver will furnish to the Service Provider relevant and accurate Sales and Use tax data by the end of the second week after each month end closing or the 10th of the month, whichever comes first.
- The Service Receiver will be responsible to register with appropriate Taxing Authorities for any new locations (Business Units). The Service Receiver will ensure that the applicable tax registration information will be provided to the Service Provider in a timely fashion.
- The Service Receiver will be responsible for updating and maintaining any changes with existing registrations with Taxing Authorities. Notification of changes will be provided to the Service Provider, if applicable.
- The Service Receiver is required to ensure accuracy of the vendor master records used in the transactions including: address, and terms from the vendor master or Purchase Order. The Service Provider is responsible for vendor remit to maintenance and accuracy.
- The Service Receiver is responsible for the cost and outstanding liabilities of any additional Service Receiver location, not found in Attachment A, prior to the Service Provider providing services.
- Service Receiver will maintain the interfaces documented in Attachment B.
- Service Receiver must have one of following the ERP systems active and maintained along with associated interfaces for the duration this agreement is in effect: Order Management System (OMS) and Infinium.

- Service Receiver must have MQ Series active and maintained for the duration this agreement is in effect.
- Service Receiver will support testing as required for changes implemented by Service Provider for BAU enhancements or where mandated by any 3rd party vendor support, e.g. SAP. Where enhancements require extensive testing by the Service Receiver, Service Provider will get approval from Service Receiver.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

The P2P Delivery Environment scheduled downtime will be Mondays and Tuesdays from 10:00 PM to 3:30 AM ET and Sundays from 1:00 AM to 8:00 AM ET.

Service Provider P2P Help Desk support is available 8:00 AM — 5:00 PM ET Monday through Friday except for holidays. Items are assessed for priority within one (1) hour of receipt. Barring circumstances outside of Service Provider's control, urgent priority items are addressed within one (1) hour. High priority items will be responded to within one (1) business day and medium priority within two (2) business days. Priority is assessed by the helpdesk staff with direction from Service Receiver.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

The Service Provider will perform services on behalf of the Service Receiver, to the following Service Receiver Business Units:

<u>Pre-day 1 Company Codes</u>	<u>Company name</u>	<u>City</u>
1005	ITT Communication Systems	Fort Wayne
1010	ITT Electronic Warfare/Electronic Systems	Clifton
1018	ITT Defense HQ	Seneca Falls
1160	ITT Advanced Engineering & Sciences	Reston
1165	ITT Radar Systems (Gilfillan)	Van Nuys
1170	ITT Defense HQ	McLean
1180	Night Vision	Roanoke
1185	SSD	Rochester
1186	SSD	Rochester
1190	ITT Communication Information Systems (CIS)	Colorado Springs
1191	Systems — HQ	Colorado Springs
1195	Systems — SSI	Colorado Springs
1198	Systems — FSIC	Colorado Springs
1199	ITT Communication Systems Colorado Springs	Colorado Springs
1200	ITT Communication Systems CNS	Charleston

NOTES:

- 1) All times noted are U.S. Eastern Time Zone
- 2) Hours quoted are business hours (i.e. Monday — Friday excluding local Holidays) only, excludes Saturday and Sunday
- 3) A “business day” equals 24 hours

ATTACHMENT B

<u>Interface Name</u>	<u>Business Purpose</u>	<u>Source</u>	<u>Destination</u>	<u>Frequency</u>
Vendor	Central Vendor Master Maintenance	Service Provider	Service Receiver	Real-time
Purchase Order	Purchase Order add, change, delete	Service Receiver	Service Provider	Real-time
Receipts	Receipt posting and reversals	Service Receiver	Service Provider	Real-time
Invoice Posting	Invoice posting and reversals	Service Provider	Service Receiver	Real-time
Invoice Payment	Payment posting and reversals	Service Provider	Service Receiver	Real-time
Month End Reconciliation:				
ME_APRECLS	ME A/P trade reclass	Service Provider	Service Receiver	Month End
ME_FCREVAL	ME Foreign Currency revaluation	Service Provider	Service Receiver	Month End
ME_HCR	ME Headquarter cash reclearing	Service Provider	Service Receiver	Month End
ME_ICRECFX	MW Intercompany FX reclass	Service Provider	Service Receiver	Month End
ME_ICRECLS	ME Intercompany Payables reclass	Service Provider	Service Receiver	Month End
ME_OCR	ME Uncleared Cash reclass	Service Provider	Service Receiver	Month End
ME_SMLDIFF	ME Small Difference balancing	Service Provider	Service Receiver	Month End
ME_SSF	ME Shared Service Fee — P2P	Service Provider	Service Receiver	Month End
ME_SSFEBUY	ME Shared Service Fee — eBuyITT	Service Provider	Service Receiver	Month End
ME_TAXRCLS	ME Sales & Use tax reclass (for self-assessed tax)	Service Provider	Service Receiver	Month End
ME_VDPFX	MW Vendor down payment	Service Provider	Service Receiver	Month End

Schedule AC2
eBuyITT INVOICE PROCESSING
SERVICES

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, expect where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Philip Galluzzi ITT Corporation	Manager, TDS Business Relationships & Corporate Travel		phil.galluzzi@ittcorp.net
Joe Daniel Exelis Inc.	TSA Manager		joe.daniel@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform eBuyITT Invoice Processing Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide eBuyITT Invoice Processing Services: <ul style="list-style-type: none"> <li data-bbox="477 306 899 583">• eBuyITT Invoice Review — The Service Provider will receive designated invoice submissions from the Service Receiver’s eBuyITT enabled Suppliers (via EDI transaction or manual entry) and prep invoices and feed the submitted invoices to Perfect Commerce. The Service Provider will use the daily invoice feeds from Perfect Commerce to prep invoices for financial back office operations. <li data-bbox="477 617 915 806">• eBuyITT Exception Handling and Resolution — The Service Provider will reconcile and re-validate invoices flagged with validation errors. Once the invoice is validated, the Service Provider will process it as stated above. Mismatched invoices will not be paid without resolution. 	8,418 Hard Copy Invoices Annually* / 34,693 Invoices Annually 2,800 Transactions Annually		
SS-eBuyITT-01	eBuyITT Invoice Processing Services	<ul style="list-style-type: none"> <li data-bbox="477 842 915 1003">• Invoice Recording & Payment Processing — Service Provider will send the balanced invoices to an internal business unit within the Service Provider, on a daily basis, for additional Accounts Payable recording and payment processing for the Service Receiver. <li data-bbox="477 1037 915 1142">• Vendor File Maintenance — The Service Provider will receive vendor master data for new vendor setup from an internal business unit to perform Vendor File Maintenance. <li data-bbox="477 1176 915 1310">• Tax Exempt Certificate File Maintenance — The Service Provider will receive Service Receiver Supplier’s tax exempt vendor certificates from an internal business unit to maintain tax exempt master file. <li data-bbox="477 1344 915 1751">• Cost Distribution Services — Service Provider will use validated invoices as documented above to provide Service Receiver a cost distribution file transmitted via FTP and/or email, or transmitted to an internal business unit data and centralized tax services via the current Purchase to pay distribution process to all Service Receiver’s business units that are currently on Purchase to Pay. The Service Provider will provide cost distribution and taxability indicators, per agreed frequency to the Service Receiver’s business units that are not currently supported by the Shared Services Accounts Payable (P2P) process). <li data-bbox="477 1785 915 1917">• eBuyITT Aged-Invoice Workflow Notification — Service Provider will perform routine communication of aged open invoices requiring Service Receiver triage and action. 	8,418 Hard Copy Invoices Annually* / 34,693 Invoices Annually As Needed Basis 8,418 Hard Copy Invoices Annually* / 34,693 Invoices Annually As Needed Basis As Needed Basis	18	Cost plus 2% - 10%

* Note: The BAU transaction volume for hard copy invoices, and not the total invoice volume (i.e., both electronic and hard copy), will be used as the pre-distribution date baseline to calculate changes in service volumes (plus or minus 10%) as defined in the next section.

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes (e.g., Benefits provider change) are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
SS-eBuyITT-02	eBuyITT Invoice Processing Services Migration	Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, and current state functional data mapping	Time and Materials Based on Additional Pricing Section
SS-eBuyITT-03	eBuyITT Invoice Processing Services Knowledge Transfer	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to eBuyITT services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to eBuyITT Invoice Processing by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Palm Coast, FL USA to other USA locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain current Cost Distribution data delivery methodologies (e.g., FTP drop site/email attachment receipt).
- If Service Receiver or their suppliers provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Receiver must actively be engaged on the GSCS Service Agreement from Global Supply Chain Services (GSCS) and utilize Perfect Commerce as the eProcurement platform for the duration this agreement is in effect.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

SCHEDULE AC3

P-CARD TRANSACTION PROCESSING

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Philip Galluzzi ITT Corporation	Manager, TDS Business Relationships & Corporate Travel		phil.galluzzi@ittcorp.net
Joe Daniel Exelis Inc.	TSA Manager		joe.daniel@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform P-Card Transaction Processing Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide P-Card Transaction Processing Services:			
		<ul style="list-style-type: none"> P-Card Invoice Review — The Service Provider will receive a notification and data file from US Bank once monthly containing transaction details and Company information for Service Receiver’s P-Card holders. In addition, the Service Provider will receive from an internal business unit an authorization to proceed with the P-Card File download. The Service Provider will review the file, format data for financial processing, and validate invoices for completeness and accuracy. The Service Provider will flag invoices with validation errors. The Service Provider will use booked AP invoices to generate proprietary data files to be sent via email to Service Receiver’s Treasury Department for payment settlement. 	410 Transactions Annually		
SS-PCard Processing-01	P-Card Transaction Processing Services	<ul style="list-style-type: none"> P-Card Exception Handling and Resolution — The Service Provider will reconcile and re-validate invoices flagged with validation errors. Once the invoice is validated, the Service Provider will process it as stated above. Mismatched invoices will not be paid without resolution. For processing credits, the Service Provider will insure that management accounts have monthly debit balances prior to transmission to Service Receiver’s Treasury Department. If a management account is received as a zero or credit balance, the Service Provider will remove credit transactions from being processed in ascending order until the management account reflects a debit balance. The Service Provider will communicate the removed credits to the internal business unit for resolution. P-Card Cost Distribution — The Service Provider will use validated invoices as documented above to provide Service Receiver a Cost Distribution file transmitted via File Transfer Protocol (FTP) and/or email. P-Card File Maintenance — The Service Provider will perform file maintenance based on internal business unit approval for new and/or changes to P-Card holders. Only valid, internal business unit-approved cardholder transactions are processed. Three (3) business days prior notice is required to maintain P-Card file. 	130 Transactions Annually	18	“Cost plus 2% - 10%”
			21 Transactions per Month		
			As Needed Basis		

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

Service #	Service Name	Description of Service	Service Charge (\$/hour)
SS-PCard Processing-02	P-Card Transaction Processing Migration	<p>Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, and functional data mapping 	Time and Materials Based on Additional Pricing Section
SS-PCard Processing-03	P-Card Transaction Processing Knowledge Transfer	<p>Service Provider will provide the following knowledge transfer services:</p> <ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to P-Card Transaction Processing services 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to P-Card Transaction Processing by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Palm Coast, FL, USA to other USA locations.

PREREQUISITES/DEPENDENCIES

- If Service Receiver, or their Supplier(s), provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver, in a separate and independent agreement, must utilize US Bank as the P-Card supplier for the duration this agreement is in effect.
- Service Receiver must actively be engaged on the GSCS Service Agreement from Global Supply Chain Services (GSCS) for the duration this agreement is in effect.
- Service Receiver must maintain current Cost Distribution data delivery methodologies (e.g., FTP drop site/email attachment receipt) and payment settlement interface (Treasury) for the duration this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

**SCHEDULE AC4
TELECOM INVOICE PROCESSING
SERVICES (TAPS)**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Philip Galluzzi ITT Corporation	Manager, TDS Business Relationships & Corporate Travel		phil.galluzzi@ittcorp.net
Randy McElvain Exelis Inc.	Director, Enterprise Infrastructure Operations		randy.mcelvain@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Telecom Invoice Processing Services (TAPS), for Long Distance Voice and Data Circuitry, for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide Telecom Invoice Processing (TAPS) Services:			
		<ul style="list-style-type: none"> TAPS supplier statements — The Service Provider will receive Service Receiver's current Primary Telecom Service Supplier statements monthly. The statements are transmitted via EDI, or entered manually via paper statements, to the Service Provider. To produce balanced TAPS statements, the Service Provider will perform various validation and duplication protection routines with criteria including Master Control Number, Account number, and AT&T Statement numbers. Only total current charges are recognized in the TAPS system for processing each month. 	2,700 Transactions Annually		
SS-TAPS-01	Telecom Invoice Processing Services (TAPS)	<ul style="list-style-type: none"> TAPS Exception Handling and Resolution - Service Provider will reconcile accounts that failed validation. The Service Provider will make commercially reasonable efforts to gain resolution from the Service Receiver, to produce resolved accounts that are ready for financial processing. Accounts that fail validation are not paid without resolution. Invoice Recording & Payment Processing — Service Provider will send the balanced invoices to an internal business unit within the Service Provider, on a monthly basis, for additional Accounts Payable recording and payment processing for the Service Receiver. TAPS Cost Distribution — The Service Provider will transmit to the Service Receiver a Cost Distribution file from the processed validated Statements, Service Provider will transmit this file via FTP and/or email to the Service Receiver. TAPS Customer File Maintenance — The Service Provider will perform Customer File Maintenance after receiving a Change Request from the Service Receiver. Only valid, ITT Customer accounts and Statements are processed. Three (3) business days prior notice are required to maintain the Customer file. 	90 Transactions Annually	9	Cost plus 2% - 10%
			2,700 Transactions Annually		
			27 Transactions per Month		
			45 Transactions Annually		

Service Volumes Greater or Less Than Observed Pre-Distribution

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented in this agreement
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver	
SS-TAPS-02	Telecom Invoice Processing (TAPS) Migration	<ul style="list-style-type: none">• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes and functional data mapping <p>Service Provider will provide the following knowledge transfer services:</p>	Time and Materials Based on Additional Pricing Section
SS-TAPS-03	Telcom Invoice Processing (TAPS) Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to Telecom Invoice Processing (TAPS) services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Telecom Invoice Processing Services (TAPS) by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Palm Coast, FL, USA to other USA locations and select EU and Asia locations.

PREREQUISITES/DEPENDENCIES

- Security and access controls will be maintained as set forth in the Master Services Agreement.
- If Service Receiver, or their Supplier(s), sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must actively be engaged on the Accounts Payable and Supplier Payment TSA for the duration this agreement is in effect.
- Service Receiver must actively be engaged in the circuitry configuration and inventory control of their networks and have Subject Matter Experts (SME) available to assist with statement processing discrepancies.
- Service Receiver, in a separate and independent agreement, must utilize AT&T as the telecommunication data vendor.
- Service Receiver will maintain current Cost Distribution data delivery methodologies (e.g., FTP drop site/email attachment receipt).

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are

documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

**SCHEDULE AC5
U.S
ACTIVE SALARIED ELIGIBLE
EMPLOYEES MEDICAL, PHARMACY
AND DENTAL PROGRAM**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider's</u>			
<u>Contact</u>			
ITT Corporation Deborah Macchia	Mgr, Benefits Planning and Administration		Deb.macchia@itt.com
Lisa Munoz	Benefits Analyst		Lisa.munoz@itt.com
Thomas Hickey	Manager, Benefits Financial Reporting	[]	Thomas.hickey@itt.com
<u>Service Recipient's</u>			
<u>Contact</u>			
Exelis Inc.			
Bill Bonk	Director of Global Benefits		Bill.bonk@itt.com
John Brown	Manager of Benefits Administration.		John.Brown@itt.com

PARTIES TO THE AGREEMENT

Service Provider: ITT Corporation — White Plains, NY
Service Recipient: Exelis Inc. — White Plains

TERM

Services provided hereunder shall terminate December 31, 2013; provided that for the avoidance of doubt the coverages provided hereunder and described below only apply to Claims (as defined herein) made by Service Recipient's Covered Employees (as defined herein) and incurred on or before December 31, 2011.

GENERAL SERVICE DESCRIPTION

Service Provider currently provides active medical, pharmacy(Rx) and dental administration for coverages provided through Empire and Anthem (medical), Medco(Rx), MetLife(dental) and SHPS (FSA) (Empire, Anthem, Medco, MetLife and SHPS collectively, the "Vendors") for its U.S. Active, Salaried, Eligible Employees ("Covered Employees"). Service Provider shall keep the current contracts with the Vendors and the ITT CORPORATION SALARIED MEDICAL AND DENTAL PLAN (PLAN NUMBER) and the ITT Salaried Medical Plan and Salaried Dental Plan General Plan Terms (collectively, the "Plans") and all coverage thereunder in full force through December 31, 2011 for Service Recipient's Covered Employees. All claims of Service Recipient's Covered Employees made under the Plans and incurred on or prior to December 31, 2011 the ("2011 Plan Year") will be adjudicated in accordance with the current contract and Service Provider will continue to take such actions on behalf of Service Recipient's Covered Employees as if such employees are employees of Service Provider.

All medical, dental, pharmacy and FSA claims of Service Recipient's Covered Employees made under the Plans (the "Claims") will be paid by the Vendors on behalf of the Service Provider. Service Recipient will pay Service Provider for coverage based on 2011 budget premium rates previously set for the calendar year 2011 and described in the "Pricing" section below. Service Recipient will pay Service Provider monthly premium payments for this service, for any full or partial months, based on actual enrollment for the months covered post-spin using enrollments as of the first (1st) calendar day of the month, commencing on the day after the Distribution Date. Service Recipient will prepare and deliver to Service Provider a monthly self bill containing cost breakdown by business unit and plan tier as set forth on Attachment A, within five (5) Business Days after the beginning of each calendar month. The Service Recipient will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient's employees covered, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request.

Service Provider will retain responsibility for executing funding of Claim payments and eligibility management with Vendors through December 31, 2013.

Service Provider will conduct a Headcount True-Up (as defined below) of the monthly premiums and establish an Incurred But Not Reported (“IBNR”) claims reserve for Claims incurred prior to December 31, 2011 date, but paid after that date, and conduct a reconciliation of such reserve. See “Headcount True-Up” and “IBNR Reconciliation” sections under Additional Pricing for details.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below or described above (collectively, the “Services”).

- Monthly Premium billing.
- Monthly administrative services billing (for administrative services billed on an hourly basis. See Additional Pricing section for Hourly Rates).
- See General Service Description for a description of payments and billing hereunder. See Pricing for a description of the Headcount True-Up (as defined below) and reconciliation for IBNR (as defined below) Claims.
- Claims processing
 - All Vendor Claims process will remain unchanged from the process as used during the 12-month period prior to the Distribution Date.
 - The Claims appeal process will not change from the process as used during the 12-month period prior to the Distribution Date. Empire/Anthem/Medco, MetLife and SHPS will handle all appeals as provided under the Employee Retirement Income Security Act. Once all such appeals have been exhausted, escalations will be handled by Service Provider.
 - Service Provider will pay all Claims incurred during the 2011 Plan Year.
- Eligibility
 - All eligibility adjustments (adding dependents, new hires, ect.) will be handled by local Service Recipient HR through the Infinium interface.
 - The Service Recipient may add or remove employees/dependants to coverage in accordance with the terms of the Plans, generally upon a qualifying event, new hire or termination. These rules will be the same rules in effect immediately prior to Distribution Date and will remain in effect until January 31, 2012.
 - Manual adjustments to eligibility will be handled directly with the Vendors by authorized Service Recipient local HR. These adjustments will be one off type adjustments that cannot be made through Infinium due to timing.
 - All file transmissions to Vendors will be handled by the Exelis Inc. Fort Wayne Shared Service team under the HR/Payroll/Benefits Transition Services Agreement.

- All files normally maintained manually by the Service Recipient local HR departments during the twelve (12) month period prior to the Distribution Date will remain unchanged.
- COBRA qualifying events notices will be handled by SHPS. Service Recipient Local HR department will notify SHPS of termination of employment (as is the current practice in the twelve (12) months prior to Distribution Date). SHPS will provide election notice to Covered Employees with appropriate coverages. There is a separate Letter of Intent with SHPS, attached as Appendix B.
- Claims payment
 - All Covered Employee Claims made under the Plans and incurred for the 2011 Plan Year will be paid by Service Provider.
 - Vendor administrative service charges for the 2011 Plan Year will be paid by Service Provider.
 - Empire and MetLife maintain bank accounts which Service Provider funds daily to pay claims. Each Vendor will separate claims paid by claims incurred date.
 - Service Provider will pay all Medical and Dental Claims incurred for the 2011 Plan Year, but submitted for payment after the end of the 2011 Plan Year but no later than allowed under the terms of the applicable Plan.
 - MEDCO invoices bi-weekly for claims paid. Service Provider will pay for all MEDCO claims incurred for the 2011 Plan Year.

PREREQUISITES/DEPENDENCIES

Service Recipient Responsibilities

- Service Recipient will provide accurate and timely employee enrollments via Infinium.
- Service Recipient will research eligibility issues as needed.
- In case of inaccurate data sent to Service Provider it will be the responsibility of the Service Recipient to rectify any problems and assessments incurred.
- Local Human Resources/Benefits departments will support Covered Employees.

BILLING LOCATION

Service Recipient will provide Service Provider a self billed invoice and payment to their address set forth below. The bill will cover all charges for Services under this Schedule provided by Service Provider. The invoice will contain the number of enrolled employees per tier per coverage, as set forth in Schedule A. A detailed list of Covered Employees will be provided by the Service Provider upon reasonable request of the Service Recipient. All administrative functions handled by the Service Provider in the twelve (12) month period prior to the Distribution Date are contained in the fee structure set forth below. The Service Provider and Service Recipient agree to negotiate in good faith for any additional services related to the Service provided hereunder that are outside the normal course of business.

SERVICE LEVEL

The Service Provider will provide the same service level to the Service Recipient as it provides to its Covered Employees.

NOTICE REQUIREMENTS

ITT Corporation
1133 Westchester Avenue, Suite 3000
White Plains, NY 10604
Attn: Deborah Macchia

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attention: Joe Daniel

Termination notices are not required. Service Provider will pay Claims incurred during the 2011 Plan Year, during the period from November 1, 2011 through December 31, 2013 with no further premium billed to the Service Recipient. Pursuant to the terms of the Plans there is a twenty-four (24) month Claim filing limit.

PRICING

In addition to the costs specifically set forth below, Service Recipient shall also pay all routine business travel expenses relating to such Services. The below table contains the monthly

premium rates the Service Provider shall charge. The Service Recipient will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient’s Covered Employees, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request. Each business unit has been banded 1 through 5. Depending on the assigned band the appropriate budget amount is charged to that business unit. The amounts in the table are per employee per month, by plan and coverage tier. See “General Service Description” for further detail on payment and billing for the monthly premium payments.

Medical and Pharmacy Premium

Rating Band	Basic		
	Employee Only	Employee +1	Family
Band 1			
Band 2			
Band 3			
Band 4			
Band 5			

Rating Band	Enhanced		
	Employee Only	Employee +1	Family
Band 1			
Band 2			
Band 3			
Band 4			
Band 5			

Rating Band	EPO		
	Employee Only	Employee +1	Family
Band 1			
Band 2			
Band 3			
Band 4			
Band 5			

Rating Band	HDHP		
	Employee Only	Employee +1	Family
Band 1			
Band 2			
Band 3			
Band 4			
Band 5			

Dental Premium

MetLife Dental		
EE	EE+1	Family

Add FSA pricing

Additional Pricing

Hourly Rates

Hourly Rates for Services not specified or normally provided by Service Provider in the twelve (12) month period prior to the Distribute Date but otherwise provided by Service Provider employees (including but not limited to modification, consulting, exit strategy development, transition, etc.) are documented below. The employee category is defined by Service Provider. The rates documented below apply to Service Provider employees only, should external resources be required, the costs for those external resources will be reviewed with the Service Recipient prior to execution of the project.

Notwithstanding anything in the Agreement to the contrary, the following rates shall not be subject to (a) the 4.5% increase for inflation in 2012 described in Section 2(a)(3) (but such rates shall be subject to such increase in 2013) or (b) the 2% or 10% increases described in the proviso to Section 2(a)(i) of the Agreement.

General Category of Employee	Hourly Rate
1. Secretarial/Administrative	\$ 50.00
2. Non-Executive	\$ 100.00
3. Executive	\$ 150.00

Headcount True-Up

Service Provider shall conduct a “headcount” true-up by March 31, 2012 (the “Headcount True-Up”), based on actual enrollment during the period beginning on the day after the Distribution Date and ending on December 31, 2011. The Headcount True-Up will be based on reviewing the actual monthly Infinium enrollment by Plan and coverage tier, by unit, but, for the avoidance of doubt, no true-up of actual Claims will be conducted. The Service Provider shall promptly provide the results of the Headcount True-Up to Service Recipient together with any supporting

data reasonably requested by Service Recipient. Within ten (10) Business Days after the parties reach agreement on the amount of the Headcount True-Up, the appropriate party shall pay to the other the amount so due.

IBNR Reconciliation

- Reconciliation for Incurred But Not Reported (“IBNR”) Claims
 - The premiums collected from Service Recipient hereunder will be credited to Service Provider’s active medical ledger.
 - The amount that Service Provider should hold in reserve to cover payment for all IBNR Claims incurred for the 2011 Plan Year shall be calculated in accordance with the following procedures:
 - This calculation will be made by June 30, 2012 using the same methods, assumptions, processes, etc. as used during the 12-month period prior to the Distribution Date to calculate the IBNR Claim reserve remaining to pay Claims incurred before January 1, 2012, but paid after June 30, 2012.
 - Service Provider and Service Recipient will engage Towers Watson, or such other person as the parties may agree to engage (the “Calculation Agent”), to calculate the target level of the IBNR claim reserve, whose determination shall be binding and conclusive on the Service Provider and Service Recipient.
 - The IBNR Claim reserve will have its final reconciliation calculated the Calculation Agent by June 30, 2012.
 - If the amount held for the IBNR Claim reserve is greater than the target level of the IBNR Claim reserve, as determined herein, within ten (10) Business Days of Service Provider being notified of such determination by the Calculation Agent, Service Provider shall pay its proportionate amount to Service Recipient (based upon Service Recipient’s number of Covered Employees (as of December 31, 2011) in relation to the total number of Covered Employees (for all of the Parties to the Agreement) in the IBNR Claim reserve pool (as of December 31, 2011) (the “Proportionate Amount”)), required, when included with the Proportionate Amounts to be paid to the other Parties to the Agreement, required to bring the amount held for the IBNR Claim reserve to its targeted level, as determined by the Calculation Agent.
 - If the amount held for the IBNR Claim reserve is less than the target level of the IBNR claim reserve, as determined herein, within ten (10) Business Days of Service Recipient being notified of such determination by the Calculation Agent and its Proportionate Amount by the Service Provider, Service Recipient shall pay its Proportionate Amount to Service Provider, required, when included with the Proportionate Amounts to be paid by the other Parties to the Agreement,

necessary to bring the amount held for the IBNR Claim reserve to its targeted level, as determined by the Calculation Agent.

Attachment A

Monthly self bill Example

<u>Unit</u>	<u>Value Center</u>	<u>Grand Total</u>
FTC-HQ	HQ	
Motion and Flow Controls HQ	HQ	
ITT Heat Transfer	RCW	
ITT Bell & Gossett Division	RCW	
Rule Industries	Flow Controls	
Sanitaire (WPCC)	WWW	
AC Custom Pump	IP	
Flo-Jet	Flow Controls	
Sanitaire — Royce	WWW	
Sanitaire WET	RCW	
Flowtronex	RCW	
RCW	RCW	
ITT Water Technology, Inc.	RCW	
Texas Turbine Operations-Lubbock	RCW	
Flygt Florida	WWW	
Leopold Salary	WWW	
WEDECO	WWW	
ITT Flygt Corp.	WWW	
Flygt-Indiana	WWW	
Laing	RCW	
Nova Analytics	ITT Analytics	
Global Water Instruments	ITT Analytics	
Bellingham and Stanley	ITT Analytics	
Aanderaa Data Instruments	ITT Analytics	

Attachment B



May 20, 2011

Ms. Deb Macchia
Manager, Benefits Planning and Communication
ITT Corporation
1133 Westchester Avenue
White Plains, NY 10604

RE: Trivestiture of ITT Corporation

Dear Ms. Macchia:

As you know, SHPS Human Resource Solutions, Inc. ("Company") currently provides ITT Corporation ("Client") spending account administration ("SAM") and COBRA services (collectively "Services") pursuant to a Service Agreement dated January 1, 2008 ("the Service Agreement"). This letter acknowledges the intent of Client to separate into three different entities; namely, Defense Co. ("Defense"), ITT Co. ("ITT") and Water Co. ("Water"). As part of this restructuring, you have requested we perform certain implementation services in order to set up ITT and Water as separate entities. It is the intent of the parties that Defense will assume the Service Agreement and that ITT and Water will enter into a transition services agreement with Defense through December 31, 2011. Existing services provided by the Company to Defense, ITT and Water will continue through December 31, 2011. Effective January 1, 2012, ITT and Water will enter into separate agreements with the Company. The Company agrees to (i) continue performing ongoing Service and (ii) provide implementation services, pursuant to terms and conditions of the Service Agreement and the following:

1. Services
Beginning on or about June 1, 2011, Company will begin implementation services to set up ITT and Water. Company will continue providing ongoing Services to the Client, including Defense, ITT and Water populations, until the Separation Date.

2. Termination Fee
Company agrees to defer implementation Fees in an amount of . Of this amount, shall be with respect to ITT (for COBRA and for FSA, respectively) and shall be with respect to Water (for COBRA and for FSA, respectively) (the "Deferred Implementation Fees") over the period between January 1, 2012 and December 31, 2012, which will be included in the new agreements. In the event the Service Agreement is terminated for any reason prior to the expiration the Separation Date the Client shall pay Company the Deferred Implementation Fees in accordance with the payment terms set forth in the Service Agreement.

If the foregoing correctly sets forth the understanding of the parties, please acknowledge your acceptance of this Agreement by signing both copies of this letter at the place provided below and return one to my attention.

SCHEDULE AC6
FINANCIAL SHARED SERVICES (FSS)
ACTIVE MEDICAL AND DENTAL
ADMINISTRATION

Capitalized terms used herein and not otherwise defined shall have the meaning assigned such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider's Contact</u>			
ITT Corporation Conrad Arnold	Director Human Resources		Conrad.arnold@itt.com
<u>Service Recipient's Contact</u>			
Exelis Inc. Caroline Hunt	Sr. Mgr., Benefits.		Caroline.hunt@itt.com

PARTIES TO THE AGREEMENT

Service Provider: ITT Corporation — Seneca Falls, NY (IP)

Service Recipient: Exelis Inc. — Ft. Wayne, IN and Financial Shared Services, Rochester, NY) (collectively, "Service Recipients")

TERM

Services provided hereunder shall terminate June 30, 2012; provided that for the avoidance of doubt the coverages provided hereunder and described below only apply to Claims (as defined herein) made by Service Recipient's Covered Employees (as defined herein) and incurred on or before December 31, 2011.

GENERAL SERVICE DESCRIPTION

Service Provider currently provides administration for the Financial Shared Services active medical through Excellus Blue Cross\Blue Shield BluePoint2 E Plan, Group

dept. 0007 and active Dental through Excellus Dental plan, Group (collectively, the "Benefit Plans") for Service Recipients' U.S. active, eligible employees covered under such Benefit Plans (such employees, the "Covered Employees"). Service Provider shall keep the Benefit Plans and all coverage thereunder in full force through December 31, 2011 for Service Recipient's Covered Employees. Each Service Recipient may add or remove Covered Employees to or from coverage under the Benefit Plans as outlined under the terms of the Benefit Plans. All claims of Service Recipient's Covered Employees made under the Benefit Plans (the "Claims") and incurred on or prior to December 31, 2011 the ("2011 Plan Year") will be adjudicated in accordance with the current contract and Service Provider will continue to take such actions on behalf of Service Recipients' Covered Employees as if such employees are employees of Service Provider.

All Claims of Service Recipients' Covered Employees made under the Benefit Plans will be paid on behalf of the Service Provider.

Service Recipients will pay Service Provider for coverage based on 2011 budget premium rates previously set for the calendar year 2011 and described in the "Pricing" section below. Service Recipients will pay Service Provider monthly premium payments for this service, for any full or partial months, based on actual enrollment for the months covered post-spin using enrollments as of the first (1st) calendar day of the month, commencing on the day after the Distribution Date.

The Service Recipients will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient's employees covered, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below or described above (collectively, the "Services").

- Monthly premium billing.
- Monthly administrative services billing (for administrative services billed on an hourly basis. See Additional Pricing section for Hourly Rates).

See General Service Description for a description of payments and billing hereunder

The following services listed below will be provided by "experts", who are employees of Service Provider, (the "Experts") with the following persons the initial Experts: Cindy Jansen, Porzia Quinn and Conrad Arnold.

- Administration as needed on daily basis for the Benefit Plans. The Service Provider will provide all services that were provided during the twelve (12) months prior to the

Distribution Date. The Service Provider will maintain the same level of service provided during the twelve (12) months prior to the Distribution Date.

- Answer any questions pertaining to medical coverage.
 - Assist in resolving any issues that may arise regarding, medical coverage, ex. Claims, Medicare questions, etc.
 - Add employees/dependents to the Medical coverage as needed.
 - Reconcile and pay premiums from Medical carriers pertaining to the Exelis employees.
- Should the Service Recipient need services not provided during the twelve (12) months prior to the Distribution Date, the parties will negotiate in good faith to determine any additional cost involved in the services

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Recipients acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the initially named Experts are no longer employed by Service Provider, Service Provider's then current benefit manager (or such other person as has the skill and knowledge to so provide such Services) will, at the request of the Service Recipients, provide such Service as described herein. The Service Recipients' human resources department shall cooperate with the Service Provider, including the Experts, in order for the Service Provider and Experts to provide such Service under this Schedule.

BILLING LOCATION

Service Provider will provide Service Recipients a monthly invoice to their addresses set forth below through December 31, 2011. The bill will cover all charges for Services under this Schedule provided by Service Provider to Service Recipients. The invoice will contain the number of Covered Employees per tier per coverage. A detailed list of Covered Employees and dependents covered will be provided by the Service Provider upon reasonable request of the Service Recipient. All administrative functions handled by the Service Provider in the twelve (12) month period prior to the Distribution Date are contained in the fee structure set forth below. The Service Provider and Service Recipients agree to negotiate in good faith for any additional services related to the Service provided hereunder that are outside the normal course of business.

SERVICE LEVEL

The Service Provider, including the Experts, will provide the same service level to the Service Recipients as it provides to its own Covered Employees.

NOTICE REQUIREMENTS

ITT Corporation
1133 Westchester Avenue, Suite 3000
White Plains, NY 10604
Attn: Deborah Macchia

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attention: Joe Daniel

PRICING

In addition to the costs specifically set forth below, Service Recipients shall also pay all routine business travel expenses relating to the Services. The Service Recipients shall pay the Service Provider based on the number of Covered Employees as of the first (1st) calendar day of the month. The Service Recipient will be required to pay the Service Provider the monthly premium payments within ten (10) Business Days after the beginning of each calendar month. A detailed listing of Service Recipient's Covered Employees, including the Plans and enrollment tier in which they are enrolled, will be made available to Service Provider upon its reasonable request. See "General Service Description" for further detail on payment and billing for the monthly premium payments. The below table are the rates the Service Provider shall charge.

Coverage	Employee
(Invoicing for medical/dental premiums Only as noted below):	
BluePoint POS (FSS) Active	Employee
	Employee + 1
	Employee + Child(ren)
	Family
Dental (FSS) Active	Employee
	Employee + 1
	Family

Additional Pricing

Hourly Rates for Services not specified or normally provided by Service Provider in the twelve (12) month period prior to the Distribute Date but otherwise provided by Service Provider employees (including but not limited to modification, consulting, exit strategy development, transition, etc.) are documented below. The employee category is defined by Service Provider. The rates documented below apply to Service Provider employees only, should external resources be required, the costs for those external resources will be reviewed with the Service Recipient prior to execution of the project.

Notwithstanding anything in the Agreement to the contrary, the following rates shall not be subject to (a) the 4.5% increase for inflation in 2012 described in Section 2(a)(3) (but such rates shall be subject to such increase in 2013) or (b) the 2% or 10% increases described in the proviso to Section 2(a)(i) of the Agreement.

General Category of Employee	Hourly Rate
1. Secretarial/Administrative	\$ 50.00
2. Non-Executive	\$ 100.00
3. Executive	\$ 150.00

**SCHEDULE AC7
POST SPIN HYPERCARE**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Karla Viglasky ITT Corporation	Chief Information Officer		karla.viglasky@itt.com
Ray DeLuke Exelis Inc.	Chief Information Officer		ray.deluke@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Post Spin Hypercare Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>Provide Post Spin Hypercare support services:</p> <p>Facility Shutdown Services – Service Provider will provide Service Receiver with Facility Shutdown services that include:</p> <ul style="list-style-type: none"> Disposition of network and computer assets Disposition of furniture and miscellaneous equipment; boxing of HR files, ITT logo, posters, etc. Maintain working environment for remaining employees Control the activation and deactivation of access cards Close all third party contracts with vendors, such as food, vending machines, cable, printers, cleaning, etc. <p>Program Shutdown Services – Service Provider will provide Service Receiver with Program Shutdown services that include:</p>			
IT-Hypercare-01	Hypercare Support Services	<ul style="list-style-type: none"> Crisis management for final cutover, to ensure all projects go live on spin date Command center support and ramp down Access to TPMO and IT-SS Connect sites through ITT Co. Active Directory and VPN accounts for up to 20 people <p>Financial Support Services –Service Provider will provide Service Receiver with financial support services that include:</p> <ul style="list-style-type: none"> Purchase Order (invoice payment) and Contract management for suppliers assisting with separation <p>Miscellaneous Support Services – Service Provider will provide Service Receiver with supplemental and miscellaneous project support services that include:</p> <ul style="list-style-type: none"> Project management, strategy development, infrastructure consulting, etc. Prioritization and resource allocation for these services will be jointly agreed to by CIOs. <p>All requests for support will be directed to and coordinated through Cindy Hoots.</p>		3*	Cost plus 2% - 10%

* TSA duration will end on 12/31/2011 regardless of actual spin-date.

** Costs represent salary expense (no retention or severance) and additional facility charges for the Hanover location.

LOCATIONS

Services are initially provided from Hanover, MD, USA to other USA locations.

PREREQUISITES/DEPENDENCIES

- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Travel and expenses will be paid by the requesting organization.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

**SCHEDULE AC8
FINANCIAL & SYSTEM
DOCUMENTATION REQUIREMENTS TO
SUPPORT DCAA AUDITS OF ITT HQ
AND ITT SHARED
SERVICES
(2006 — 2011)
*SERVICE OWNER***

All service matters and general inquiries regarding this Service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider's Contact</u>			
Daryl Bowker	Director, ITT Shared Services		<u>Daryl.Bowker@itt.com</u>
William Feher	VP, ITT Internal Audit		<u>William.Feher@itt.com</u>
<u>Service Recipient's Contact</u>			
Joe Daniel	ITT Exelis, Asst Controller		<u>Joe.Daniel@itt.com</u>
Mark Quirk	ITT Exelis, Senior Compliance Mgr		<u>Mark.Quirk@itt.com</u>

PARTIES TO THE AGREEMENT

Service Provider: — ITT Corporation
Service Receiver: Exelis Inc.

GENERAL SERVICE DESCRIPTION

As a government contractor, the Service Receiver has a requirement to support future DCAA audits of open audit years 2006 through 2011. In order for Service Receiver to support DCAA's future audits of ITT Corporation's (including its Shared Service) Residual and Directly-Allocated Incurred Costs, Service Receiver needs copies of ITT Corporation's (including its Shared Service) records, as defined by FAR 4.703

Service Receiver needs assistance from Service Provider to provide compliance services similar to those provided to the Service Receiver during the four years prior to October 1, 2011, for 24 months (“Minimum Term”), but not longer than 36 months from the date hereof (“Maximum Term).

In addition, to the other services provided above, Service Provider will provide office space for three Service Receiver employees (“SREEs”) to its facilities at 1133 Westchester Avenue, White Plains, NY (the “Premises”) for a minimum term of three months (the “Minimum Occupancy Term”) and a maximum term of nine months (the “Maximum Occupancy Term”). Service Provider will attempt to accommodate the Service Provider and the SREEs needs but the space provided at the Premises and the miscellaneous services described below under “1133 Premises” will not be similar to the space or services provided to such employees prior to October 1, 2011.

SCOPE OF SERVICES

The following services will be provided on a time and materials basis by Service Provider.

- Related to the Service Provider Head Quarters (White Plains) records:
 - The attached work plan (Schedule XX.xls) has been developed to ensure all required records are copied prior to the separation of the Company. Continued access to these records are required after the split.
 - Access to the above identified Service Provider (White Plains NY) records is to enable Service Receiver personnel to retrieve, copy, and scan these records (2006 through 2011) to support future DCAA/DCMA audits.
 - In addition, the Service Provider agrees to provide supporting documentation in cases where the aforementioned work plan did not meet the needs of future DCAA/DCMA audit scope (i.e. DCAA asks for a consulting agreement or journal entry support that was not part of the scope the Service Receiver Data Retention Work Plan). See attached worksheet called “DCAA Audit Records Work Plan”.
 - The Service Provider agrees to retain, to the maximum extent possible, the contracts/consultant agreements that have been booked to the ITTHQ Incurred Cost General Ledger for the open audit years 2006 through 2011, as these documents as part of the DCAA audit universe.
 - The SREEs require a copier/scanner in order that the records can be copied and scanned. The ability to electronically scan records to an ITTCo archive location will also be required.
 - Related to the ITT Shared Services data and records, the following has been agreed upon:
-

1. Service Provider (ITT Shared Services which includes ITT Transportation and Distribution Services (“TDS”), ITT Financial Shared Services (“FRC”), ITT Enterprise Infrastructure (“EI”), and ITT Global Strategic Sourcing (“GSS”)) to provide the following system-generated General Ledgers in PDF format to Service Receiver, within 36 months after the Distribution Date:
 - Company 20 (TDS) GL Summary by Account CYs 2006 — 2011
 - Company 30 (FRC) GL Summary by Account CYs 2006 — 2011
 - Company 50 (EI) GL Summary by Account CYs 2006 — 2011
 - Company 40 (GSS) GL Summary by Account CYs 2006-2011 (where applicable).

The Service Provider and Service Receiver will work together to investigate the commercial feasibility of replicating and licensing an instance of PRMS to enable Service Receiver to obtain a soft copy of the General Ledgers by Account for the Shared Service Companies noted in 1 above (Companies 20, 30, 50, and 40). All costs, including but not limited to, third party costs, costs for licensing, costs for pruning the data of IP & WTG data which also resides in the shared files, and costs incurred by the Provider for this effort shall be born 100% by the Service Receiver.

2. The Service Provider (ITT Shared Services) will provide the mapping and supporting documentation to the Service Receiver, as described in this Schedule for CYs 2008 through 2011.
 3. Service Provider (ITT Shared Services) will provide Data Custodian Audit Support (supporting the DCAA audit without mapping and copying the supporting documentation for all applicable costs) for CYs 2006 — 2007. Service Provider will provide supporting documentation on a DCAA audit “as required” basis for CYs 2006 — 2007.
 4. The Service Provider will provide the Service Receiver “Knowledge Transfer” as it relates to research, retrieval, explanation, and replication of the items listed in Section #'s 6 through # 8 below for CYs 2008 through 2011. The Service Provider will use commercially reasonable efforts to transfer the knowledge held by its employees as it relates to research, retrieval, explanation and replication of the items listed in Sections 6 through 8 below for calendar years 2008 through 2011. The knowledge transfer shall take place through multiple meetings at the Service Provider’s location at mutually convenient times over the term of this Schedule.
 5. The following items related to the Shared Service GLs listed above will be delivered in hardcopy or scanned format to Service Provider, within 36 months after the Distribution Date:
 - a. Company 20/30/40/50 Intercompany Statements for each year CY 2008 — 2011 for allocations to ITTHQ, DEHQ, and Defense Business Units.
 - b. Allocations process mapping, which includes the budgeted allocations, interim preliminary true up allocations, Final Year-end true ups, and adjustments throughout the year.
-

- c. Both Parties will work together to jointly determine the items that make up the significant portion of the allocation (which shall not be less than 80% of the actual annual cost) in order that those items be copied/scanned and provided to the Service Receiver. This effort will be a Best Efforts Level of Effort, which means the Service Provider would be empowered to hire additional employees or temporary workers and contract for significant overtime to accomplish the effort and all such costs would be born 100% by the Service Receiver, but in no case is the Service Provider required to focus so much effort on this task that it's business is disrupted. In addition, the Service Provider will provide supporting documentation in cases where the aforementioned work plan did not meet the needs of future DCAA/DCMA audit scope (i.e. DCAA asks for a consulting agreement or journal entry support that was not part of the scope the ITT Exelis Data Retention Work Plan).
 - d. Supporting Journal Entries (JE) and JE Source data for the Intercompany Statements listed in 6.a. above for those units that submit annual incurred cost submissions to the US Government.
 - i. This list of units is identified in the attachment called "List of Defense Units for DCAA TSA."
 - e. Mapping of how the Annual GL amounts relate to the True-ups performed and allocated to ITTHQ, DEHQ, and the Defense BUs.
 - f. Related to the GL Summaries listed in 1 above, the Service Provider will provide the following JEs and documentation that supports the annual GLs for the respective Shared Service companies, the following is also required to be provided by the Service Provider:
 - i. Mapping and documenting the process of how the JEs were booked into each GL.
 - ii. Supporting JEs for each Cost Center's costs that were allocated to ITTHQ, DEHQ, and the Defense BUs. This list of Cost Centers is included in this TSA as an attachment called "List of Defense Units for DCAA TSA.xls" in Section 6.d.i. above.
6. Related to P2P and SAP invoices, for the years 2006-2011:
- a. Service Provider will provide electronic SAP P2P Annual Reports of AP Detail by business unit to include such detail as SAP Document #, Invoice #, Account, Vendor, Date, Amount, et al.
 - b. Service Receiver will provide these SAP P2P reports, as needed, for the units in the attachment called "Defense-SAP.xls", which will not include any additional units other than those supported in similar efforts in the past.
 - c. Service Receiver will develop at its own cost a process that will enable Service Receiver to retrieve the PDF version of the Invoice that is attributable to the specific SAP Document Number. These PDF invoices will be electronically copied from the FRC P2P System and maintained on a Service Receiver server for future use.
-

- d. Service Provider will retain the original invoices (prior to scanning) for potential DCAA audits of the SAP P2P Imaging system and process until such time that those open audit years are closed., as required by FAR regulations.
 - e. A report will be developed jointly by Service Receiver and Service Provider to enable an audit trail linking the aforementioned SAP Document Number to the Citibank ACH for proof of payment to the DCAA auditors.
 - f. Service Provider will copy and provide Bank Statements to Service Receiver for use as 3rd party proof of payment for the DCAA auditors.
7. Related to Program BEST:
- a. Service Provider will provide the basis of allocation of Program BEST CY 2008 through 2010 actuals to the 4 Defense Value Centers.
 - i. Service Provider will provide copies of GL ledger details (and supporting JEs and source documentation) to support the future DCAA audit of these Program BEST costs.
 - b. Service Provider to provide details and support for the disposition of Program BEST

1133 Westchester Avenue Premises

In addition to the services provided above, Service Provider will provide office space for the SREEs at the Premises. Access will include approximately 150 square feet of work space, 2 desks and access to the internet, and phone ("SREE's Space"). Included within the rental rate will be electrical, housekeeping, and pantry, however, a if a printer or scanner needs to be separately leased, Service Receiver will pay the extra charge. Mail and reception service will not be provided.

The Service Provider will also provide office space for the Government auditors (DCAA) until such time the Government auditors have completed their open audits. Access will include approximately 150 square feet of work space, desks and access to the internet, phone, and a printer, as is currently provided to the Government auditors ("DCAA's Space"), until such time that its ongoing audits are complete, tentatively scheduled audit completion date is December 31, 2011. Such amounts will be billed to Service Receiver as set forth below.

General

- Fixed assets on the books of the Service Provider as of the date of the Distribution Date will remain the property of the Service Provider during and at the end of the term.
 - Fixed assets on the books of the Service Receiver as of the Distribution Date will remain the property of the Service Receiver during and at the end of the term.
 - Service Receiver shall have the reasonable right to use, and Service Provider shall at all times have exclusive control of, and operate and maintain, the common areas including the pantry in the manner Service Provider may reasonably determine to be appropriate.
-

- SREEs will be permitted in the common areas and the specific location assigned to them. They will be provided with ID badges which they must wear at all times.

Prohibitions

Service Receiver is prohibited from the following without the Service Provider's consent:

- Making any changes to the physical layout of the Premises or any capital improvements.
- Inviting or permitting any other employee or agent or guest of Service Recipient to enter the Premises, other than employees who were former Service Provider employees.- Why would that make a difference? I would think they could not bring any additional folks on site without express written approval from Provider. Service Receiver assumes all responsibility for actions of its employees, agents and guests on the Premises.
- Service Receiver will not be allowed to access the ITT computer network, except where is has been agreed that the Service Receiver will have a Guest ID in order to retrieve audit data/documents scanned to secure archive folders on the ITTCo network. This will be accomplished through the Service Receiver Employees having access to the aforementioned secure archive folder via an ITTCo laptop, setup for these purposes only. The SREEs will also be allowed to access Service Receiver's own computer network via wireless or landline data connections on the Premises.
- Service Receiver has no right to sublease, assign or transfer their space, except upon a change of control of Service Receiver in which case only former Service Provider employees will be permitted access to the Premises.
- Service Receiver agrees not to put up any external or internal signs during the term of the agreement.

Service Receiver's Responsibilities

- Service Receiver will be required to provide and pay for all support and services required to move out of the Premises at the end of the term. If Service Receiver requires contractors to assist them in moving out of the Premises, Service Receiver agrees to provide Service Provider with proof of adequate contractor insurance coverage prior to contractor entering into the facility and to perform such moves at a mutually agreeable time to the Service Provider.
 - Service Receiver agrees to remove all of their personal property from the Premises at the end of the term. Service Receiver must return rented space to pre move in condition, with the exception of the offices, which should be left in an "as is" condition.
-

- Service Receiver agrees to abide by all rules and regulations of the 1133 building set by the landlord including but not limited to those included in the lease between the landlord of the Premises and the Service Provider.
- Service Receiver agrees that all cabling that is used to attach Service Receiver's PC's to the IT infrastructure will remain the property of the Service Provider and will not be removed by the Service Receiver at the end of the term.
- The SREEs will be required to show proper identification to enter the Premises as determined by the Service Provider
- Service Receiver will enter into its own contract for phone service at the Premises and all costs associated with this contract will be paid for by Service Receiver.

Pricing for Space at the Premises

During 2011	Cost plus 2% - 10% per month for SREE's space Cost plus 2% - 10% per month for DCAA's space
From January 1, 2012 through the Maximum Occupancy Term	Cost plus 2% - 10% per month for SREE's space Cost plus 2% - 10% per month for DCAA's space

No early termination fee or make-whole fee will be due if the Service Receiver or the DCAA determines to leave the Premises early. The aforementioned pricing does not include the cost of a separate printer or scanner that may need to be separately leased.

LOCATIONS

- White Plains, NY
- Seneca Falls, NY
- Palm Coast, FL

PREREQUISITES/DEPENDENCIES

BILLING

Service Provider will provide Service Receiver with an invoice to its address set forth above. The invoice provided must contain the following detail:

- Direct hours billed by level
 - T&M Billing rate
 - Detail of other direct reimbursable charges
 - Scope of work performed
-

In addition, upon request, the Service Provider must provide supporting documentation for the invoiced costs and rates in order to support a DCAA audit.

SERVICE LEVEL

Service Provider will provide the same service level to the Service Receiver as they provide to their employer and the same service level as provided during the 12 month period prior to the Distribution Date.

NOTICE REQUIREMENTS

Service Receiver shall notify Service Provider at least 90 days in advance of the Minimum Term if it wants to extend or terminate this Schedule, other than for the Premises, but such extension shall not be for longer than the Maximum Term. If notification is not received by the Service Provider, the service will terminate at the end of the Minimum Term. Service Receiver shall notify Service Provider at least 30 days in advance of the date it desires to vacate the Premises. Service Receiver must vacate the Premises no later than the date of the Maximum Occupancy Term.

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses incurred by the Service Provider relating to the Services.

“Total” and “Annual Total” costs as set forth below do not include various hourly costs, which will be assessed on an as-needed basis.

Shared Service “Data Custodial” Support for CYs 2006 through 2007:

One (1) Staff-level Individual T&M Rate	Cost plus 2% - 10%
One (1) Management-level Individual T&M Rate	Cost plus 2% - 10%

Shared Service “Data Duplication”: Support for CYs 2008 through 2011:

One (1) Staff-level Individual T&M Rate	Cost plus 2% - 10%
One (1) Management-level Individual T&M Rate	Cost plus 2% - 10%

DCAA Audit Records Work Plan

Financial & System Documentation Requirements to Support DCAA Audits of ITT HQ and ITT Shared Services (2006 — 2011) Work Plan with Tasks/Activities and time phasing

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
1	Provide PMO (Gerstner) with 1 st Draft of Work Plan	N/A	DEHQ	Y	
2	Send mass eMail to all affected parties, stating general overview	N/A	ALL	Y	
3	Meet with FRC to discuss scope	N/A	Seneca Falls Shared Services (FRC/EI/TDS)	Y	
4	Meet with FWSS (Acctg) to discuss scope	N/A	FWSS Acctg		
5	Meet with FWSS (Payroll) to discuss scope	N/A	FWSS Payroll		
6	Meet with FWSS (Travel) to discuss scope	N/A	FWSS Travel		
7	Meet with HQ Controllers to discuss scope	N/A	HQ Controllers	Y	
8	Meet with HQ Corp Responsibility to discuss scope	N/A	HQ Corp Responsibility	Y	
9	Meet with HQ Flight Ops Dept to discuss scope	N/A	HQ Flight Ops Dept		
10	Meet with HQ Human Resources to discuss scope	N/A	HQ Human Resources	Y	
11	Meet with Hq Internal Audit to discuss scope	N/A	HQ Internal Audit	Y	
12	Meet with HQ Legal Dept 1 to discuss scope	N/A	HQ Legal	Y	

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
13	Meet with HQ Pension/Benefits Dept to discuss scope	N/A	HQ Pension Dept	Y	
14	Meet with HQ Tax Dept to discuss scope	N/A	HQ Tax	Y	
15	Meet with HQ Treasury Dept to discuss scope	N/A	HQ Treasury	Y	
16	Initiate contract with Interns to copy "in-house" ITT Records	N/A	HQ Human Resources	Y	
18	Initiate contract with NOVA to copy "Archived" ITT Records	N/A	GSS		
19	Download ITT HQ General Ledger (Company 600) (.PDF & .txt formats)	2006	HQ Controllers		
20	Download ITT HQ General Ledger (Company 600) (.PDF & .txt formats)	2007	HQ Controllers		
21	Download ITT HQ General Ledger (Company 600) (.PDF & .txt formats)	2008	HQ Controllers		
22	Download ITT HQ General Ledger (Company 600) (.PDF & .txt formats)	2009	HQ Controllers		
23	Download ITT HQ General Ledger (Company 600) (.PDF & .txt formats)	2010	HQ Controllers		
24	Download ITT HQ General Ledger (Company 600) (.PDF & .txt formats)	2011	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
25	Download ITT HQ A&G Summary Report (Company 600)(.PDF & .txt formats)	2006	HQ Controllers		
26	Download ITT HQ A&G Summary Report (Company 600)(.PDF & .txt formats)	2007	HQ Controllers		
27	Download ITT HQ A&G Summary Report (Company 600)(.PDF & .txt formats)	2008	HQ Controllers		
28	Download ITT HQ A&G Summary Report (Company 600)(.PDF & .txt formats)	2009	HQ Controllers		
29	Download ITT HQ A&G Summary Report (Company 600)(.PDF & .txt formats)	2010	HQ Controllers		
30	Download ITT HQ A&G Summary Report (Company 600)(.PDF & .txt formats)	2011	HQ Controllers		
31	Download ITT HQ A&G Detail Report (Company 600)(.PDF & .txt formats)	2006	HQ Controllers		
32	Download ITT HQ A&G Detail Report (Company 600)(.PDF & .txt formats)	2007	HQ Controllers		
33	Download ITT HQ A&G Detail Report (Company 600)(.PDF & .txt formats)	2008	HQ Controllers		
34	Download ITT HQ A&G Detail Report (Company 600)(.PDF & .txt formats)	2009	HQ Controllers		
35	Download ITT HQ A&G Detail Report (Company 600)(.PDF & .txt formats)	2010	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
36	Download ITT HQ A&G Detail Report (Company 600)(.PDF & .txt formats)	2011	HQ Controllers		
37	Copy ITT HQ Infinium Voucher Registers (Hardcopy)	2006	HQ Controllers		
38	Copy ITT HQ Infinium Voucher Registers (Hardcopy)	2007	HQ Controllers		
39	Original Hardcopy Invoices/Checks to support ITTHQ Infinium Voucher Registers (and .txt or .xls version, if available)	2006	HQ Controllers		
40	Original Hardcopy Invoices/Checks to support ITTHQ Infinium Voucher Registers (and .txt or .xls version, if available)	2007	HQ Controllers		
41	SAP P2P Voucher Register Invoice Listings for ITTHQ (CY 2007 -2011?)	2007	HQ Controllers		
42	SAP P2P Voucher Register Invoice Listings for ITTHQ (CY 2007 -2011?)	2008	HQ Controllers		
43	SAP P2P Voucher Register Invoice Listings for ITTHQ (CY 2007 -2011?)	2009	HQ Controllers		
44	SAP P2P Voucher Register Invoice Listings for ITTHQ (CY 2007 -2011?)	2010	HQ Controllers		
45	SAP P2P Voucher Register Invoice Listings for ITTHQ (CY 2007 -2011?)	2011	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
46	Original SAP Hardcopy and PDF Invoices for ITTHQ Co # 600	2007	HQ Controllers		
47	Original SAP Hardcopy and PDF Invoices for ITTHQ Co # 600	2008	HQ Controllers		
48	Original SAP Hardcopy and PDF Invoices for ITTHQ Co # 600	2009	HQ Controllers		
49	Original SAP Hardcopy and PDF Invoices for ITTHQ Co # 600	2010	HQ Controllers		
50	Original SAP Hardcopy and PDF Invoices for ITTHQ Co # 600	2011	HQ Controllers		
51	ITT HQ Co 600 Voucher Reg Invoice Proof of Payment (check, EFT, etc) in SAP system	2007	HQ Controllers		
52	ITT HQ Co 600 Voucher Reg Invoice Proof of Payment (check, EFT, etc) in SAP system	2008	HQ Controllers		
53	ITT HQ Co 600 Voucher Reg Invoice Proof of Payment (check, EFT, etc) in SAP system	2009	HQ Controllers		
54	ITT HQ Co 600 Voucher Reg Invoice Proof of Payment (check, EFT, etc) in SAP system	2010	HQ Controllers		
55	ITT HQ Co 600 Voucher Reg Invoice Proof of Payment (check, EFT, etc) in SAP system	2011	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
56	All Journal Entries for ITTHQ General Ledger (Co # 600)	2006	HQ Controllers		
57	All Journal Entries for ITTHQ General Ledger (Co # 600)	2007	HQ Controllers		
58	All Journal Entries for ITTHQ General Ledger (Co # 600)	2008	HQ Controllers		
59	All Journal Entries for ITTHQ General Ledger (Co # 600)	2009	HQ Controllers		
60	All Journal Entries for ITTHQ General Ledger (Co # 600)	2010	HQ Controllers		
61	All Journal Entries for ITTHQ General Ledger (Co # 600)	2011	HQ Controllers		
62	All Supporting Source Documentss for the ITTHQ JEs	2006	HQ Controllers		
63	All Supporting Source Documentss for the ITTHQ JEs	2007	HQ Controllers		
64	All Supporting Source Documentss for the ITTHQ JEs	2008	HQ Controllers		
65	All Supporting Source Documentss for the ITTHQ JEs	2009	HQ Controllers		
66	All Supporting Source Documentss for the ITTHQ JEs	2010	HQ Controllers		
67	All Supporting Source Documentss for the ITTHQ JEs	2011	HQ Controllers		
68	ITT HQ Co # 600 "INTERCOMPANY STATEMENT OFF ACCOUNT" - ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & .xls formats)	2006	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
69	ITT HQ Co # 600 "INTERCOMPANY STATEMENT OFF ACCOUNT" - ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & .xls formats)	2007	HQ Controllers		
70	ITT HQ Co # 600 "INTERCOMPANY STATEMENT OFF ACCOUNT" - ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & .xls formats)	2008	HQ Controllers		
71	ITT HQ Co # 600 "INTERCOMPANY STATEMENT OFF ACCOUNT" - ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & .xls formats)	2009	HQ Controllers		
72	ITT HQ Co # 600 "INTERCOMPANY STATEMENT OFF ACCOUNT" - ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & .xls formats)	2010	HQ Controllers		
73	ITT HQ Co # 600 "INTERCOMPANY STATEMENT OFF ACCOUNT" - ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & .xls formats)	2011	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
74	All Supporting Journal Entries for ITTHQ Intercompany Statement of Account	2006	HQ Controllers		
75	All Supporting Journal Entries for ITTHQ Intercompany Statement of Account	2007	HQ Controllers		
76	All Supporting Journal Entries for ITTHQ Intercompany Statement of Account	2008	HQ Controllers		
77	All Supporting Journal Entries for ITTHQ Intercompany Statement of Account	2009	HQ Controllers		
78	All Supporting Journal Entries for ITTHQ Intercompany Statement of Account	2010	HQ Controllers		
79	All Supporting Journal Entries for ITTHQ Intercompany Statement of Account	2011	HQ Controllers		
80	All supporting Source Docs and DC Advices for the ITTHQ I/C Statement JEs	2006	HQ Controllers		
81	All supporting Source Docs and DC Advices for the ITTHQ I/C Statement JEs	2007	HQ Controllers		
82	All supporting Source Docs and DC Advices for the ITTHQ I/C Statement JEs	2008	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
83	All supporting Source Docs and DC Advices for the ITTHQ I/C Statement JEs	2009	HQ Controllers		
84	All supporting Source Docs and DC Advices for the ITTHQ I/C Statement JEs	2010	HQ Controllers		
85	All supporting Source Docs and DC Advices for the ITTHQ I/C Statement JEs	2011	HQ Controllers		
86	Internal Audit Plans /Schedules (ALL)	2006	HQ Internal Audit		
87	Internal Audit Plans /Schedules (ALL)	2007	HQ Internal Audit		
88	Internal Audit Plans /Schedules (ALL)	2008	HQ Internal Audit		
89	Internal Audit Plans /Schedules (ALL)	2009	HQ Internal Audit		
90	Internal Audit Plans /Schedules (ALL)	2010	HQ Internal Audit		
91	Internal Audit Plans /Schedules (ALL)	2011	HQ Internal Audit		
92	Internal Audit Reports, Including COSO	2006	HQ Internal Audit		
93	Internal Audit Reports, Including COSO	2007	HQ Internal Audit		
94	Internal Audit Reports, Including COSO	2008	HQ Internal Audit		
95	Internal Audit Reports, Including COSO	2009	HQ Internal Audit		
96	Internal Audit Reports, Including COSO	2010	HQ Internal Audit		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
97	Internal Audit Reports, Including COSO	2011	HQ Internal Audit		
98	Internal Audit Generic WPs, including COSO	2006	HQ Internal Audit		
99	Internal Audit Generic WPs, including COSO	2007	HQ Internal Audit		
100	Internal Audit Generic WPs, including COSO	2008	HQ Internal Audit		
101	Internal Audit Generic WPs, including COSO	2009	HQ Internal Audit		
102	Internal Audit Generic WPs, including COSO	2010	HQ Internal Audit		
103	Internal Audit Generic WPs, including COSO	2011	HQ Internal Audit		
104	Internal Audit Completed WPs, including COSO for all Defense, HQ, & FRC sites	2006	HQ Internal Audit		
105	Internal Audit Completed WPs, including COSO for all Defense, HQ, & FRC sites	2007	HQ Internal Audit		
106	Internal Audit Completed WPs, including COSO for all Defense, HQ, & FRC sites	2008	HQ Internal Audit		
107	Internal Audit Completed WPs, including COSO for all Defense, HQ, & FRC sites	2009	HQ Internal Audit		
108	Internal Audit Completed WPs, including COSO for all Defense, HQ, & FRC sites	2010	HQ Internal Audit		
109	Internal Audit Completed WPs, including COSO for all Defense, HQ, & FRC sites	2011	HQ Internal Audit		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
110	Binders that support the COSO Audit Reports	2006	HQ Internal Audit		
111	Binders that support the COSO Audit Reports	2007	HQ Internal Audit		
112	Binders that support the COSO Audit Reports	2008	HQ Internal Audit		
113	Binders that support the COSO Audit Reports	2009	HQ Internal Audit		
114	Binders that support the COSO Audit Reports	2010	HQ Internal Audit		
115	Binders that support the COSO Audit Reports	2011	HQ Internal Audit		
116	Internal Audit Risk Assessments	2006	HQ Internal Audit		
117	Internal Audit Risk Assessments	2007	HQ Internal Audit		
118	Internal Audit Risk Assessments	2008	HQ Internal Audit		
119	Internal Audit Risk Assessments	2009	HQ Internal Audit		
120	Internal Audit Risk Assessments	2010	HQ Internal Audit		
121	Internal Audit Risk Assessments	2011	HQ Internal Audit		
122	Internal Audit Year-end Mgmt Testing Memos	2006	HQ Internal Audit		
123	Internal Audit Year-end Mgmt Testing Memos	2007	HQ Internal Audit		
124	Internal Audit Year-end Mgmt Testing Memos	2008	HQ Internal Audit		
125	Internal Audit Year-end Mgmt Testing Memos	2009	HQ Internal Audit		
126	Internal Audit Year-end Mgmt Testing Memos	2010	HQ Internal		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
127	Internal Audit Year-end Mgmt Testing Memos	2011	HQ Internal Audit		
128	Binders that support the IA Year-end Mgmt Testing Memos	2006	HQ Internal Audit		
129	Binders that support the IA Year-end Mgmt Testing Memos	2007	HQ Internal Audit		
130	Binders that support the IA Year-end Mgmt Testing Memos	2008	HQ Internal Audit		
131	Binders that support the IA Year-end Mgmt Testing Memos	2009	HQ Internal Audit		
132	Binders that support the IA Year-end Mgmt Testing Memos	2010	HQ Internal Audit		
133	Binders that support the IA Year-end Mgmt Testing Memos	2011	HQ Internal Audit		
134	internal Audit Year-end Fraud Testing Memos	2006	HQ Internal Audit		
135	internal Audit Year-end Fraud Testing Memos	2007	HQ Internal Audit		
136	internal Audit Year-end Fraud Testing Memos	2008	HQ Internal Audit		
137	internal Audit Year-end Fraud Testing Memos	2009	HQ Internal Audit		
138	internal Audit Year-end Fraud Testing Memos	2010	HQ Internal Audit		
139	internal Audit Year-end Fraud Testing Memos	2011	HQ Internal Audit		
140	Binders that support the IA Year-end Fraud Testing Memos	2006	HQ Internal Audit		
141	Binders that support the IA Year-end Fraud Testing Memos	2007	HQ Internal Audit		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
142	Binders that support the IA Year-end Fraud Testing Memos	2008	HQ Internal Audit		
143	Binders that support the IA Year-end Fraud Testing Memos	2009	HQ Internal Audit		
144	Binders that support the IA Year-end Fraud Testing Memos	2010	HQ Internal Audit		
145	Binders that support the IA Year-end Fraud Testing Memos	2011	HQ Internal Audit		
146	ITTHQ Generic SOX Templates	2006	HQ Internal Audit		
147	ITTHQ Generic SOX Templates	2007	HQ Internal Audit		
148	ITTHQ Generic SOX Templates	2008	HQ Internal Audit		
149	ITTHQ Generic SOX Templates	2009	HQ Internal Audit		
150	ITTHQ Generic SOX Templates	2010	HQ Internal Audit		
151	ITTHQ Generic SOX Templates	2011	HQ Internal Audit		
152	ITTHQ Code of Conduct — 2006 (PDF version)	2006	HQ Corp Responsibility	Y	Located in Finance-DEHQ\DCAA Audit Records Retention Requirements (06-11)\HQ Corporate Responsibility
153	ITTHQ Code of Conduct — 2009 (PDF version)	2009	HQ Corp Responsibility	Y	Located in Finance-DEHQ\DCAA Audit Records Retention Requirements (06-11)\HQ Corporate Responsibility
154	ITTHQ Code of Conduct — 2011 (PDF version)	2011	HQ Corp Responsibility		
155	A copy of the Annual Code of Conduct Training Material	2006	HQ Corp Responsibility		
156	A copy of the Annual Code of Conduct Training Material	2007	HQ Corp Responsibility		

157	A copy of the Annual Code of Conduct Training Material	2008	HQ Corp Responsibility
158	A copy of the Annual Code of Conduct Training Material	2009	HQ Corp Responsibility

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
159	A copy of the Annual Code of Conduct Training Material	2010	HQ Corp Responsibility		
160	A copy of the Annual Code of Conduct Training Material	2011	HQ Corp Responsibility		
161	Training Records to support that every ITT Employee has taken the Code of Conduct Training each year.	2006	HQ Corp Responsibility		
162	Training Records to support that every ITT Employee has taken the Code of Conduct Training each year.	2007	HQ Corp Responsibility		
163	Training Records to support that every ITT Employee has taken the Code of Conduct Training each year.	2008	HQ Corp Responsibility		
164	Training Records to support that every ITT Employee has taken the Code of Conduct Training each year.	2009	HQ Corp Responsibility		
165	Training Records to support that every ITT Employee has taken the Code of Conduct Training each year.	2010	HQ Corp Responsibility		
166	Training Records to support that every ITT Employee has taken the Code of Conduct Training each year.	2011	HQ Corp Responsibility		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
167	Evidence of CCRB Meetings (i.e. Agenda & Signed Roster of Attendees)	2006	HQ Corp Responsibility		
168	Evidence of CCRB Meetings (i.e. Agenda & Signed Roster of Attendees)	2007	HQ Corp Responsibility		
169	Evidence of CCRB Meetings (i.e. Agenda & Signed Roster of Attendees)	2008	HQ Corp Responsibility		
170	Evidence of CCRB Meetings (i.e. Agenda & Signed Roster of Attendees)	2009	HQ Corp Responsibility		
171	Evidence of CCRB Meetings (i.e. Agenda & Signed Roster of Attendees)	2010	HQ Corp Responsibility		
172	Evidence of CCRB Meetings (i.e. Agenda & Signed Roster of Attendees)	2011	HQ Corp Responsibility		
173	All Quarterly E&C Metrics Reports (Raven/Longo)	2006	HQ Corp Responsibility		
174	All Quarterly E&C Metrics Reports (Raven/Longo)	2007	HQ Corp Responsibility		
175	All Quarterly E&C Metrics Reports (Raven/Longo)	2008	HQ Corp Responsibility		
176	All Quarterly E&C Metrics Reports (Raven/Longo)	2009	HQ Corp Responsibility		
177	All Quarterly E&C Metrics Reports (Raven/Longo)	2010	HQ Corp Responsibility		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
178	All Quarterly E&C Metrics Reports (Raven/Longo)	2011	HQ Corp Responsibility		
179	Evidence of Hotline Posters & Ombudsman Info, and EthicsPoint Mechanisms (i.e. Policy, Memo, & actual posters)	2006	HQ Corp Responsibility		
180	Evidence of Hotline Posters & Ombudsman Info, and EthicsPoint Mechanisms (i.e. Policy, Memo, & actual posters)	2007	HQ Corp Responsibility		
181	Evidence of Hotline Posters & Ombudsman Info, and EthicsPoint Mechanisms (i.e. Policy, Memo, & actual posters)	2008	HQ Corp Responsibility		
182	Evidence of Hotline Posters & Ombudsman Info, and EthicsPoint Mechanisms (i.e. Policy, Memo, & actual posters)	2009	HQ Corp Responsibility		
183	Evidence of Hotline Posters & Ombudsman Info, and EthicsPoint Mechanisms (i.e. Policy, Memo, & actual posters)	2010	HQ Corp Responsibility		
184	Evidence of Hotline Posters & Ombudsman Info, and EthicsPoint Mechanisms (i.e. Policy, Memo, & actual posters)	2011	HQ Corp Responsibility		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
185	E&C Policies & Procedures/ "Thud" Book	2006	HQ Corp Responsibility		
186	E&C Policies & Procedures/ "Thud" Book	2007	HQ Corp Responsibility		
187	E&C Policies & Procedures/ "Thud" Book	2008	HQ Corp Responsibility		
188	E&C Policies & Procedures/ "Thud" Book	2009	HQ Corp Responsibility		
189	E&C Policies & Procedures/ "Thud" Book	2010	HQ Corp Responsibility		
190	E&C Policies & Procedures/ "Thud" Book	2011	HQ Corp Responsibility		
191	Listing of All ITT Board of Directors and their affiliations	2006	HQ Legal		
192	Listing of All ITT Board of Directors and their affiliations	2007	HQ Legal		
193	Listing of All ITT Board of Directors and their affiliations	2008	HQ Legal		
194	Listing of All ITT Board of Directors and their affiliations	2009	HQ Legal		
195	Listing of All ITT Board of Directors and their affiliations	2010	HQ Legal		
196	Listing of All ITT Board of Directors and their affiliations	2011	HQ Legal		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
197	ITT Board of Director Minutes (See Comments)	2006	HQ Legal		
198	ITT Board of Director Minutes (See Comments)	2007	HQ Legal		
199	ITT Board of Director Minutes (See Comments)	2008	HQ Legal		
200	ITT Board of Director Minutes (See Comments)	2009	HQ Legal		
201	ITT Board of Director Minutes (See Comments)	2010	HQ Legal		
202	ITT Board of Director Minutes (See Comments)	2011	HQ Legal		
203	ITT Board of Director Audit Committee Minutes (See Comments)	2006	HQ Legal		
204	ITT Board of Director Audit Committee Minutes (See Comments)	2007	HQ Legal		
205	ITT Board of Director Audit Committee Minutes (See Comments)	2008	HQ Legal		
206	ITT Board of Director Audit Committee Minutes (See Comments)	2009	HQ Legal		
207	ITT Board of Director Audit Committee Minutes (See Comments)	2010	HQ Legal		
208	ITT Board of Director Audit Committee Minutes (See Comments)	2011	HQ Legal		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
209	ITT Year-end Financial Report, including 10K & Proxy (4 copies)	2006	HQ Controllers		
210	ITT Year-end Financial Report, including 10K & Proxy (4 copies)	2007	HQ Controllers		
211	ITT Year-end Financial Report, including 10K & Proxy (4 copies)	2008	HQ Controllers		
212	ITT Year-end Financial Report, including 10K & Proxy (4 copies)	2009	HQ Controllers		
213	ITT Year-end Financial Report, including 10K & Proxy (4 copies)	2010	HQ Controllers		
214	ITT Year-end Financial Report, including 10K & Proxy (4 copies)	2011	HQ Controllers		
215	Federal Income Tax Returns (2 copies)	2006	HQ Tax	Y	
216	Federal Income Tax Returns (2 copies)	2007	HQ Tax	Y	
217	Federal Income Tax Returns (2 copies)	2008	HQ Tax	Y	
218	Federal Income Tax Returns (2 copies)	2009	HQ Tax	Y	
219	Federal Income Tax Returns (2 copies)	2010	HQ Tax		
220	Federal Income Tax Returns (2 copies)	2011	HQ Tax		
221	IRS Form 8109 (Federal Tax Deposit Coupon), Electronic Federal Tax Payment System (EFTPS), or other information to support ITT's timely payment of payroll taxes.	2006	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
222	IRS Form 8109 (Federal Tax Deposit Coupon), Electronic Federal Tax Payment System (EFTPS), or other information to support ITT's timely payment of payroll taxes.	2007	HQ Tax		
223	IRS Form 8109 (Federal Tax Deposit Coupon), Electronic Federal Tax Payment System (EFTPS), or other information to support ITT's timely payment of payroll taxes.	2008	HQ Tax		
224	IRS Form 8109 (Federal Tax Deposit Coupon), Electronic Federal Tax Payment System (EFTPS), or other information to support ITT's timely payment of payroll taxes.	2009	HQ Tax		
225	IRS Form 8109 (Federal Tax Deposit Coupon), Electronic Federal Tax Payment System (EFTPS), or other information to support ITT's timely payment of payroll taxes.	2010	HQ Tax		
226	IRS Form 8109 (Federal Tax Deposit Coupon), Electronic Federal Tax Payment System (EFTPS), or other information to support ITT's timely payment of payroll taxes.	2011	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
227	ITT Contract with Deloitte & Touche (External Auditors)	2006	HQ Controllers		
228	ITT Contract with Deloitte & Touche (External Auditors)	2007	HQ Controllers		
229	ITT Contract with Deloitte & Touche (External Auditors)	2008	HQ Controllers		
230	ITT Contract with Deloitte & Touche (External Auditors)	2009	HQ Controllers		
231	ITT Contract with Deloitte & Touche (External Auditors)	2010	HQ Controllers		
232	ITT Contract with Deloitte & Touche (External Auditors)	2011	HQ Controllers		
233	ITT Contract with Ernst & Young (Internal Auditors)	2006	HQ Internal Audit		
234	ITT Contract with Ernst & Young (Internal Auditors)	2007	HQ Internal Audit		
235	ITT Contract with Ernst & Young (Internal Auditors)	2008	HQ Internal Audit		
236	ITT Contract with Ernst & Young (Internal Auditors)	2009	HQ Internal Audit		
237	ITT Contract with Ernst & Young (Internal Auditors)	2010	HQ Internal Audit		
238	ITT Contract with Ernst & Young (Internal Auditors)	2011	HQ Internal Audit		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
239	Organization Charts for ALL ITTHQ Departments	2006	HQ Human Resources		
240	Organization Charts for ALL ITTHQ Departments	2007	HQ Human Resources		
241	Organization Charts for ALL ITTHQ Departments	2008	HQ Human Resources		
242	Organization Charts for ALL ITTHQ Departments	2009	HQ Human Resources		
243	Organization Charts for ALL ITTHQ Departments	2010	HQ Human Resources		
244	Organization Charts for ALL ITTHQ Departments	2011	HQ Human Resources		
245	Listing of All IITT HQ Employees by Department	2006	HQ Human Resources		
246	Listing of All IITT HQ Employees by Department	2007	HQ Human Resources		
247	Listing of All IITT HQ Employees by Department	2008	HQ Human Resources		
248	Listing of All IITT HQ Employees by Department	2009	HQ Human Resources		
249	Listing of All IITT HQ Employees by Department	2010	HQ Human Resources		
250	Listing of All IITT HQ Employees by Department	2011	HQ Human Resources		
251	Floor/Office Layout of ITTHQ Office	2006	HQ Human Resources		
252	Floor/Office Layout of ITTHQ Office	2007	HQ Human Resources		
253	Floor/Office Layout of ITTHQ Office	2008	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
254	Floor/Office Layout of ITTHQ Office	2009	HQ Human Resources		
255	Floor/Office Layout of ITTHQ Office	2010	HQ Human Resources		
256	Floor/Office Layout of ITTHQ Office	2011	HQ Human Resources		
257	ITT Lease for 4 Red Oak Lane, White Plains NY	2006	HQ Controllers		
258	ITT Lease for 1133 Westchester Ave, White Plains NY	2008	HQ Controllers		
259	ITT HQ W-2s fpr All ITTHQ Executives (19 & above)	2006	FWSS Payroll		
260	ITT HQ W-2s fpr All ITTHQ Executives (19 & above)	2007	FWSS Payroll		
261	ITT HQ W-2s fpr All ITTHQ Executives (19 & above)	2008	FWSS Payroll		
262	ITT HQ W-2s fpr All ITTHQ Executives (19 & above)	2009	FWSS Payroll		
263	ITT HQ W-2s fpr All ITTHQ Executives (19 & above)	2010	FWSS Payroll		
264	ITT HQ W-2s fpr All ITTHQ Executives (19 & above)	2011	FWSS Payroll		
265	ITT HQ W-2s fpr All Remaining ITTHQ Employees (18 & below)	2006	FWSS Payroll		
266	ITT HQ W-2s fpr All Remaining ITTHQ Employees (18 & below)	2007	FWSS Payroll		
267	ITT HQ W-2s fpr All Remaining ITTHQ Employees (18 & below)	2008	FWSS Payroll		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
268	ITT HQ W-2s fpr All Remaining ITTHQ Employees (18 & below)	2009	FWSS Payroll		
269	ITT HQ W-2s fpr All Remaining ITTHQ Employees (18 & below)	2010	FWSS Payroll		
270	ITT HQ W-2s fpr All Remaining ITTHQ Employees (18 & below)	2011	FWSS Payroll		
271	ITTHQ Co 600 Payroll Register (System-generated PDF format)	2006	FWSS Payroll		
272	ITTHQ Co 600 Payroll Register (System-generated PDF format)	2007	FWSS Payroll		
273	ITTHQ Co 600 Payroll Register (System-generated PDF format)	2008	FWSS Payroll		
274	ITTHQ Co 600 Payroll Register (System-generated PDF format)	2009	FWSS Payroll		
275	ITTHQ Co 600 Payroll Register (System-generated PDF format)	2010	FWSS Payroll		
276	ITTHQ Co 600 Payroll Register (System-generated PDF format)	2011	FWSS Payroll		
277	ITT Executive Compensation Surveys, Bencharcking, Analyses performed by ITT, and any other data used to justify the reasonableness of Executive Compensation (L. Thumen)	2006	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
278	ITT Executive Compensation Surveys, Benchmarking, Analyses performed by ITT, and any other data used to justify the reasonableness of Executive Compensation (L. Thumen)	2007	HQ Human Resources		
279	ITT Executive Compensation Surveys, Benchmarking, Analyses performed by ITT, and any other data used to justify the reasonableness of Executive Compensation (L. Thumen)	2008	HQ Human Resources		
280	ITT Executive Compensation Surveys, Benchmarking, Analyses performed by ITT, and any other data used to justify the reasonableness of Executive Compensation (L. Thumen)	2009	HQ Human Resources		
281	ITT Executive Compensation Surveys, Benchmarking, Analyses performed by ITT, and any other data used to justify the reasonableness of Executive Compensation (L. Thumen)	2010	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
282	ITT Executive Compensation Surveys, Benchmarking, Analyses performed by ITT, and any other data used to justify the reasonableness of Executive Compensation (L. Thumen)	2011	HQ Human Resources		
283	ITTHQ Corporate Policies & Procedures (ALL)	2006	HQ Corp Responsibility		
284	ITTHQ Corporate Policies & Procedures (ALL)	2007	HQ Corp Responsibility		
285	ITTHQ Corporate Policies & Procedures (ALL)	2008	HQ Corp Responsibility		
286	ITTHQ Corporate Policies & Procedures (ALL)	2009	HQ Corp Responsibility		
287	ITTHQ Corporate Policies & Procedures (ALL)	2010	HQ Corp Responsibility		
288	ITTHQ Corporate Policies & Procedures (ALL)	2011	HQ Corp Responsibility		
289	SAS 70 Reports & Contract/Agreements for all 3rd Party Service Providers that ITTHQ uses.	2006	Mulitple HQ Depts		
290	SAS 70 Reports & Contract/Agreements for all 3rd Party Service Providers that ITTHQ uses.	2007	Mulitple HQ Depts		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
291	SAS 70 Reports & Contract/Agreements for all 3rd Party Service Providers that ITTHQ uses.	2008	Multiple HQ Depts		
292	SAS 70 Reports & Contract/Agreements for all 3rd Party Service Providers that ITTHQ uses.	2009	Multiple HQ Depts		
293	SAS 70 Reports & Contract/Agreements for all 3rd Party Service Providers that ITTHQ uses.	2010	Multiple HQ Depts		
294	SAS 70 Reports & Contract/Agreements for all 3rd Party Service Providers that ITTHQ uses.	2011	Multiple HQ Depts		
295	HFM Data Support for 3 Factor Formula Calculations (System-generated PDF format)	2006	HQ Controllers		
296	HFM Data Support for 3 Factor Formula Calculations (System-generated PDF format)	2007	HQ Controllers		
297	HFM Data Support for 3 Factor Formula Calculations (System-generated PDF format)	2008	HQ Controllers		
298	HFM Data Support for 3 Factor Formula Calculations (System-generated PDF format)	2009	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
299	HFM Data Support for 3 Factor Formula Calculations (System-generated PDF format)	2010	HQ Controllers		
300	HFM Data Support for 3 Factor Formula Calculations (System-generated PDF format)	2011	HQ Controllers		
301	Bonus Agreements/Approvals for ALL ITTHQ Employees (Non-Execs)	2006	HQ Human Resources		
302	Bonus Agreements/Approvals for ALL ITTHQ Employees (Non-Execs)	2007	HQ Human Resources		
303	Bonus Agreements/Approvals for ALL ITTHQ Employees (Non-Execs)	2008	HQ Human Resources		
304	Bonus Agreements/Approvals for ALL ITTHQ Employees (Non-Execs)	2009	HQ Human Resources		
305	Bonus Agreements/Approvals for ALL ITTHQ Employees (Non-Execs)	2010	HQ Human Resources		
306	Bonus Agreements/Approvals for ALL ITTHQ Employees (Non-Execs)	2011	HQ Human Resources		
307	Bonus Agreements/Approvals for All ITT Executives (HQ, SS, DEF)	2006	HQ Human Resources		
308	Bonus Agreements/Approvals for All ITT Executives (HQ, SS, DEF)	2007	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
309	Bonus Agreements/Approvals for All ITT Executives (HQ, SS, DEF)	2008	HQ Human Resources		
310	Bonus Agreements/Approvals for All ITT Executives (HQ, SS, DEF)	2009	HQ Human Resources		
311	Bonus Agreements/Approvals for All ITT Executives (HQ, SS, DEF)	2010	HQ Human Resources		
312	Bonus Agreements/Approvals for All ITT Executives (HQ, SS, DEF)	2011	HQ Human Resources		
313	TSR Statements for ALL ITT HQ, SS, & DEFENSE Employees	2006	HQ Human Resources		
314	TSR Statements for ALL ITT HQ, SS, & DEFENSE Employees	2007	HQ Human Resources		
315	TSR Statements for ALL ITT HQ, SS, & DEFENSE Employees	2008	HQ Human Resources		
316	TSR Statements for ALL ITT HQ, SS, & DEFENSE Employees	2009	HQ Human Resources		
317	TSR Statements for ALL ITT HQ, SS, & DEFENSE Employees	2010	HQ Human Resources		
318	TSR Statements for ALL ITT HQ, SS, & DEFENSE Employees	2011	HQ Human Resources		
319	LTIP Calculations (M Hahn) w/supporting source documentation	2006	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
320	LTIP Calculations (M Hahn) w/supporting source documentation	2007	HQ Controllers		
321	LTIP Calculations (M Hahn) w/supporting source documentation	2008	HQ Controllers		
322	LTIP Calculations (M Hahn) w/supporting source documentation	2009	HQ Controllers		
323	LTIP Calculations (M Hahn) w/supporting source documentation	2010	HQ Controllers		
324	LTIP Calculations (M Hahn) w/supporting source documentation	2011	HQ Controllers		
325	Approvals/Supporting Docs for ALL ITTHQ Service Recognition Awards (To support expense booked in Co 600 A&G)	2006	HQ Controllers		
326	Approvals/Supporting Docs for ALL ITTHQ Service Recognition Awards (To support expense booked in Co 600 A&G)	2007	HQ Controllers		
327	Approvals/Supporting Docs for ALL ITTHQ Service Recognition Awards (To support expense booked in Co 600 A&G)	2008	HQ Controllers		
328	Approvals/Supporting Docs for ALL ITTHQ Service Recognition Awards (To support expense booked in Co 600 A&G)	2009	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
329	Approvals/Supporting Docs for ALL ITTHQ Service Recognition Awards (To support expense booked in Co 600 A&G)	2010	HQ Controllers		
330	Approvals/Supporting Docs for ALL ITTHQ Service Recognition Awards (To support expense booked in Co 600 A&G)	2011	HQ Controllers		
331	Approvals/Supporting Docs for ALL ITTHQ Tuition Reimburesments (To support expense booked in Co 600 A&G)	2006	HQ Controllers		
332	Approvals/Supporting Docs for ALL ITTHQ Tuition Reimburesments (To support expense booked in Co 600 A&G)	2007	HQ Controllers		
333	Approvals/Supporting Docs for ALL ITTHQ Tuition Reimburesments (To support expense booked in Co 600 A&G)	2008	HQ Controllers		
334	Approvals/Supporting Docs for ALL ITTHQ Tuition Reimburesments (To support expense booked in Co 600 A&G)	2009	HQ Controllers		
335	Approvals/Supporting Docs for ALL ITTHQ Tuition Reimburesments (To support expense booked in Co 600 A&G)	2010	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
336	Approvals/Supporting Docs for ALL ITTHQ Tuition Reimburesments (To support expense booked in Co 600 A&G)	2011	HQ Controllers		
337	PARs/Approvals for ALL Software Acquisiitions at ITTHQ Co # 600	2006	HQ Controllers		
338	PARs/Approvals for ALL Software Acquisiitions at ITTHQ Co # 601	2007	HQ Controllers		
339	PARs/Approvals for ALL Software Acquisiitions at ITTHQ Co # 602	2008	HQ Controllers		
340	PARs/Approvals for ALL Software Acquisiitions at ITTHQ Co # 603	2009	HQ Controllers		
341	PARs/Approvals for ALL Software Acquisiitions at ITTHQ Co # 604	2010	HQ Controllers		
342	PARs/Approvals for ALL Software Acquisiitions at ITTHQ Co # 605	2011	HQ Controllers		
343	PARs/Approvals for ALL Capital Expebdiures/Acquisiitions at ITT HQ Co 600 Locations	2006	HQ Controllers		
344	PARs/Approvals for ALL Capital Expebdiures/Acquisiitions at ITT HQ Co 600 Locations	2007	HQ Controllers		
345	PARs/Approvals for ALL Capital Expebdiures/Acquisiitions at ITT HQ Co 600 Locations	2008	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
346	PARs/Approvals for ALL Capital Expebdiures/Acquisiitions at ITT HQ Co 600 Locations	2009	HQ Controllers		
347	PARs/Approvals for ALL Capital Expebdiures/Acquisiitions at ITT HQ Co 600 Locations	2010	HQ Controllers		
348	PARs/Approvals for ALL Capital Expebdiures/Acquisiitions at ITT HQ Co 600 Locations	2011	HQ Controllers		
349	Fixed Assets Register for all ITT HQ Co 600 Fixed Assets	2006	HQ Controllers		
350	Fixed Assets Register for all ITT HQ Co 600 Fixed Assets	2007	HQ Controllers		
351	Fixed Assets Register for all ITT HQ Co 600 Fixed Assets	2008	HQ Controllers		
352	Fixed Assets Register for all ITT HQ Co 600 Fixed Assets	2009	HQ Controllers		
353	Fixed Assets Register for all ITT HQ Co 600 Fixed Assets	2010	HQ Controllers		
354	Fixed Assets Register for all ITT HQ Co 600 Fixed Assets	2011	HQ Controllers		
355	Depreciation Basis for ALL ITTHQ Co 600 Fixed Assets	2006	HQ Controllers		
356	Depreciation Basis for ALL ITTHQ Co 600 Fixed Assets	2007	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
357	Depreciation Basis for ALL ITTHQ Co 600 Fixed Assets	2008	HQ Controllers		
358	Depreciation Basis for ALL ITTHQ Co 600 Fixed Assets	2009	HQ Controllers		
359	Depreciation Basis for ALL ITTHQ Co 600 Fixed Assets	2010	HQ Controllers		
360	Depreciation Basis for ALL ITTHQ Co 600 Fixed Assets	2011	HQ Controllers		
361	Invoices for All Fixed Assers at ITTHQ Co 600	2006	HQ Controllers		
362	Invoices for All Fixed Assers at ITTHQ Co 601	2007	HQ Controllers		
363	Invoices for All Fixed Assers at ITTHQ Co 602	2008	HQ Controllers		
364	Invoices for All Fixed Assers at ITTHQ Co 603	2009	HQ Controllers		
365	Invoices for All Fixed Assers at ITTHQ Co 604	2010	HQ Controllers		
366	Invoices for All Fixed Assers at ITTHQ Co 605	2011	HQ Controllers		
367	Leasehold Improvemnt Register for all ITT HQ Co 600 Leasehold Imps	2006	HQ Controllers		
368	Leasehold Improvemnt Register for all ITT HQ Co 600 Leasehold Imps	2007	HQ Controllers		
369	Leasehold Improvemnt Register for all ITT HQ Co 600 Leasehold Imps	2008	HQ Controllers		
370	Leasehold Improvemnt Register for all ITT HQ Co 600 Leasehold Imps	2009	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
371	Leasehold Improvement Register for all ITT HQ Co 600 Leasehold Imps	2010	HQ Controllers		
372	Leasehold Improvement Register for all ITT HQ Co 600 Leasehold Imps	2011	HQ Controllers		
373	Amortization Basis for ALL ITTHQ Co 600 Leasehold Improvs	2006	HQ Controllers		
374	Amortization Basis for ALL ITTHQ Co 600 Leasehold Improvs	2007	HQ Controllers		
375	Amortization Basis for ALL ITTHQ Co 600 Leasehold Improvs	2008	HQ Controllers		
376	Amortization Basis for ALL ITTHQ Co 600 Leasehold Improvs	2009	HQ Controllers		
377	Amortization Basis for ALL ITTHQ Co 600 Leasehold Improvs	2010	HQ Controllers		
378	Amortization Basis for ALL ITTHQ Co 600 Leasehold Improvs	2011	HQ Controllers		
379	Invoices for All Leasehold Improvs at ITTHQ Co 600	2006	HQ Controllers		
380	Invoices for All Leasehold Improvs at ITTHQ Co 600	2007	HQ Controllers		
381	Invoices for All Leasehold Improvs at ITTHQ Co 600	2008	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
382	Invoices for All Leasehold Improvs at ITTHQ Co 600	2009	HQ Controllers		
383	Invoices for All Leasehold Improvs at ITTHQ Co 600	2010	HQ Controllers		
384	Invoices for All Leasehold Improvs at ITTHQ Co 600	2011	HQ Controllers		
385	Rental Agreements that support all Acct 451/455 Rental Expenses	2006	HQ Controllers		
386	Rental Agreements that support all Acct 451/455 Rental Expenses	2007	HQ Controllers		
387	Rental Agreements that support all Acct 451/455 Rental Expenses	2008	HQ Controllers		
388	Rental Agreements that support all Acct 451/455 Rental Expenses	2009	HQ Controllers		
389	Rental Agreements that support all Acct 451/455 Rental Expenses	2010	HQ Controllers		
390	Rental Agreements that support all Acct 451/455 Rental Expenses	2011	HQ Controllers		
391	Agreements/Contracts with Temporary Help & Temp Agencies (Acct 738)	2006	HQ Human Resources		
392	Agreements/Contracts with Temporary Help & Temp Agencies (Acct 738)	2007	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
393	Agreements/Contracts with Temporary Help & Temp Agencies (Acct 738)	2008	HQ Human Resources		
394	Agreements/Contracts with Temporary Help & Temp Agencies (Acct 738)	2009	HQ Human Resources		
395	Agreements/Contracts with Temporary Help & Temp Agencies (Acct 738)	2010	HQ Human Resources		
396	Agreements/Contracts with Temporary Help & Temp Agencies (Acct 738)	2011	HQ Human Resources		
397	Agreements/Contracts with Employment Agencies, Search Agencies, and Executive Searches (i.e. Acct 741), for ALL employment searches	2006	HQ Human Resources		
398	Agreements/Contracts with Employment Agencies, Search Agencies, and Executive Searches (i.e. Acct 741), for ALL employment searches	2007	HQ Human Resources		
399	Agreements/Contracts with Employment Agencies, Search Agencies, and Executive Searches (i.e. Acct 741), for ALL employment searches	2008	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
400	Agreements/Contracts with Employment Agencies, Search Agencies, and Executive Searches (i.e. Acct 741), for ALL employment searches	2009	HQ Human Resources		
401	Agreements/Contracts with Employment Agencies, Search Agencies, and Executive Searches (i.e. Acct 741), for ALL employment searches	2010	HQ Human Resources		
402	Agreements/Contracts with Employment Agencies, Search Agencies, and Executive Searches (i.e. Acct 741), for ALL employment searches	2011	HQ Human Resources		
403	Relocation Expense Supprting Docs (Acct 744)	2006	HQ Human Resources		
404	Relocation Expense Supprting Docs (Acct 744)	2007	HQ Human Resources		
405	Relocation Expense Supprting Docs (Acct 744)	2008	HQ Human Resources		
406	Relocation Expense Supprting Docs (Acct 744)	2009	HQ Human Resources		
407	Relocation Expense Supprting Docs (Acct 744)	2010	HQ Human Resources		
408	Relocations Expense Supprting Docs (Acct 744)	2011	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
409	Contracts/Agreements for ALL ITT BOARD OF DIRECTORS (Acct 750)	2006	HQ Legal		
410	Contracts/Agreements for ALL ITT BOARD OF DIRECTORS (Acct 750)	2007	HQ Legal		
411	Contracts/Agreements for ALL ITT BOARD OF DIRECTORS (Acct 750)	2008	HQ Legal		
412	Contracts/Agreements for ALL ITT BOARD OF DIRECTORS (Acct 750)	2009	HQ Legal		
413	Contracts/Agreements for ALL ITT BOARD OF DIRECTORS (Acct 750)	2010	HQ Legal		
414	Contracts/Agreements for ALL ITT BOARD OF DIRECTORS (Acct 750)	2011	HQ Legal		
415	Supporting Docs for ALL ITT BOARD OF DIRECTORS FEES (Acct 750)	2006	HQ Legal		
416	Supporting Docs for ALL ITT BOARD OF DIRECTORS FEES (Acct 750)	2007	HQ Legal		
417	Supporting Docs for ALL ITT BOARD OF DIRECTORS FEES (Acct 750)	2008	HQ Legal		
418	Supporting Docs for ALL ITT BOARD OF DIRECTORS FEES (Acct 750)	2009	HQ Legal		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
419	Supporting Docs for ALL ITT BOARD OF DIRECTORS FEES (Acct 750)	2010	HQ Legal		
420	Supporting Docs for ALL ITT BOARD OF DIRECTORS FEES (Acct 750)	2011	HQ Legal		
421	G/L Support for ALL ITTHQ Co 600 Severance Expense (System-generated PDF and xls format)	2006	FWSS Payroll		
422	G/L Support for ALL ITTHQ Co 600 Severance Expense (System-generated PDF and xls format)	2007	FWSS Payroll		
423	G/L Support for ALL ITTHQ Co 600 Severance Expense (System-generated PDF and xls format)	2008	FWSS Payroll		
424	G/L Support for ALL ITTHQ Co 600 Severance Expense (System-generated PDF and xls format)	2009	FWSS Payroll		
425	G/L Support for ALL ITTHQ Co 600 Severance Expense (System-generated PDF and xls format)	2010	FWSS Payroll		
426	G/L Support for ALL ITTHQ Co 600 Severance Expense (System-generated PDF and xls format)	2011	FWSS Payroll		
427	Termination Agreements for ALL ITTHQ Co 600 Severed Employees	2006	HQ Human Resources		
428	Termination Agreements for ALL ITTHQ Co 600 Severed Employees	2007	HQ Human Resources		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
429	Termination Agreements for ALL ITTHQ Co 600 Severed Employees	2008	HQ Human Resources		
430	Termination Agreements for ALL ITTHQ Co 600 Severed Employees	2009	HQ Human Resources		
431	Termination Agreements for ALL ITTHQ Co 600 Severed Employees	2010	HQ Human Resources		
432	Termination Agreements for ALL ITTHQ Co 600 Severed Employees	2011	HQ Human Resources		
433	Concur Reports for ALL EXPENSES that are charged through Concur at ITTHQ (System-generated?) See Comments)	2006	FWSS Travel		
434	Concur Reports for ALL EXPENSES that are charged through Concur at ITTHQ (System-generated?) See Comments)	2007	FWSS Travel		
435	Concur Reports for ALL EXPENSES that are charged through Concur at ITTHQ (System-generated?) See Comments)	2008	FWSS Travel		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
436	Concur Reports for ALL EXPENSES that are charged through Concur at ITTHQ (System-generated?) See Comments)	2009	FWSS Travel		
437	Concur Reports for ALL EXPENSES that are charged through Concur at ITTHQ (System-generated?) See Comments)	2010	FWSS Travel		
438	Concur Reports for ALL EXPENSES that are charged through Concur at ITTHQ (System-generated?) See Comments)	2011	FWSS Travel		
439	Supporting Docs/Receipts fo ALL EXPENSES that are charged through Concur at ITTHQ	2006	FWSS Travel		
440	Supporting Docs/Receipts fo ALL EXPENSES that are charged through Concur at ITTHQ	2007	FWSS Travel		
441	Supporting Docs/Receipts fo ALL EXPENSES that are charged through Concur at ITTHQ	2008	FWSS Travel		
442	Supporting Docs/Receipts fo ALL EXPENSES that are charged through Concur at ITTHQ	2009	FWSS Travel		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
443	Supporting Docs/Receipts fo ALL EXPENSES that are charged through Concur at ITTHQ	2010	FWSS Travel		
444	Supporting Docs/Receipts fo ALL EXPENSES that are charged through Concur at ITTHQ	2011	FWSS Travel		
445	ALL Consultant Agreements/Contracts at ITTHQ Co 600 (Acct 734 & 735)	2006	Mulitple HQ Depts		
446	ALL Consultant Agreements/Contracts at ITTHQ Co 600 (Acct 734 & 735)	2007	Mulitple HQ Depts		
447	ALL Consultant Agreements/Contracts at ITTHQ Co 600 (Acct 734 & 735)	2008	Mulitple HQ Depts		
448	ALL Consultant Agreements/Contracts at ITTHQ Co 600 (Acct 734 & 735)	2009	Mulitple HQ Depts		
449	ALL Consultant Agreements/Contracts at ITTHQ Co 600 (Acct 734 & 735)	2010	Mulitple HQ Depts		
450	ALL Consultant Agreements/Contracts at ITTHQ Co 600 (Acct 734 & 735)	2011	Mulitple HQ Depts		
451	Pension Buck Reports	2006	HQ Pension Dept		
452	Pension Buck Reports	2007	HQ Pension Dept		
453	Pension Buck Reports	2008	HQ Pension Dept		
454	Pension Buck Reports	2009	HQ Pension Dept		
455	Pension Buck Reports	2010	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
456	Pension Buck Reports	2011	HQ Pension Dept		
457	Supporting Data that ITTHQ sent to Buck for the actualials to calculate CAS Complaint Pension Expenses & Contributions	2006	HQ Pension Dept		
458	Supporting Data that ITTHQ sent to Buck for the actualials to calculate CAS Complaint Pension Expenses & Contributions	2007	HQ Pension Dept		
459	Supporting Data that ITTHQ sent to Buck for the actualials to calculate CAS Complaint Pension Expenses & Contributions	2008	HQ Pension Dept		
460	Supporting Data that ITTHQ sent to Buck for the actualials to calculate CAS Complaint Pension Expenses & Contributions	2009	HQ Pension Dept		
461	Supporting Data that ITTHQ sent to Buck for the actualials to calculate CAS Complaint Pension Expenses & Contributions	2010	HQ Pension Dept		
462	Supporting Data that ITTHQ sent to Buck for the actualials to calculate CAS Complaint Pension Expenses & Contributions	2011	HQ Pension Dept		
463	IRS Form 5500	2006	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
464	IRS Form 5500	2007	HQ Pension Dept		
465	IRS Form 5500	2008	HQ Pension Dept		
466	IRS Form 5500	2009	HQ Pension Dept		
467	IRS Form 5500	2010	HQ Pension Dept		
468	IRS Form 5500	2011	HQ Pension Dept		
469	Trustee Report (Northern Master Trust?) and explanations for any significant withdrawals of pension assets. Need to ensure that Government contributed pension assets are protected.	2006	HQ Pension Dept		
470	Trustee Report (Northern Master Trust?) and explanations for any significant withdrawals of pension assets. Need to ensure that Government contributed pension assets are protected.	2007	HQ Pension Dept		
471	Trustee Report (Northern Master Trust?) and explanations for any significant withdrawals of pension assets. Need to ensure that Government contributed pension assets are protected.	2008	HQ Pension Dept		
472	Trustee Report (Northern Master Trust?) and explanations for any significant withdrawals of pension assets. Need to ensure that Government contributed pension assets are protected.	2009	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
473	Trustee Report (Northern Master Trust?) and explanations for any significant withdrawals of pension assets. Need to ensure that Government contributed pension assets are protected.	2010	HQ Pension Dept		
474	Trustee Report (Northern Master Trust?) and explanations for any significant withdrawals of pension assets. Need to ensure that Government contributed pension assets are protected.	2011	HQ Pension Dept		
475	Calculations of Post-Retirement Benefits (PRB) Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Pension Dept		
476	Calculations of Post-Retirement Benefits (PRB) Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Pension Dept		
477	Calculations of Post-Retirement Benefits (PRB) Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Pension Dept		
478	Calculations of Post-Retirement Benefits (PRB) Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
479	Calculations of Post-Retirement Benefits (PRB) Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Pension Dept		
480	Calculations of Post-Retirement Benefits (PRB) Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Pension Dept		
481	Supporting Source Docs for each element of the Calculations of PRBs Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Pension Dept		
482	Supporting Source Docs for each element of the Calculations of PRBs Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Pension Dept		
483	Supporting Source Docs for each element of the Calculations of PRBs Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Pension Dept		
484	Supporting Source Docs for each element of the Calculations of PRBs Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Pension Dept		
485	Supporting Source Docs for each element of the Calculations of PRBs Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
486	Supporting Source Docs for each element of the Calculations of PRBs Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Pension Dept		ACS emails?
487	Support for the Medical & Dental Cost (i.e. Statements from the Trust and Proof of ITT Payment to fund the trust,, etc)	2006	HQ Pension Dept		
488	Support for the Medical & Dental Cost (i.e. Statements from the Trust and Proof of ITT Payment to fund the trust,, etc)	2007	HQ Pension Dept		
489	Support for the Medical & Dental Cost (i.e. Statements from the Trust and Proof of ITT Payment to fund the trust,, etc)	2008	HQ Pension Dept		
490	Support for the Medical & Dental Cost (i.e. Statements from the Trust and Proof of ITT Payment to fund the trust,, etc)	2009	HQ Pension Dept		
491	Support for the Medical & Dental Cost (i.e. Statements from the Trust and Proof of ITT Payment to fund the trust,, etc)	2010	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
492	Support for the Medical & Dental Cost (i.e. Statements from the Trust and Proof of ITT Payment to fund the trust,, etc)	2011	HQ Pension Dept		
493	Listing of Participants in the PRBs to support PRB eligibility	2006	HQ Pension Dept	Y	
494	Listing of Participants in the PRBs to support PRB eligibility	2007	HQ Pension Dept		
495	Listing of Participants in the PRBs to support PRB eligibility	2008	HQ Pension Dept		
496	Listing of Participants in the PRBs to support PRB eligibility	2009	HQ Pension Dept	Y	
497	Listing of Participants in the PRBs to support PRB eligibility	2010	HQ Pension Dept	Y	
498	Listing of Participants in the PRBs to support PRB eligibility	2011	HQ Pension Dept		
499	Acturial Reports for EDO Frozen Pension Costs	2008	HQ Pension Dept	Y	
500	Acturial Reports for EDO Frozen Pension Costs	2009	HQ Pension Dept	Y	
501	Acturial Reports for EDO Frozen Pension Costs	2010	HQ Pension Dept	Y	
502	Acturial Reports for EDO Frozen Pension Costs	2011	HQ Pension Dept	Y	

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
503	Acturial Reports for EDO Frozen Pension Costs	2012	HQ Pension Dept	Y	
504	Supporting Data that ITT sent to Actuariials to calculate CAS Complaint EDO Frozen Pension Expenses & Contributions	2008	HQ Pension Dept	Y	
505	Supporting Data that ITT sent to Actuariials to calculate CAS Complaint EDO Frozen Pension Expenses & Contributions	2009	HQ Pension Dept	Y	
506	Supporting Data that ITT sent to Actuariials to calculate CAS Complaint EDO Frozen Pension Expenses & Contributions	2010	HQ Pension Dept	Y	
507	Supporting Data that ITT sent to Actuariials to calculate CAS Complaint EDO Frozen Pension Expenses & Contributions	2011	HQ Pension Dept	Y	
508	Supporting Data that ITT sent to Actuariials to calculate CAS Complaint EDO Frozen Pension Expenses & Contributions	2012	HQ Pension Dept	Y	
509	Agreements with Empire for the Administrtrtion of ITT Healthcare Costs	2006	HQ Pension Dept		
510	Agreements with Empire for the Administrtrtion of ITT Healthcare Costs	2007	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
511	Agreements with Empire for the Administration of ITT Healthcare Costs	2008	HQ Pension Dept		
512	Agreements with Empire for the Administration of ITT Healthcare Costs	2009	HQ Pension Dept		
513	Agreements with Empire for the Administration of ITT Healthcare Costs	2010	HQ Pension Dept		
514	Agreements with Empire for the Administration of ITT Healthcare Costs	2011	HQ Pension Dept		
515	Calculations of Healthcare Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Pension Dept		
516	Calculations of Healthcare Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Pension Dept		
517	Calculations of Healthcare Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Pension Dept		
518	Calculations of Healthcare Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Pension Dept		
519	Calculations of Healthcare Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Pension Dept		
520	Calculations of Healthcare Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
521	Calculations of Healthcare Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2006	HQ Pension Dept		
522	Calculations of Healthcare Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2007	HQ Pension Dept		
523	Calculations of Healthcare Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2008	HQ Pension Dept		
524	Calculations of Healthcare Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2009	HQ Pension Dept		
525	Calculations of Healthcare Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2010	HQ Pension Dept		
526	Calculations of Healthcare Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2011	HQ Pension Dept		
527	Supporting Source Docs for each element of the Calculations of IHealthcare Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Pension Dept		
528	Supporting Source Docs for each element of the Calculations of IHealthcare Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
529	Supporting Source Docs for each element of the Calculations of IHealthcare Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Pension Dept		
530	Supporting Source Docs for each element of the Calculations of IHealthcare Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Pension Dept		
531	Supporting Source Docs for each element of the Calculations of IHealthcare Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Pension Dept		
532	Supporting Source Docs for each element of the Calculations of IHealthcare Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Pension Dept		
533	Support for the Healthcare Partipants by BU.	2006	HQ Pension Dept		
534	Support for the Healthcare Partipants by BU.	2007	HQ Pension Dept		
535	Support for the Healthcare Partipants by BU.	2008	HQ Pension Dept		
536	Support for the Healthcare Partipants by BU.	2009	HQ Pension Dept		
537	Support for the Healthcare Partipants by BU.	2010	HQ Pension Dept		
538	Support for the Healthcare Partipants by BU.	2011	HQ Pension Dept		
539	Dependant Eligibility Healthcare 3rd Party Audit and Results	2011	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
540	Agreements with Met Life for the Administration of ITT Healthcare Costs	2006	HQ Pension Dept		
541	Agreements with Met Life for the Administration of ITT Healthcare Costs	2007	HQ Pension Dept		
542	Agreements with Met Life for the Administration of ITT Healthcare Costs	2008	HQ Pension Dept		
543	Agreements with Met Life for the Administration of ITT Healthcare Costs	2009	HQ Pension Dept		
544	Agreements with Met Life for the Administration of ITT Healthcare Costs	2010	HQ Pension Dept		
545	Agreements with Met Life for the Administration of ITT Healthcare Costs	2011	HQ Pension Dept		
546	Calculations of Met Life Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Pension Dept		
547	Calculations of Met Life Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Pension Dept		
548	Calculations of Met Life Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Pension Dept		
549	Calculations of Met Life Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
550	Calculations of Met Life Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Pension Dept		
551	Calculations of Met Life Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Pension Dept		
552	Calculations of Met Life Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2006	HQ Pension Dept		
553	Calculations of Met Life Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2007	HQ Pension Dept		
554	Calculations of Met Life Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2008	HQ Pension Dept		
555	Calculations of Met Life Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2009	HQ Pension Dept		
556	Calculations of Met Life Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2010	HQ Pension Dept		
557	Calculations of Met Life Rates (ii.e. EE, EE +1, EE +Family) for all types of H/C types	2011	HQ Pension Dept		
558	Supporting Source Docs for each element of the Calculations of MetLife Dental Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
559	Supporting Source Docs for each element of the Calculations of MetLife Dental Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Pension Dept		
560	Supporting Source Docs for each element of the Calculations of MetLife Dental Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Pension Dept		
561	Supporting Source Docs for each element of the Calculations of MetLife Dental Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Pension Dept		
562	Supporting Source Docs for each element of the Calculations of MetLife Dental Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Pension Dept		
563	Supporting Source Docs for each element of the Calculations of MetLife Dental Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Pension Dept		
564	Support for the Met Life Partipants by BU.	2006	HQ Pension Dept		
565	Support for the Met Life Partipants by BU.	2007	HQ Pension Dept		
566	Support for the Met Life Partipants by BU.	2008	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
567	Support for the Met Life Partipants by BU.	2009	HQ Pension Dept		
568	Support for the Met Life Partipants by BU.	2010	HQ Pension Dept		
569	Support for the Met Life Partipants by BU.	2011	HQ Pension Dept		
570	Dependant Eligibility Dental 3rd Party Audit and Results	2011	HQ Pension Dept		
571	ISP/401k Allocation Worksheets	2006	FWSS Acctg		
572	ISP/401k Allocation Worksheets	2007	FWSS Acctg		
573	ISP/401k Allocation Worksheets	2008	FWSS Acctg		
574	ISP/401k Allocation Worksheets	2009	FWSS Acctg		
575	ISP/401k Allocation Worksheets	2010	FWSS Acctg		
576	ISP/401k Allocation Worksheets	2011	FWSS Acctg		
577	Supporting Source Docs for each element of the Calculations of ISP/401k Allocation to HQ, DEHQ, Defense BUs.	2006	FWSS Acctg		
578	Supporting Source Docs for each element of the Calculations of ISP/401k Allocation to HQ, DEHQ, Defense BUs.	2007	FWSS Acctg		
579	Supporting Source Docs for each element of the Calculations of ISP/401k Allocation to HQ, DEHQ, Defense BUs.	2008	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
580	Supporting Source Docs for each element of the Calculations of ISP/401k Allocation to HQ, DEHQ, Defense BUs.	2009	FWSS Acctg		
581	Supporting Source Docs for each element of the Calculations of ISP/401k Allocation to HQ, DEHQ, Defense BUs.	2010	FWSS Acctg		
582	Supporting Source Docs for each element of the Calculations of ISP/401k Allocation to HQ, DEHQ, Defense BUs.	2011	FWSS Acctg		
583	Support for the ISP/401k Partipants by BU.	2006	FWSS Acctg		
584	Support for the ISP/401k Partipants by BU.	2007	FWSS Acctg		
585	Support for the ISP/401k Partipants by BU.	2008	FWSS Acctg		
586	Support for the ISP/401k Partipants by BU.	2009	FWSS Acctg		
587	Support for the ISP/401k Partipants by BU.	2010	FWSS Acctg		
588	Support for the ISP/401k Partipants by BU.	2011	FWSS Acctg		
589	Support for the ISP/401k ITT Matching Payments (proof of payment)	2006	FWSS Acctg		
590	Support for the ISP/401k ITT Matching Payments (proof of payment)	2007	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
591	Support for the ISP/401k ITT Matching Payments (proof of payment)	2008	FWSS Acctg		
592	Support for the ISP/401k ITT Matching Payments (proof of payment)	2009	FWSS Acctg		
593	Support for the ISP/401k ITT Matching Payments (proof of payment)	2010	FWSS Acctg		
594	Support for the ISP/401k ITT Matching Payments (proof of payment)	2011	FWSS Acctg		
595	3rd Party Provider agreements/contracts related to the Administration of ITT ISP/401k costs.	2006	HQ Pension Dept		
596	3rd Party Provider agreements/contracts related to the Administration of ITT ISP/401k costs.	2007	HQ Pension Dept		
597	3rd Party Provider agreements/contracts related to the Administration of ITT ISP/401k costs.	2008	HQ Pension Dept		
598	3rd Party Provider agreements/contracts related to the Administration of ITT ISP/401k costs.	2009	HQ Pension Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
599	3rd Party Provider agreements/contracts related to the Administration of ITT ISP/401k costs.	2010	HQ Pension Dept		
600	3rd Party Provider agreements/contracts related to the Administration of ITT ISP/401k costs.	2011	HQ Pension Dept		
601	Copy of the Recurring Journal Entry Binders (S. Agustin)	2006	HQ Controllers		
602	Copy of the Recurring Journal Entry Binders (S. Agustin)	2007	HQ Controllers		
603	Copy of the Recurring Journal Entry Binders (S. Agustin)	2008	HQ Controllers		
604	Copy of the Recurring Journal Entry Binders (S. Agustin)	2009	HQ Controllers		
605	Copy of the Recurring Journal Entry Binders (S. Agustin)	2010	HQ Controllers		
606	Copy of the Recurring Journal Entry Binders (S. Agustin)	2011	HQ Controllers		
607	Excel Spreadshhet that supports the Recurring Journal Entry Binders (C. Lupincci), including Y/E Trueups	2006	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
608	Excel Spreadshhet that supports the Recurring Journal Entry Binders (C. Lupincci), including Y/E Trueups	2007	HQ Controllers		
609	Excel Spreadshhet that supports the Recurring Journal Entry Binders (C. Lupincci), including Y/E Trueups	2008	HQ Controllers		
610	Excel Spreadshhet that supports the Recurring Journal Entry Binders (C. Lupincci), including Y/E Trueups	2009	HQ Controllers		
611	Excel Spreadshhet that supports the Recurring Journal Entry Binders (C. Lupincci), including Y/E Trueups	2010	HQ Controllers		
612	Excel Spreadshhet that supports the Recurring Journal Entry Binders (C. Lupincci), including Y/E Trueups	2011	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
613	Executive Forum. HR Conference, Geneen Award, et al Charge-outs to ITTHQ, DEHQ, & Defense BUs	2006	HQ Controllers		
614	Executive Forum. HR Conference, Geneen Award, et al Charge-outs to ITTHQ, DEHQ, & Defense BUs	2007	HQ Controllers		
615	Executive Forum. HR Conference, Geneen Award, et al Charge-outs to ITTHQ, DEHQ, & Defense BUs	2008	HQ Controllers		
616	Executive Forum. HR Conference, Geneen Award, et al Charge-outs to ITTHQ, DEHQ, & Defense BUs	2009	HQ Controllers		
617	Executive Forum. HR Conference, Geneen Award, et al Charge-outs to ITTHQ, DEHQ, & Defense BUs	2010	HQ Controllers		
618	Executive Forum. HR Conference, Geneen Award, et al Charge-outs to ITTHQ, DEHQ, & Defense BUs	2011	HQ Controllers		
619	Supporting Source Docs for each element of the respectiue traning expenses incurred and allocated to HQ, DEHQ, Defense BUs.	2006	HQ Controllers		
620	Supporting Source Docs for each element of the respectiue traning expenses incurred and allocated to HQ, DEHQ, Defense BUs.	2007	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
621	Supporting Source Docs for each element of the respective training expenses incurred and allocated to HQ, DEHQ, Defense BUs.	2008	HQ Controllers		
622	Supporting Source Docs for each element of the respective training expenses incurred and allocated to HQ, DEHQ, Defense BUs.	2009	HQ Controllers		
623	Supporting Source Docs for each element of the respective training expenses incurred and allocated to HQ, DEHQ, Defense BUs.	2010	HQ Controllers		
624	Supporting Source Docs for each element of the respective training expenses incurred and allocated to HQ, DEHQ, Defense BUs.	2011	HQ Controllers		
625	Supporting Source Docs for each element of the Basis of Allocation for each Recurring JE Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Controllers		
626	Supporting Source Docs for each element of the Basis of Allocation for each Recurring JE Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
627	Supporting Source Docs for each element of the Basis of Allocation for each Recurring JE Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Controllers		
628	Supporting Source Docs for each element of the Basis of Allocation for each Recurring JE Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Controllers		
629	Supporting Source Docs for each element of the Basis of Allocation for each Recurring JE Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Controllers		
630	Supporting Source Docs for each element of the Basis of Allocation for each Recurring JE Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Controllers		
631	Clayton Young Spreadsheets detailing the calculation and allocation of the BIG 5 INSURANCE CATEGORIES (WAG/DBA,, Aircraft Products Liability, Property, Umbrella, Fiduciary/Other)	2006	HQ Treasury	Y	

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
632	Clayton Young Spreadsheets detailing the calculation and alloction of the BIG 5 INSURANCE CATEGORIES (WAG/DBA,, Aircraft Products Lability, Property, Umbrella, Fiduciary/Other)	2007	HQ Treasury		
633	Clayton Young Spreadsheets detailing the calculation and alloction of the BIG 5 INSURANCE CATEGORIES (WAG/DBA,, Aircraft Products Lability, Property, Umbrella, Fiduciary/Other)	2008	HQ Treasury		
634	Clayton Young Spreadsheets detailing the calculation and alloction of the BIG 5 INSURANCE CATEGORIES (WAG/DBA,, Aircraft Products Lability, Property, Umbrella, Fiduciary/Other)	2009	HQ Treasury		
635	Clayton Young Spreadsheets detailing the calculation and alloction of the BIG 5 INSURANCE CATEGORIES (WAG/DBA,, Aircraft Products Lability, Property, Umbrella, Fiduciary/Other)	2010	HQ Treasury		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
636	Clayton Young Spreadsheets detailing the calculation and allocation of the BIG 5 INSURANCE CATEGORIES (WAG/DBA,, Aircraft Products Liability, Property, Umbrella, Fiduciary/Other)	2011	HQ Treasury		
637	Allocation Basis and Experience Support for each element of the Big 5 Insurance Allocations to ITTHQ, DEHQ, & Defense VCs & BUs.	2006	HQ Treasury		
638	Allocation Basis and Experience Support for each element of the Big 5 Insurance Allocations to ITTHQ, DEHQ, & Defense VCs & BUs.	2007	HQ Treasury		
639	Allocation Basis and Experience Support for each element of the Big 5 Insurance Allocations to ITTHQ, DEHQ, & Defense VCs & BUs.	2008	HQ Treasury		
640	Allocation Basis and Experience Support for each element of the Big 5 Insurance Allocations to ITTHQ, DEHQ, & Defense VCs & BUs.	2009	HQ Treasury		
641	Allocation Basis and Experience Support for each element of the Big 5 Insurance Allocations to ITTHQ, DEHQ, & Defense VCs & BUs.	2010	HQ Treasury		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
642	Allocation Basis and Experience Support for each element of the Big 5 Insurance Allocations to ITTHQ, DEHQ, & Defense VCs & BUs.	2011	HQ Treasury		
643	Copies of Big 5 Insurance Policies	2006	HQ Treasury		
644	Copies of Big 5 Insurance Policies	2007	HQ Treasury		
645	Copies of Big 5 Insurance Policies	2008	HQ Treasury		
646	Copies of Big 5 Insurance Policies	2009	HQ Treasury		
647	Copies of Big 5 Insurance Policies	2010	HQ Treasury		
648	Copies of Big 5 Insurance Policies	2011	HQ Treasury		
649	Copies of Big 5 Broker Agreements	2006	HQ Treasury		
650	Copies of Big 5 Broker Agreements	2007	HQ Treasury		
651	Copies of Big 5 Broker Agreements	2008	HQ Treasury		
652	Copies of Big 5 Broker Agreements	2009	HQ Treasury		
653	Copies of Big 5 Broker Agreements	2010	HQ Treasury		
654	Copies of Big 5 Broker Agreements	2011	HQ Treasury		
655	ITT HQ General Ledger Print-outs of the Insurance Charges (Big 5) and allocations to Def BUs (System-generated) (Fullan)	2006	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
656	ITT HQ General Ledger Print-outs of the Insurance Charges (Big 5) and allocations to Def BUs (System-generated) (Fullan)	2007	HQ Controllers		
657	ITT HQ General Ledger Print-outs of the Insurance Charges (Big 5) and allocations to Def BUs (System-generated) (Fullan)	2008	HQ Controllers		
658	ITT HQ General Ledger Print-outs of the Insurance Charges (Big 5) and allocations to Def BUs (System-generated) (Fullan)	2009	HQ Controllers		
659	ITT HQ General Ledger Print-outs of the Insurance Charges (Big 5) and allocations to Def BUs (System-generated) (Fullan)	2010	HQ Controllers		
660	ITT HQ General Ledger Print-outs of the Insurance Charges (Big 5) and allocations to Def BUs (System-generated) (Fullan)	2011	HQ Controllers		
661	JEs and Support for all Big 5 Insurance Charges on the GL and allocations to Defense	2006	HQ Controllers		
662	JEs and Support for all Big 5 Insurance Charges on the GL and allocations to Defense	2007	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
663	JEs and Support for all Big 5 Insurance Charges on the GL and allocations to Defense	2008	HQ Controllers		
664	JEs and Support for all Big 5 Insurance Charges on the GL and allocations to Defense	2009	HQ Controllers		
665	JEs and Support for all Big 5 Insurance Charges on the GL and allocations to Defense	2010	HQ Controllers		
666	JEs and Support for all Big 5 Insurance Charges on the GL and allocations to Defense	2011	HQ Controllers		
667	Documentation that shows that the Big 5 Insurance Policies that ITT chose was a sound business decision (i.e. was it completed, analyses performed, etc)	2006	HQ Treasury		
668	Documentation that shows that the Big 5 Insurance Policies that ITT chose was a sound business decision (i.e. was it completed, analyses performed, etc)	2007	HQ Treasury		
669	Documentation that shows that the Big 5 Insurance Policies that ITT chose was a sound business decision (i.e. was it completed, analyses performed, etc)	2008	HQ Treasury		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
670	Documentation that shows that the Big 5 Insurance Polcies that ITT chose was a sound busniess decision (i.e. was it competed, analyses performed, etc)	2009	HQ Treasury		
671	Documentation that shows that the Big 5 Insurance Polcies that ITT chose was a sound busniess decision (i.e. was it competed, analyses performed, etc)	2010	HQ Treasury		
672	Documentation that shows that the Big 5 Insurance Polcies that ITT chose was a sound busniess decision (i.e. was it competed, analyses performed, etc)	2011	HQ Treasury		
673	FICA/FUTA/SUI Allocations to ITTHQ, DEHQ, and Defense BUs	2006	HQ Tax		
674	FICA/FUTA/SUI Allocations to ITTHQ, DEHQ, and Defense BUs	2007	HQ Tax		
675	FICA/FUTA/SUI Allocations to ITTHQ, DEHQ, and Defense BUs	2008	HQ Tax		
676	FICA/FUTA/SUI Allocations to ITTHQ, DEHQ, and Defense BUs	2009	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
677	FICA/FUTA/SUI Allocations to ITTHQ, DEHQ, and Defense BUs	2010	HQ Tax		
678	FICA/FUTA/SUI Allocations to ITTHQ, DEHQ, and Defense BUs	2011	HQ Tax		
679	Supporting Source Docs for each element of the Calculations of FICA/FUTA/SUI Allocation to HQ, DEHQ, Defense BUs.	2006	HQ Tax		
680	Supporting Source Docs for each element of the Calculations of FICA/FUTA/SUI Allocation to HQ, DEHQ, Defense BUs.	2007	HQ Tax		
681	Supporting Source Docs for each element of the Calculations of FICA/FUTA/SUI Allocation to HQ, DEHQ, Defense BUs.	2008	HQ Tax		
682	Supporting Source Docs for each element of the Calculations of FICA/FUTA/SUI Allocation to HQ, DEHQ, Defense BUs.	2009	HQ Tax		
683	Supporting Source Docs for each element of the Calculations of FICA/FUTA/SUI Allocation to HQ, DEHQ, Defense BUs.	2010	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
684	Supporting Source Docs for each element of the Calculations of FICA/FUTA/SUI Allocation to HQ, DEHQ, Defense BUs.	2011	HQ Tax		
685	FICA/FUTA/SUI tax returns that support the expense	2006	HQ Tax		
686	FICA/FUTA/SUI tax returns that support the expense	2007	HQ Tax		
687	FICA/FUTA/SUI tax returns that support the expense	2008	HQ Tax		
688	FICA/FUTA/SUI tax returns that support the expense	2009	HQ Tax		
689	FICA/FUTA/SUI tax returns that support the expense	2010	HQ Tax		
690	FICA/FUTA/SUI tax returns that support the expense	2011	HQ Tax		
691	Supporting Source Documentation that supports the FICA/FUTA/SUI Tax Returns	2006	HQ Tax		
692	Supporting Source Documentation that supports the FICA/FUTA/SUI Tax Returns	2007	HQ Tax		
693	Supporting Source Documentation that supports the FICA/FUTA/SUI Tax Returns	2008	HQ Tax		
694	Supporting Source Documentation that supports the FICA/FUTA/SUI Tax Returns	2009	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
695	Supporting Source Documentation that supports the FICA/FUTA/SUI Tax Retruns	2010	HQ Tax		
696	Supporting Source Documentation that supports the FICA/FUTA/SUI Tax Retruns	2011	HQ Tax		
697	Proof of Payment to support the respective FICA? FUTA/SUI Tax expense	2006	HQ Tax		
698	Proof of Payment to support the respective FICA? FUTA/SUI Tax expense	2007	HQ Tax		
699	Proof of Payment to support the respective FICA? FUTA/SUI Tax expense	2008	HQ Tax		
700	Proof of Payment to support the respective FICA? FUTA/SUI Tax expense	2009	HQ Tax		
701	Proof of Payment to support the respective FICA? FUTA/SUI Tax expense	2010	HQ Tax		
702	Proof of Payment to support the respective FICA? FUTA/SUI Tax expense	2011	HQ Tax		
703	State Income & Franchise TaxI Allocations to ITTHQ, DEHQ, and Defense BUs	2006	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
704	State Income & Franchise TaxI Allocations to ITTHQ, DEHQ, and Defense BUs	2007	HQ Tax		
705	State Income & Franchise TaxI Allocations to ITTHQ, DEHQ, and Defense BUs	2008	HQ Tax		
706	State Income & Franchise TaxI Allocations to ITTHQ, DEHQ, and Defense BUs	2009	HQ Tax		
707	State Income & Franchise TaxI Allocations to ITTHQ, DEHQ, and Defense BUs	2010	HQ Tax		
708	State Income & Franchise TaxI Allocations to ITTHQ, DEHQ, and Defense BUs	2011	HQ Tax		
709	Supporting Source Docs for each element of the Calculations of State Income & Franchine Tax Alllocations to HQ, DEHQ, Defense BUs.	2006	HQ Tax		
710	Supporting Source Docs for each element of the Calculations of State Income & Franchine Tax Alllocations to HQ, DEHQ, Defense BUs.	2007	HQ Tax		
711	Supporting Source Docs for each element of the Calculations of State Income & Franchine Tax Alllocations to HQ, DEHQ, Defense BUs.	2008	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
712	Supporting Source Docs for each element of the Calculations of State Income & Franchise Tax Allocations to HQ, DEHQ, Defense BUs.	2009	HQ Tax		
713	Supporting Source Docs for each element of the Calculations of State Income & Franchise Tax Allocations to HQ, DEHQ, Defense BUs.	2010	HQ Tax		
714	Supporting Source Docs for each element of the Calculations of State Income & Franchise Tax Allocations to HQ, DEHQ, Defense BUs.	2011	HQ Tax		
715	State Income & Franchise tax returns that support the expense, with Supporting Source Documentation that supports the respective State Income & Franchise Tax Returns	2006	HQ Tax		
716	State Income & Franchise tax returns that support the expense, with Supporting Source Documentation that supports the respective State Income & Franchise Tax Returns	2007	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
717	State Income & Franchise tax returns that support the expense, with Supporting Source Documentation that supports the respective State Income & Franchise Tax Returns	2008	HQ Tax		
718	State Income & Franchise tax returns that support the expense, with Supporting Source Documentation that supports the respective State Income & Franchise Tax Returns	2009	HQ Tax		
719	State Income & Franchise tax returns that support the expense, with Supporting Source Documentation that supports the respective State Income & Franchise Tax Returns	2010	HQ Tax		
720	State Income & Franchise tax returns that support the expense, with Supporting Source Documentation that supports the respective State Income & Franchise Tax Returns	2011	HQ Tax		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
721	Proof of Payment to support the respective State Income & Franchise Tax expense	2006	HQ Tax		
722	Proof of Payment to support the respective State Income & Franchise Tax expense	2007	HQ Tax		
723	Proof of Payment to support the respective State Income & Franchise Tax expense	2008	HQ Tax		
724	Proof of Payment to support the respective State Income & Franchise Tax expense	2009	HQ Tax		
725	Proof of Payment to support the respective State Income & Franchise Tax expense	2010	HQ Tax		
726	Proof of Payment to support the respective State Income & Franchise Tax expense	2011	HQ Tax		
727	Environmental Database that supports the Environmental Chargeouts to Defense BUs, including actual invoices, proof of payment, and any documentation that describes the requirement that this remediaton is necessary	2006	HQ Controllors		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
728	Environmental Database that supports the Environmental Chargeouts to Defense BUs, including actual invoices, proof of payment, and any documentation that describes the requirement that this remediaton is necessary	2007	HQ Controllers		
729	Environmental Database that supports the Environmental Chargeouts to Defense BUs, including actual invoices, proof of payment, and any documentation that describes the requirement that this remediaton is necessary	2008	HQ Controllers		
730	Environmental Database that supports the Environmental Chargeouts to Defense BUs, including actual invoices, proof of payment, and any documentation that describes the requirement that this remediaton is necessary	2009	HQ Controllers		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
731	Environmental Database that supports the Environmental Chargeouts to Defense BUs, including actual invoices, proof of payment, and any documentation that describes the requirement that this remediation is necessary	2010	HQ Controllers		
732	Environmental Database that supports the Environmental Chargeouts to Defense BUs, including actual invoices, proof of payment, and any documentation that describes the requirement that this remediation is necessary	2011	HQ Controllers		
733	Flight Logs — 2 Corporate Jets	2006	HQ Flight Ops Dept		
734	Flight Logs — 2 Corporate Jets	2007	HQ Flight Ops Dept		
735	Flight Logs — 2 Corporate Jets	2008	HQ Flight Ops Dept		
736	Flight Logs — 2 Corporate Jets	2009	HQ Flight Ops Dept		
737	Flight Logs — 2 Corporate Jets	2010	HQ Flight Ops Dept		
738	Flight Logs — 2 Corporate Jets	2011	HQ Flight Ops Dept		
739	Lease Agreements for each Corporate Jet (assumption — same jets since 2006), with lease amortization schedule & justification	2011	HQ Flight Ops Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
740	Supporting Source Documents for Major CC 85100 (Aviation) expense accts (>\$50k)	2006	HQ Flight Ops Dept		
741	Supporting Source Documents for Major CC 85100 (Aviation) expense accts (>\$50k)	2007	HQ Flight Ops Dept		
742	Supporting Source Documents for Major CC 85100 (Aviation) expense accts (>\$50k)	2008	HQ Flight Ops Dept		
743	Supporting Source Documents for Major CC 85100 (Aviation) expense accts (>\$50k)	2009	HQ Flight Ops Dept		
744	Supporting Source Documents for Major CC 85100 (Aviation) expense accts (>\$50k)	2010	HQ Flight Ops Dept		
745	Supporting Source Documents for Major CC 85100 (Aviation) expense accts (>\$50k)	2011	HQ Flight Ops Dept		
746	Source Data related to # of miles flown by each Corporate Jet ()	2006	HQ Flight Ops Dept		
747	Source Data related to # of miles flown by each Corporate Jet ()	2007	HQ Flight Ops Dept		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
748	Source Data related to # of miles flown by each Corporate Jet (K Donnelly)	2008	HQ Flight Ops Dept		
749	Source Data related to # of miles flown by each Corporate Jet (K Donnelly)	2009	HQ Flight Ops Dept		
750	Source Data related to # of miles flown by each Corporate Jet (K Donnelly)	2010	HQ Flight Ops Dept		
751	Source Data related to # of miles flown by each Corporate Jet (K Donnelly)	2011	HQ Flight Ops Dept		
752	Fort Wayne Shared Service (FWSS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2006	FWSS Acctg		
753	Fort Wayne Shared Service (FWSS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2007	FWSS Acctg		
754	Fort Wayne Shared Service (FWSS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2008	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
755	Fort Wayne Shared Service (FWSS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2009	FWSS Acctg		
756	Fort Wayne Shared Service (FWSS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2010	FWSS Acctg		
757	Fort Wayne Shared Service (FWSS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2011	FWSS Acctg		
758	All Journal Entries for FWSS Location Operations	2006	FWSS Acctg		
759	All Journal Entries for FWSS Location Operations	2007	FWSS Acctg		
760	All Journal Entries for FWSS Location Operations	2008	FWSS Acctg		
761	All Journal Entries for FWSS Location Operations	2009	FWSS Acctg		
762	All Journal Entries for FWSS Location Operations	2010	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
763	All Journal Entries for FWSS Location Operations	2011	FWSS Acctg		
764	All Supporting Docs for the FWSS JEs	2006	FWSS Acctg		
765	All Supporting Docs for the FWSS JEs	2007	FWSS Acctg		
766	All Supporting Docs for the FWSS JEs	2008	FWSS Acctg		
767	All Supporting Docs for the FWSS JEs	2009	FWSS Acctg		
768	All Supporting Docs for the FWSS JEs	2010	FWSS Acctg		
769	All Supporting Docs for the FWSS JEs	2011	FWSS Acctg		
770	FWSS Infinuim Voucher Registers (CY 2006-2007?)	2006	FWSS Acctg		
771	FWSS Infinuim Voucher Registers (CY 2006-2007?)	2007	FWSS Acctg		
772	SAP P2P Voucher Register Invoice Listings for FWSS (CY 2007 -2011?)	2007	FWSS Acctg		
773	SAP P2P Voucher Register Invoice Listings for FWSS (CY 2007 -2011?)	2008	FWSS Acctg		
774	SAP P2P Voucher Register Invoice Listings for FWSS (CY 2007 -2011?)	2009	FWSS Acctg		
775	SAP P2P Voucher Register Invoice Listings for FWSS (CY 2007 -2011?)	2010	FWSS Acctg		
776	SAP P2P Voucher Register Invoice Listings for FWSS (CY 2007 -2011?)	2011	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
777	FWSS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2006	FWSS Acctg		
778	FWSS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2007	FWSS Acctg		
779	FWSS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2008	FWSS Acctg		
780	FWSS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2009	FWSS Acctg		
781	FWSS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2010	FWSS Acctg		
782	FWSS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2011	FWSS Acctg		
783	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2006	FWSS Acctg		
784	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2007	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
785	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2008	FWSS Acctg		
786	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2009	FWSS Acctg		
787	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2010	FWSS Acctg		
788	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2011	FWSS Acctg		
789	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FWSS Locations	2006	FWSS Acctg		
790	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FWSS Locations	2007	FWSS Acctg		
791	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FWSS Locations	2008	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
792	PARs/Approvals for ALL Software/Hardware Acquisitions and ALL Capital Expenditures/Acquisitions at All FWSS Locations	2009	FWSS Acctg		
793	PARs/Approvals for ALL Software/Hardware Acquisitions and ALL Capital Expenditures/Acquisitions at All FWSS Locations	2010	FWSS Acctg		
794	PARs/Approvals for ALL Software/Hardware Acquisitions and ALL Capital Expenditures/Acquisitions at All FWSS Locations	2011	FWSS Acctg		
795	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FWSS Locations' Fixed Assets	2006	FWSS Acctg		
796	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FWSS Locations' Fixed Assets	2007	FWSS Acctg		
797	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FWSS Locations' Fixed Assets	2008	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
798	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FWSS Locations' Fixed Assets	2009	FWSS Acctg		
799	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FWSS Locations' Fixed Assets	2010	FWSS Acctg		
800	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FWSS Locations' Fixed Assets	2011	FWSS Acctg		
801	Depreciation Schedule and Basis for All FWSS Fixed Assets	2006	FWSS Acctg		
802	Depreciation Schedule and Basis for All FWSS Fixed Assets	2007	FWSS Acctg		
803	Depreciation Schedule and Basis for All FWSS Fixed Assets	2008	FWSS Acctg		
804	Depreciation Schedule and Basis for All FWSS Fixed Assets	2009	FWSS Acctg		
805	Depreciation Schedule and Basis for All FWSS Fixed Assets	2010	FWSS Acctg		
806	Depreciation Schedule and Basis for All FWSS Fixed Assets	2011	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
807	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2006	FWSS Acctg		
808	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2007	FWSS Acctg		
809	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2008	FWSS Acctg		
810	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2009	FWSS Acctg		
811	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2010	FWSS Acctg		
812	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2011	FWSS Acctg		
813	Rental Agreements that support all FW Shared Service Rental Expenses	2006	FWSS Acctg		
814	Rental Agreements that support all FW Shared Service Rental Expenses	2007	FWSS Acctg		
815	Rental Agreements that support all FW Shared Service Rental Expenses	2008	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
816	Rental Agreements that support all FW Shared Service Rental Expenses	2009	FWSS Acctg		
817	Rental Agreements that support all FW Shared Service Rental Expenses	2010	FWSS Acctg		
818	Rental Agreements that support all FW Shared Service Rental Expenses	2011	FWSS Acctg		
819	Payroll Registers for All FWSS Locations	2006	FWSS Acctg		
820	Payroll Registers for All FWSS Locations	2007	FWSS Acctg		
821	Payroll Registers for All FWSS Locations	2008	FWSS Acctg		
822	Payroll Registers for All FWSS Locations	2009	FWSS Acctg		
823	Payroll Registers for All FWSS Locations	2010	FWSS Acctg		
824	Payroll Registers for All FWSS Locations	2011	FWSS Acctg		
825	Concur Reports (with receipts) related to all FW Shared Service Locations	2006	FWSS Acctg		
826	Concur Reports (with receipts) related to all FW Shared Service Locations	2007	FWSS Acctg		
827	Concur Reports (with receipts) related to all FW Shared Service Locations	2008	FWSS Acctg		
828	Concur Reports (with receipts) related to all FW Shared Service Locations	2009	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
829	Concur Reports (with receipts) related to all FW Shared Service Locations	2010	FWSS Acctg		
830	Concur Reports (with receipts) related to all FW Shared Service Locations	2011	FWSS Acctg		
831	FWSS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & XLS format)	2006	FWSS Acctg		
832	FWSS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & XLS format)	2007	FWSS Acctg		
833	FWSS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & XLS format)	2008	FWSS Acctg		
834	FWSS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (System-generated PDF & XLS format)	2009	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
835	FWSS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2010	FWSS Acctg		
836	FWSS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2011	FWSS Acctg		
837	All Supporting Journal Entries for FWSS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FWSS I/C Statement JEs	2006	FWSS Acctg		
838	All Supporting Journal Entries for FWSS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FWSS I/C Statement JEs	2007	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
839	All Supporting Journal Entries for FWSS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FWSS I/C Statement JEs	2008	FWSS Acctg		
840	All Supporting Journal Entries for FWSS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FWSS I/C Statement JEs	2009	FWSS Acctg		
841	All Supporting Journal Entries for FWSS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FWSS I/C Statement JEs	2010	FWSS Acctg		
842	All Supporting Journal Entries for FWSS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FWSS I/C Statement JEs	2011	FWSS Acctg		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
843	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FWSS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FWSS allocations: FWSS AP Allocation, Concur Travel User Fees, Defense Apps, Enterprise Apps, Payroll Alloc, 401(k) Hourly, ISP Salaried, ISP Salaried Excess, Metlife (STD & LIFE) Salaried, FICA/FMHI, FUTA, SUI	2006	FWSS Acctg		
844	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FWSS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FWSS allocations: FWSS AP Allocation, Concur Travel User Fees, Defense Apps, Enterprise Apps, Payroll Alloc, 401(k) Hourly, ISP Salaried, ISP Salaried Excess, Metlife (STD & LIFE) Salaried, FICA/FMHI, FUTA, SUI	2007	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
845	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FWSS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FWSS allocations: FWSS AP Allocation, Concur Travel User Fees, Defense Apps, Enterprise Apps, Payroll Alloc, 401(k) Hourly, ISP Salaried, ISP Salaried Excess, Metlife (STD & LIFE) Salaried, FICA/FMHI, FUTA, SUI	2008	FWSS Acctg		
846	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FWSS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FWSS allocations: FWSS AP Allocation, Concur Travel User Fees, Defense Apps, Enterprise Apps, Payroll Alloc, 401(k) Hourly, ISP Salaried, ISP Salaried Excess, Metlife (STD & LIFE) Salaried, FICA/FMHI, FUTA, SUI	2009	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
847	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FWSS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FWSS allocations: FWSS AP Allocation, Concur Travel User Fees, Defense Apps, Enterprise Apps, Payroll Alloc, 401(k) Hourly, ISP Salaried, ISP Salaried Excess, Metlife (STD & LIFE) Salaried, FICA/FMHI, FUTA, SUI	2010	FWSS Acctg		
848	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FWSS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FWSS allocations: FWSS AP Allocation, Concur Travel User Fees, Defense Apps, Enterprise Apps, Payroll Alloc, 401(k) Hourly, ISP Salaried, ISP Salaried Excess, Metlife (STD & LIFE) Salaried, FICA/FMHI, FUTA, SUI	2011	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
849	Supporting Source Docs for each element of the Basis of Allocation for each FWSS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2006	FWSS Acctg		
850	Supporting Source Docs for each element of the Basis of Allocation for each FWSS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2007	FWSS Acctg		
851	Supporting Source Docs for each element of the Basis of Allocation for each FWSS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2008	FWSS Acctg		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
852	Supporting Source Docs for each element of the Basis of Allocation for each FWSS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2009	FWSS Acctg		
853	Supporting Source Docs for each element of the Basis of Allocation for each FWSS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2010	FWSS Acctg		
854	Supporting Source Docs for each element of the Basis of Allocation for each FWSS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2011	FWSS Acctg		
855	Seneca Falls Shared Service (FRC/EI/TDS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2006	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
856	Seneca Falls Shared Service (FRC/EI/TDS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
857	Seneca Falls Shared Service (FRC/EI/TDS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
858	Seneca Falls Shared Service (FRC/EI/TDS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
859	Seneca Falls Shared Service (FRC/EI/TDS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
860	Seneca Falls Shared Service (FRC/EI/TDS) General Ledgers for all costs incurred by Cost Center/Department (System-generated PDF & xls format)	2011	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
861	All Journal Entries for FRC/EI/TDS Location Operations	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
862	All Journal Entries for FRC/EI/TDS Location Operations	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
863	All Journal Entries for FRC/EI/TDS Location Operations	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
864	All Journal Entries for FRC/EI/TDS Location Operations	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
865	All Journal Entries for FRC/EI/TDS Location Operations	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
866	All Journal Entries for FRC/EI/TDS Location Operations	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
867	All Supporting Docs for the FRC/EI/TDS JEs	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
868	All Supporting Docs for the FRC/EI/TDS JEs	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
869	All Supporting Docs for the FRC/EI/TDS JEs	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
870	All Supporting Docs for the FRC/EI/TDS JEs	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
871	All Supporting Docs for the FRC/EI/TDS JEs	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
872	All Supporting Docs for the FRC/EI/TDS JEs	2011	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
873	SAP P2P Voucher Register Invoice Listings for FRC/EI/TDS (CY 2006 -2011?)	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
874	SAP P2P Voucher Register Invoice Listings for FRC/EI/TDS (CY 2006 -2011?)	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
875	SAP P2P Voucher Register Invoice Listings for FRC/EI/TDS (CY 2006 -2011?)	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
876	SAP P2P Voucher Register Invoice Listings for FRC/EI/TDS (CY 2006 -2011?)	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
877	SAP P2P Voucher Register Invoice Listings for FRC/EI/TDS (CY 2006 -2011?)	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
878	SAP P2P Voucher Register Invoice Listings for FRC/EI/TDS (CY 2006 -2011?)	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
879	FRC/EI/TDS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
880	FRC/EI/TDS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
881	FRC/EI/TDS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2008	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
882	FRC/EI/TDS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
883	FRC/EI/TDS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
884	FRC/EI/TDS SAP & Infinium Hardcopy Invoices & Invoice Proof of Payment (check, EFT, etc)	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
885	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
886	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
887	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
888	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
889	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2010	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
890	Agreements/Contracts with Consultants, 3rd Part Service Providers, S/W & H/W Contracts, etc	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
891	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FRC/EI/TDS Locations	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
892	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FRC/EI/TDS Locations	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
893	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FRC/EI/TDS Locations	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
894	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FRC/EI/TDS Locations	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
895	PARs/Approvals for ALL Software/Hardware Acquisitions amd ALL Capital Expenditures/Acquisitions at All FRC/EI/TDS Locations	2010	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
896	PARs/Approvals for ALL Software/Hardware Acquisitions and ALL Capital Expenditures/Acquisitions at All FRC/EI/TDS Locations	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
897	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FRC/EI/TDS Locations' Fixed Assets	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
898	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FRC/EI/TDS Locations' Fixed Assets	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
899	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FRC/EI/TDS Locations' Fixed Assets	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
900	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FRC/EI/TDS Locations' Fixed Assets	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
901	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FRC/EI/TDS Locations' Fixed Assets	2010	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
902	Fixed Assets & Lease Register (incl Amortization sched), including any Leasehold Improvements, for all FRC/EI/TDS Locations' Fixed Assets	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
903	Depreciation Schedule and Basis for All FRC/EI/TDS Fixed Assets	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
904	Depreciation Schedule and Basis for All FRC/EI/TDS Fixed Assets	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
905	Depreciation Schedule and Basis for All FRC/EI/TDS Fixed Assets	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
906	Depreciation Schedule and Basis for All FRC/EI/TDS Fixed Assets	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
907	Depreciation Schedule and Basis for All FRC/EI/TDS Fixed Assets	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
908	Depreciation Schedule and Basis for All FRC/EI/TDS Fixed Assets	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
909	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2006	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
910	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
911	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
912	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
913	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
914	Invoices for All Fixed Assers & Leasehold Improvements at All FW Shared Service Locations	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
915	Rental Agreements that support all FW Shared Service Rental Expenses	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
916	Rental Agreements that support all FW Shared Service Rental Expenses	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
917	Rental Agreements that support all FW Shared Service Rental Expenses	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
918	Rental Agreements that support all FW Shared Service Rental Expenses	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
919	Rental Agreements that support all FW Shared Service Rental Expenses	2010	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
920	Rental Agreements that support all FW Shared Service Rental Expenses	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
921	Payroll Registers for All FRC/EI/TDS Locations	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
922	Payroll Registers for All FRC/EI/TDS Locations	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
923	Payroll Registers for All FRC/EI/TDS Locations	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
924	Payroll Registers for All FRC/EI/TDS Locations	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
925	Payroll Registers for All FRC/EI/TDS Locations	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
926	Payroll Registers for All FRC/EI/TDS Locations	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
927	Concur Reports (with receipts) related to all FW Shared Service Locations	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
928	Concur Reports (with receipts) related to all FW Shared Service Locations	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
929	Concur Reports (with receipts) related to all FW Shared Service Locations	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
930	Concur Reports (with receipts) related to all FW Shared Service Locations	2009	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
931	Concur Reports (with receipts) related to all FW Shared Service Locations	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
932	Concur Reports (with receipts) related to all FW Shared Service Locations	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
933	FRC/EI/TDS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
934	FRC/EI/TDS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
935	FRC/EI/TDS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
936	FRC/EI/TDS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2009	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
937	FRC/EI/TDS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
938	FRC/EI/TDS "INTERCOMPANY STATEMENT OFF ACCOUNT" -to ITTHQ and ALL Defense Sites(Group, VCs, BUs), Entire Year (Syste,-generated PDF & XLS format)	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
939	All Supporting Journal Entries for FRC/EI/TDS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FRC/EI/TDS I/C Statement JEs	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
940	All Supporting Journal Entries for FRC/EI/TDS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FRC/EI/TDS I/C Statement JEs	2007	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
941	All Supporting Journal Entries for FRC/EI/TDS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FRC/EI/TDS I/C Statement JEs	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
942	All Supporting Journal Entries for FRC/EI/TDS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FRC/EI/TDS I/C Statement JEs	2009	Seneca Falls Shared Services (FRC/EI/TDS)		
943	All Supporting Journal Entries for FRC/EI/TDS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FRC/EI/TDS I/C Statement JEs	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
944	All Supporting Journal Entries for FRC/EI/TDS Intercompany Statement of Account, including ALL supporting Source Docs and DC Advices for the FRC/EI/TDS I/C Statement JEs	2011	Seneca Falls Shared Services (FRC/EI/TDS)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
945	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FRC/EI/TDS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FRC/EI/TDS allocations: Freight, Corp Incentives (net any expense for entire TDS), Household Goods, TAPS/Telecom, Travel, EbuyITT, Collections, Credit, Cash Applications, Treasury Svces (Cash Mgmt), Acct Payable (P2P Fees), AP Special Projects, Mgmt Reporting, Unclaimed Prop, Sales & Use Tax, Data Center Midwest, Wintell (Midwest), Network Mgmt, Svc Center (Help Desk/Remedy System, Ent Sys/Svcs (email/MS), GSS, Network VPN, Global Directory Svcs, Voice Telecom, Collaborative System, InfoSec (EI & GIS Portion)	2006	Seneca Falls Shared Services (FRC/EI/TDS)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
946	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FRC/EI/TDS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUS, including the following FRC/EI/TDS allocations: Freight, Corp Incentives (net any expense for entire TDS), Household Goods, TAPS/Telecom, Travel, EbuyITT, Collections, Credit, Cash Applications, Treasury Svces (Cash Mgmt), Acct Payable (P2P Fees), AP Special Projects, Mgmt Reporting, Unclaimed Prop, Sales & Use Tax, Data Center Midwest, Wintell (Midwest), Network Mgmt, Svc Center (Help Desk/Remedy System, Ent Sys/Svcs (email/MS), GSS, Network VPN, Global Directory Svcs, Voice Telecom, Collaborative System, InfoSec (EI & GIS Portion)	2007	Seneca Falls Shared Services (FRC/EI/TDS)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
947	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FRC/EI/TDS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FRC/EI/TDS allocations: Freight, Corp Incentives (net any expense for entire TDS), Household Goods, TAPS/Telecom, Travel, EbuyITT, Collections, Credit, Cash Applications, Treasury Svces (Cash Mgmt), Acct Payable (P2P Fees), AP Special Projects, Mgmt Reporting, Unclaimed Prop, Sales & Use Tax, Data Center Midwest, Wintell (Midwest), Network Mgmt, Svc Center (Help Desk/Remedy System, Ent Sys/Svcs (email/MS), GSS, Network VPN, Global Directory Svcs, Voice Telecom, Collaborative System, InfoSec (EI & GIS Portion)	2008	Seneca Falls Shared Services (FRC/EI/TDS)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
948	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FRC/EI/TDS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FRC/EI/TDS allocations: Freight, Corp Incentives (net any expense for entire TDS), Household Goods, TAPS/Telecom, Travel, EbuyITT, Collections, Credit, Cash Applications, Treasury Svces (Cash Mgmt), Acct Payable (P2P Fees), AP Special Projects, Mgmt Reporting, Unclaimed Prop, Sales & Use Tax, Data Center Midwest, Wintell (Midwest), Network Mgmt, Svc Center (Help Desk/Remedy System, Ent Sys/Svcs (email/MS), GSS, Network VPN, Global Directory Svcs, Voice Telecom, Collaborative System, InfoSec (EI & GIS Portion)	2009	Seneca Falls Shared Services (FRC/EI/TDS)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
949	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FRC/EI/TDS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FRC/EI/TDS allocations: Freight, Corp Incentives (net any expense for entire TDS), Household Goods, TAPS/Telecom, Travel, EbuyITT, Collections, Credit, Cash Applications, Treasury Svces (Cash Mgmt), Acct Payable (P2P Fees), AP Special Projects, Mgmt Reporting, Unclaimed Prop, Sales & Use Tax, Data Center Midwest, Wintell (Midwest), Network Mgmt, Svc Center (Help Desk/Remedy System, Ent Sys/Svcs (email/MS), GSS, Network VPN, Global Directory Svcs, Voice Telecom, Collaborative System, InfoSec (EI & GIS Portion)	2010	Seneca Falls Shared Services (FRC/EI/TDS)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
950	Supporting Allocation Calculations (with references to JEs/DCs by month) to all FRC/EI/TDS allocations and True-ups to ITTHQ, DEHQ, and the Defense VCs/BUs, including the following FRC/EI/TDS allocations: Freight, Corp Incentives (net any expense for entire TDS), Household Goods, TAPS/Telecom, Travel, EbuyITT, Collections, Credit, Cash Applications, Treasury Svces (Cash Mgmt), Acct Payable (P2P Fees), AP Special Projects, Mgmt Reporting, Unclaimed Prop, Sales & Use Tax, Data Center Midwest, Wintell (Midwest), Network Mgmt, Svc Center (Help Desk/Remedy System, Ent Sys/Svcs (email/MS), GSS, Network VPN, Global Directory Svcs, Voice Telecom, Collaborative System, InfoSec (EI & GIS Portion)	2011	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
951	Supporting Source Docs for each element of the Basis of Allocation for each FRC/EI/TDS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2006	Seneca Falls Shared Services (FRC/EI/TDS)		
952	Supporting Source Docs for each element of the Basis of Allocation for each FRC/EI/TDS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2007	Seneca Falls Shared Services (FRC/EI/TDS)		
953	Supporting Source Docs for each element of the Basis of Allocation for each FRC/EI/TDS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2008	Seneca Falls Shared Services (FRC/EI/TDS)		
954	Supporting Source Docs for each element of the Basis of Allocation for each FRC/EI/TDS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2009	Seneca Falls Shared Services (FRC/EI/TDS)		

<u>#</u>	<u>Description</u>	<u>Year, if applicable</u>	<u>Dept Affected</u>	<u>Complete (Y/N)</u>	<u>Comments</u>
955	Supporting Source Docs for each element of the Basis of Allocation for each FRC/EI/TDS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2010	Seneca Falls Shared Services (FRC/EI/TDS)		
956	Supporting Source Docs for each element of the Basis of Allocation for each FRC/EI/TDS Allocation to HQ, DEHQ, Defense BUs listed above (i.e. System-generated Active Directory Listing, et al)	2011	Seneca Falls Shared Services (FRC/EI/TDS)		
957	Program BEST (GL, Approved PARs, Consultants Contracts/Agreements, SAP Agreements/Contracts/Invoices, Due Dilligence Reports, AP Docs, Travel Docs, Org Chart, Time Keeping Records, et al)	2009	FRC (Prog Best)		
958	Program BEST (GL, Approved PARs, Consultants Contracts/Agreements, SAP Agreements/Contracts/Invoices, Due Dilligence Reports, AP Docs, Travel Docs, Org Chart, Time Keeping Records, et al)	2010	FRC (Prog Best)		

#	Description	Year, if applicable	Dept Affected	Complete (Y/N)	Comments
959	Program BEST (GL, Approved PARs, Consultants Contracts/Agreements, SAP Agreements/Contracts/Invoices, Due Dilligence Reports, AP Docs, Travel Docs, Org Chart, Time Keeping Records, et al)	2011	FRC (Prog Best)		

Summary of Tasks/Activities

Department Affected	Count of Tasks/Activities
ALL	1
DEHQ	1
FWSS Acctg	104
FWSS Payroll	25
FWSS Travel	13
GSS	1
HQ Controllers	208
HQ Corp Responsibility	46
HQ Flight Ops Dept	20
HQ Human Resources	68
HQ Internal Audit	73
HQ Legal	31
HQ Pension Dept	151
HQ Tax	67
HQ Treasury	31
Multitple HQ Depts	12
Seneca Falls Shared Serv	104
FRC (Prog Best)	3
Grand Total	959

Department Affected	Count of Tasks/Activities																Grand Total	
	Count of Dept Affected	FWSS Acctg	FWSS Payroll	FWSS Travel	GSS	HQ Controllers	HQ Corp Responsibility	HQ Flight Ops Dept	HQ Human Resources	HQ Internal Audit	HQ Legal	HQ Pension Dept	HQ Tax	HQ Treasury	Multiple HQ Depts	Seneca Falls Shared Services (FRC/EI /TDS)		FRC (Prog Best)
A Davidson							40											40
B Fealing											31							31
B Williams						6												6
C Chan												34						34
C Clark									6									6
C Whisler			25															25
C Young														31				31
C Young/Brown															5			5
Chan/Brown											1							1
Complete															1			1
D Chandler						5												5
D Faron			13															13
J Brown												116						116
K Donnelly								20										20
L Parker									19									19
L Thuman									43									43
M Barlow																	3	3
M Hahn						6												6
M Markle	104																	104
M. Quirk																		2
P Stellato										73								73
S Cooperman				1														1
S Marshall						50												50
S Nixon																104		104
S. Marshall						141								6				147
T McDaniel							6											6
V Carey												67						67
Grand Total	104	25	13	1	208	46	20	68	73	31	151	67	31	12	104	3	959	

List of Defense Units for DCAA TSA

Cost Centers

FRC co. 30		TDS co. 20	
300216	Collections	200101	Freight
300217	Credit	200101	Corporate Incentives net Expenses for entire TDS
300215	Cash Application	200101	Household Goods
300220	Corporate Services	200101	Taps/Telecom
300230	Operations Management	200101	Travel
300222	Treasury Services (Cash Management)	200101	EbuyIT
300226	Accounts Payable (P2P Service Fees)		
300512	AP Special Projects		
300225	Management Reporting		
300235	Unclaimed Property		
300214	Sales and Use tax Compliance		
EL - co. 50		GSS - co. 40	
CC 500201	Data Center East	400201	— GSS Leadership
CC 500202	Wintel Hosting East	400301	— GSS Americas
CC 500203	Data Center Midwest	400302	— GSS Brazil
CC 500204	Wintel Hosting Midwest	400305	— GSS China
CC501251	Voice Comm	400306	— GSS Poland
CC 501201	Network — Americas	400307	— GSS India
CC 501211	Network — EMEA	400308	— GSS Italy
CC 501221	Network — ASPAC	400401	— GSS indirect
CC501261	Directory Services	400407	— GSS Buying Channel Support
CC 502241	Enterprise Systems	400409	— GSS Global Logistics
CC 503201	Global Help Desk	400413	— GSS Supplier Quality
CC 501231	Enterprise Infrastructure		
CC 83000	Global Info. Services		
CC 83400	Connect		

Defense Units

Defense -SAP

Co #	Defense vs. Commercial	New Company	
1005	DEF	Defense	CS
1009	DEF	Defense	Defense — Custodials
1010	DEF	Defense	ES — EWS
1101	CM	Defense	GIS
1160	DEF	Defense	AES
1165	DEF	Defense	ES/RDR — Gil
1170	DEF	Defense	Defense HQ
1185	DEF	Defense	SSD — Old
1186	DEF	Defense	SSD
1190	DEF	Defense	CIS
1191	DEF	Defense	Systems HQ
1195	DEF	Defense	SSI
1198	DEF	Defense	Systems FSIC
1199	DEF	Defense	CIS_CS
1200	DEF	Defense	CNS

Co #		ITT HQ & FSS	New Company
1003		FSS	ITT
1001		ITT HQ	ITT

**SCHEDULE AC9
BASIC TIME AND MATERIALS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
------	-------	-------	--------

Service Provider's Contact

ITT Corporation Daryl Bowker	TSA Manager	Office:	Daryl.bowker@ittcorp.com
--	-------------	---------	--------------------------

Service Recipient's Contact

Exelis Inc. Joe Daniel	TSA Manager	Office:	Joe.daniel@itt.com
----------------------------------	-------------	---------	--------------------

PARTIES TO THE AGREEMENT

Service Provider: ITT Corporation

Service Receiver: Exelis Inc.

TERM AND OPTION

The Term shall be 18 months commencing on the Distribution Date. There shall be no Minimum Service Period.

GENERAL SERVICE DESCRIPTION

Service Receiver may need assistance after the Distribution Date from the Service Provider for miscellaneous services, including but not limited to consulting, advisory, knowledge transfer and other similar services in various areas including, but not limited to finance, tax, accounting, insurance, treasury, human resources and communications, which are not already provided for under all of the other TSAs between ITT Corporation, Xylem Inc., and Exelis Inc.

The Service Provider hereby agrees to cause its and its affiliates employees (collectively, "Experts") to provide a reasonable amount of services, including specifically the services listed in Annex A, upon reasonable notice and request from the Service Receiver on a time and materials basis from the Distribution Date through June 30, 2013 (the "Minimum Term" and the "Maximum Term").

To utilize this TSA Schedule, employees of Service Receiver should request such services via email or telephonically where both parties have a clear expectation of the estimated number of hours of assistance being requested. For projects that are expected to require more than 5 to 10 hours of assistance a one or two paragraph project plan should be agreed to in order to avoid misunderstandings. The project plan should be put together by the Service Provider's "Expert" with respect to the requested services.

Employees of Service Receiver should advise their TSA manager that a request for services has been made together with a description of such services requested and the estimated number of hours requested.

The "Expert" should advise their TSA manager that a request for services has been made and the estimated number of hours requested.

SCOPE OF SERVICES

The scope of services will depend on the needs of the Service Recipient and the capabilities and availability of the Experts.

LOCATIONS

All locations around the world

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer

employed by Service Provider, Service Provider will, at the request of the Service Receiver, use commercially reasonable efforts to provide similar services. However, if Service Receivers or an affiliate employ any of the Experts, the specific service requested under this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver.

TAX STATUS

Sales tax will be charged as determined by the Service Provider and the Service Receiver shall pay such tax along with the payment for the service provided.

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below under Notice Requirements, except in cases where services are provided outside of the United States, in which case invoices will be created by the Service Provider's legal entity in the country where the services are being performed and invoiced to the Service Receiver's legal entity that requested the services in the Service Provider's local currency. The bill will cover all charges for services under this Schedule from Service Provider and, to the extent reasonably feasible, will be itemized among Service Receiver's legal entities if identified by the Service Receiver when requesting the service. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the US dollar amount per Expert.

The Experts shall track their time on either a time sheet or any other proper method such as the utilizing the time sheet attached hereto and Service Provider agrees that the time sheets will accompany the invoice that is sent to the Service Recipient for payment. In cases where the requested services are expected to take longer than 30 days to complete, the Service Provider will be allowed to invoice the Service Receiver once per month for all costs incurred to date.

NOTICE REQUIREMENTS

No notice of Termination is required under this Schedule and there shall be no make-whole fee under this Schedule

Notices and bills to the Service Provider should be sent to:

ITT Corporation
240 Fall Street
Seneca Falls, NY 13148
Attention: Daryl R. Bowker

Notices and bills to the Service Receiver should be sent to:

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attention: Joe Daniel

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services in accordance with Service Providers documented travel policies and any incremental out of pocket costs incurred by the Service Provider in order to provide the requested services that are invoiced by unaffiliated 3rd parties. Service Provider agrees to provide vendor invoices as backup to the Service Receiver when invoicing the Service Receiver under the terms of this TSA.

The hourly rates below include a 4.5% increase for inflation and the 2% profit margin and shall be applicable in 2011 and 2012. The rates shall increase by 4.5% in 2013.

Service	Hourly Rate*
Hourly Rate Administrative/Secretarial.	\$50 per hour
Hourly Rate for a Non Executive	\$100 per hour
Hourly Rate for an Executive	\$150 per hour

* Note: In cases where invoicing is done outside the United States, the above rates should be converted to local currency based on the exchange rate on the date the invoice is prepared.

The pricing for the services described in Annex A will be as set forth in Annex A.

Annex A

Service Provider (ITT) will provide Service Receiver (Defense) with the services of _____ during the period from the Distribution Date through December 31, 2011. Defense will pay ITT Cost plus 2% - 10% per month for Mr. _____ services and expect that Mr. _____ will dedicate 50% of his time to the needs of the Service Receiver. Defense will continue to provide Mr. _____ with his current office and access to a phone, though his computer connectivity will be terminated. Mr. _____ will have access to the common areas in Fort Wayne and to his office and well as other areas if invited by Defense personnel. Defense will not charge ITT for space rental. In the event Mr. _____ can no longer or chooses not to provide services, this Exhibit A and the services of Mr. _____ will be terminated and Mr. _____ will no longer have access to the Fort Wayne facility. No make-whole fee will be paid under this Ennex A.

Mr. _____ will provide the following services:

Serve as a confidant/advisor and provide guidance and assistance to the ITT Exelis labor relations and human resources staff on the delivery of a broad range of proactive human resources and labor relations activities and initiatives. Specifically:

Provides assistance with HR functional strategic/operations planning

Draft and vet HR policies as requested

Conducting and or mentoring staff on training activities including conducting needs assessments to identify training needs, formulates recommendations and executes training program development as requested

Provide consulting support to ITT Exelis management on matters of policy development, contract administration and negotiation, maintenance of union free operations, and negotiation objectives development

Provide assistance with the development of timely and strategically aligned prep documents and the development of bargaining proposals

**SCHEDULE BA1
UK BENEFITS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
<u>Service Provider's Contact</u>			
Barbara West	UK Benefits Manager		barbara.west@fluidtechnology.com
<u>Service Recipient's Contact</u>			
Roger Wearn	Shared Services Manager		Roger.Wearn@itt.com

PARTIES TO THE AGREEMENT

Service Provider: Water Process Ltd

Service Receiver: ITT Industries Limited

GENERAL SERVICE DESCRIPTION

Benefits for Service Receivers in England have been managed pre-spin by Service Provider based in Basingstoke. Service Receivers need assistance from Barbara West and/or Linda Frawley (collectively, the "Experts") on a time and materials basis to provide services similar to those provided to the Service Receiver or its affiliates during the 12 month period prior to October 1, 2011, including continuity of Benefits Administration, training and advice for 18 months ("Minimum Term"), but not longer than 24 months from the date hereof ("Maximum Term").

SCOPE OF SERVICES

The following services will be provided on a time and materials basis by the Experts.

- Launch Flexible Benefits Package for Service Receivers' United Kingdom locations including administration, communications, etc.
 - Assistance in establishing Service Receiver's policy for enrollment in Private Medical
 - Assistance with administering the share incentive plan for the Service Receiver.
 - Assistance with the administration and preparation for cessation of Service Receiver's Defined Benefit Plan (General Pension Plan) and movement to a Defined Contribution Plan (ITT Retirement Savings Plan).
 - Provide guidance in negotiating premiums with various Benefit Brokers to include interfacing with appropriate Benefits Vendors on behalf of Service Receiver, but not executing agreements on Service Receiver's behalf.
 - Facilitate the transition of the Benefits Vendor relationship to designated Service Receiver's HR Benefits Manager
 - Facilitate the transition of the daily benefit activities to the HR staff of Service Receiver in the United Kingdom
 - Provide guidance on applicable British Laws versus Benefits provided, but not legal advice.
 - All communications initially prepared by the Experts to Service Receiver's employees will be reviewed by the Service Receiver's Sr. Manager of Benefits and Service Receivers' Vice President, Human Resources, or such other person as may be designated by Service Receiver
 - The Experts will provide employees designated by the Service Receiver with monthly status reports. The Experts will work under a schedule mutually agreed to prior to October 1, 2011 which will average approximately four (4) hours per week during the first three (3) to six (6) months and then two (2) to four (4) hours thereafter. The Experts will utilize their current office and equipment at Service Provider, Basingstoke, England, unless Service Provider moves such employees, at its discretion.
 - Such other services as the Experts have provided to ITT Corporation's commercial business during the twelve (12) month period prior to October 1, 2011 and requested by Service Receiver, which shall not include legal or tax advice or the execution of any documentation for any governmental authority.
-

LOCATIONS

United Kingdom

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receiver acknowledges and agrees that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer employed by Service Provider, Service Provider's then current benefit manager will, at the request of the Service Receiver, provide similar services at an agreed to hourly rate, based on such benefit manager's all in cost to the Service Provider (total compensation plus allocated overhead). However, if Service Receiver or an affiliate employs any of the Experts, this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver. In the event the Experts are no longer employed by Service Provider or no longer capable of providing services due to disability, and the Experts are not replaced by another benefits leader, this Schedule shall terminate with no further obligations of either party.

The Service Receivers' human resources department shall cooperate with the Experts as the Experts provide service under this Schedule.

TAX STATUS

VAT will be charged as determined by the Service Provider

BILLING LOCATION

Service Provider will provide ITT Industries Limited with an invoice to its address set forth below. The bill will cover all charges for services under this Schedule from Service Provider to Service Receiver and, to the extent reasonably feasible. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the British Pound amount per Expert.

NOTICE REQUIREMENTS

Service Receiver shall notify Service Provider at least 90 days in advance of the Minimum Term if it wants to extend or terminate this Schedule, but such extension shall not be for longer than the Maximum Term. If notification is not received by the Service Provider, the service will terminate at the end of the Minimum Term. There shall be no make-whole fee in the event of an early termination under this Schedule.

Notices to the Service Provider should be sent to
Water Process Ltd, Jays Close,
Viables Estate, Basingstoke, Hampshire RG22 4BA
Attention: Barbara West

Notices to the Service Receiver should be sent to
ITT Industries Limited
Jays Close, Viables Estate,
Basingstoke, Hampshire RG22 4BA
Attention: Roger Wearn

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services.

The hourly rates below include a 4.5% increase each year for inflation and a 2% increase for a profit margin. In the event the service continues past the Minimum Term, the rate will increase by 8%

<u>Service</u>	<u>Hourly Rate</u>
Hourly Rate for Ms. West.	Cost plus 2% - 10% during 2011
	Cost plus 2% - 10% during 2012
	Cost plus 2% - 10% during 2013
Hourly Rate for Ms. Frawley	Cost plus 2% - 10% during 2011
	Cost plus 2% - 10% during 2012
	Cost plus 2% - 10% during 2013

**SCHEDULE BA2
ERP-LX & TANGO APPLICATION NANJING**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Eva Jakubowska Xylem Inc.	RCW IT Director		eva.jakubowska@itt.com
Kevin Loucks ITT Corporation	Manager, Transition Management Office		kevin.loucks@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform ERP-LX & Tango Application Support Services for Nanjing, China for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide ongoing application support for ERP-LX and Tango (Sarbanes-Oxley Auditing) for Nanjing, China:			
IT-ERP-LX-Tango Nanjing-01	ERP-LX & Tango Application Support Services	<ul style="list-style-type: none"> Access to ERP-LX & Tango Application — Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes; and monitor and maintain application administration. ERP-LX & Tango Application Support & Maintenance — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. ERP-LX & Tango Database Support — Service Provider will trouble shoot database related incidents, maintain database schema if necessary, bounce databases as required, perform data cleanup activities as needed, monitor and provide support for all database issues in test/dev environments, archive and truncate database tables as required, compact databases as required, backup, compress, and delete old log files as needed, and conduct scheduled maintenance activities. 	28 ERP-LX named users	3	Cost plus 2% - 10%

Service Volumes Greater Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities

on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider's current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests, which may need to be performed to assist Service Receiver in meeting new legal obligations, will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships, which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-ERP-LX-TangoNanjing-02	ERP-LX & Tango Application Migration	<p>Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, functional data mapping, and impacts of design decisions 	Time and Materials Based on Additional Pricing Section

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-ERP-LX- TangoNanjing-03	ERP-LX & Tango Application Knowledge Transfer	<p>Service Provider will provide the following knowledge transfer services:</p> <ul style="list-style-type: none"> Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the ERP-LX and Tango applications and related interfaces 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to ERP-LX & Tango Application by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Morton Grove, IL, USA to Nanjing, China.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the applications and interfaces documented in Attachment A.
- If Service Receiver sends inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment B.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

<u>Interface Name</u>	<u>Program Name</u>	<u>Business Purpose</u>	<u>Owner</u>	<u>Source</u>	<u>Destination</u>	<u>Frequency</u>
eLogia	ORDZ761C	Perform product configuration	Water Co.	Wintel Emmaboda	iSeries Emmaboda	Continuous
ePrism	ORD789	Perform product configuration	ITT Co.	Wintel ITT Co.	iSeries Emmaboda	Continuous
Supplier Portal	PUR500	Issue Purchase Orders via a Portal	Water Co.	Wintel Emmaboda	iSeries Emmaboda	Continuous
Supplier Portal	PUR500	Issue Purchase Orders via a Portal	Water Co.	iSeries Emmaboda	Wintel Emmaboda	Continuous

ATTACHMENT B

Production Support Break Fix Service Level Agreement

A Remedy help desk request must be entered for each incident. For Urgent incidents, a phone call may also be initiated directly to the Service Provider's Support Team. The primary support number for North America is +1-716-862-4145 (available 24 hours/day) and the secondary support number is +1-847-983-5537 (available 8:00 AM — 5:00 PM Eastern Time, Monday through Friday). All support calls will be returned within 15 minutes.

<u>Severity</u>	<u>Description</u>	<u>Resolution</u>
Urgent	Service Receiver is unable to enter orders or ship product. No work around is available for the issue.	Service Provider will provide a work around or permanent solution within four (4) hours for 95% of these incidents.
High	Service Receiver is able to enter orders and ship product, but in a degraded mode and productivity is seriously impacted.	Service Provider will provide a work around or permanent solution within two (2) working days for 95% of these incidents.
Medium	Service Receiver is able to function normally with minor impact from problem.	Service Provider will provide a permanent solution within five (5) working days for 95% of these incidents.
Low	Service Receiver is able to function normally. Issue is an inconvenience.	Service Provider will provide a permanent solution within 30 working days for 95% of these issues.

**SCHEDULE BA3
GLOBAL ENTERPRISE
CONTENT MANAGEMENT**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Vikram Nanwani Xylem Inc.	GECM Supervisor, GECM Group		vikram.nanwani@itt.com
Ken Gill ITT Corporation	Manager , Web, Social Media & Collaboration Solutions		ken.gill@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Global Enterprise Content Management (GECM) Application and Business Process Support Services for the Service Receiver. Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens and documents that support Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide content management and translation management services:			
		<ul style="list-style-type: none"> Access to Installation Operation & Maintenance Manuals (IOM)— Service Provider receives a request from Service Receiver for access to IOMs. Service Provider will work with 3rd party to provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Receiver will have access to IOMs in the IOM Library in high resolution PDF format. Service Receiver will have access to IOMs listed in Attachment A. 			
IT-GECEM-01	GECEM Application & Business Process Support Services	<ul style="list-style-type: none"> Creation/Update of IOMs — Service Provider receives a request from Service Receiver to create/update IOMs listed in Attachment A. Service Receiver will collaborate with Service Provider on creation and/or updating of IOMs. Service Provider will make available to the Service Receiver the updated IOM. Service Provider will only support IOMs for the languages listed in Attachment B. Training/Mentoring — Service Provider will provide training, mentoring, and knowledge transfer for up to three Service Receiver staff as it relates to Global Enterprise Content Management. 	35 Requests per 6-months 60 Hours per 6-months	6*	Cost plus 2% - 10%

* See Attachment C for 6-month transition plan for supported IOMs.

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider's current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none"> • Support of data extraction requests in PDF or RTF formats from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state Global Enterprise Content Management application and business process 	Time and Materials Based on Additional Pricing Section
IT-GECEM-02	GECM Business Process Migration	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to Global Enterprise Content Management application and business process 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Global Enterprise Content Management by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Stockholm, Sweden; Baroda, India; Seneca Falls, NY, USA; and White Plains, NY, USA to Seneca Falls, NY, USA and Lancaster, PA, USA.

PREREQUISITES/DEPENDENCIES

- If Service Receiver, or the Service Receiver's Supplier(s), provides inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

Service Level Agreements (SLA) provided by 3rd parties will be made available to Service Receiver, as documented in Attachment D, however all liabilities related to such SLAs lie with the 3rd parties and not the Service Provider. It is understood that the Service Provider has no control over the service levels provided by 3rd parties and as such will not warrant any 3rd party services. In the event an incident related to 3rd party services cannot be resolved, Service Provider will work in good faith with Service Receiver and the appropriate 3rd party to assist in the resolution of the incident.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

List of Product Installation, Operation & Maintenance Manuals (IOMs) Supported

ATTACHMENT B

List of Supported Languages:

- Arabic
- Chinese
- Dutch
- Finnish
- French — France
- French — Canada
- German
- Italian
- Portuguese — Portugal
- Portuguese — Brazil
- Russian
- Spanish — Spain
- Spanish — Latin America
- Swedish
- Polish

ATTACHMENT C

Valve	English Bookmap	English PDF	Total # of Manuals	Due Date	Engineering Due Date	Comment	Status
	In Production			3/18/2011	Completed	Spanish needed for project in May — James Gillespie	Completed English and Spanish for Project. Never released or posted on the website. 3/24/11 - Sent to Hoffa and Steward for approval, 4/20 — sent reminder
	In Production			3/18/2011	Completed	Spanish needed for project in May — James Gillespie	Completed English and Spanish for Project. Never released or posted on the website. 3/24/11 - Sent to Hoffa and Steward for approval, 4/20 — sent reminder
	In Production			4/1/2011	3/18/2011	Previously part of C132 IOM	Need recommended fasteners in Preinstallation section. 3/24/11 — Sent to Hoffa and Steward for approval, 4/29 — Sent final to Brian, John & Brandon for review
	In Production			4/15/2011	4/1/2011	Chinese needed for project in March	Got new drawing from Engineering. Made corrections from Grant. 4/21 — Sent to Hoffa and Steward for approval
	In Production			4/29/2011	4/15/2011		Draft created 4/2010. Waiting for list of parts and drawing from Engineering
	In Production			5/6/2011			Draft IOM will be used for Jorge Diaz. Need new steps for “set the stroke” for release of new product. Brian approved draft for temporary use
				5/13/2011	5/3/2011		
				5/13/2011	5/3/2011		
	In Production			5/13/2011	4/29/2011		Draft created 9/2009. Items still needed are listed in Outlook task.

Valve	English Bookmap	English PDF	Total # of Manuals	Due Date	Engineering Due Date	Comment	Status
				7/29/2011	6/10/2011		
				7/29/2011	5/27/2011		
				8/12/2011	7/8/2011		
	In Production			8/12/2011	6/24/2011		Started May 2008. Need ID tag, exploded view and parts list to complete.
				8/26/2011	8/5/2011		
				8/26/2011	7/22/2011		
				8/26/2011	8/5/2011		
				9/9/2011	8/19/2011		
				9/16/2011	9/2/2011	Previously same as C37 IOM	Not started. Same as CF37
	Published			Completed	Completed		Completed; Updated draft OK from Brian
	Published			Completed		Started October 2007	Completed
	Published			Completed			Completed. Need to make changes before product launch
	Published			Completed			
	Published			Completed			
	Published			Completed			Completed. Need to make changes before product launch
	In Production			May-11			Draft from 7/2009
	In Production			Sep-11			
	In Production			Dec-11			

English Bookmap	English PDF	Total # of Manuals	Due Date	Engineering Due Date	Comment	Status
Published			Completed			Completed
Published			Completed			
Published			Completed		This was part of the Advantage Actuator manual and will be updated at the same time	Completed
Published			Completed		This was part of the Advantage Actuator manual and will be updated at the same time	Completed
Published			Completed		This was part of the Advantage Actuator manual and will be updated at the same time	Completed

Pumps	English Bookmap	English PDF	Total # of Manuals	Due Date	Engineering Due Date	Comment	Status
		done	translations in production	July			In production. Close to completion
Published		done	translations in production	July			In production. Close to completion
Published		done	translations in production	July			In production. Close to completion

<u>Pumps</u>	<u>English Bookmap</u>	<u>English PDF</u>	<u>Total # of Manuals</u>	<u>Due Date</u>	<u>Engineering Due Date</u>	<u>Comment</u>	<u>Status</u>
		done	translations in production	July			In production. Close to completion
	Published						
	Published	done	14 languages				Completed

NEW and working on now:

		August/Sept	7-8 languages				Not started
	August/September			October	October	close to IC	
		August/Sept	7-8 languages				Not started
	August/September			October	October		

FUTURE IOMs:

	September	Sept	7-8 languages	September			Not started
	September/October	Sept	?	October		exist in words	Not started
	September/October	Sept	?	October		exist in words	Not started
	October	October	7-8 languages	November			Not started
	October	October	7-8 languages	November			Not started
	November	November	7-8 languages	December			Not started

ATTACHMENT D

Service Level as Provided by Astoria Software

Astoria shall make the Service available at least 99.0%, calculated on a monthly basis, 24 hours a day, 7 days a week, 365 days per year, except for: a) planned downtime (for which Astoria shall give at least 8 hours notice and which Astoria shall schedule to the extent reasonably practicable during a weekly maintenance window between Tuesdays 6:00 PM PT and Wednesdays 12:00 AM PT); or b) downtime caused by circumstances beyond Astoria’s reasonable control. Initial service outage report response time is one (1) hour. Initial application support response time is one (1) hour. Response time is defined as the time it takes to acknowledge the problem to the Customer. It is not defined as the time to resolve the problem.

Priority Codes are used to manage Astoria Software Support Cases to insure timely resolution to support issues. Support Cases with a higher priority order receive attention faster than Support Cases with a lower priority.

Priority	Description	Resolution
Priority 1	A stop work condition which is any business critical function in which work cannot be performed by the Customer	<p>If a Support Specialist cannot resolve a Priority 1 support request during the first contact with the Customer, the following escalation plan is employed:</p> <ul style="list-style-type: none">• Support Specialist researches the request and contacts Customer by phone or email within one (1) hour to report status. This is done during Astoria Software’s Support hours of 8am — 5pm (Pacific Time).• If request is not resolved, Support Specialist escalates request to Support Coordinator for review. Customer is contacted by phone or email within one (1) hour to report status. This is done during Astoria Software’s Support hours of 8 am — 5 pm (Pacific Time).• If request is not resolved, the Support Coordinator escalates the request to the appropriate service or development manager, the Customer is contacted by phone or email within one (1) hour, and a resolution plan is communicated to the Customer. This is done during Astoria Software’s Support hours of 8 am — 5 pm (Pacific Time).• If request is not resolved the day it is received, the Customer is contacted by phone twice daily (once at the beginning of the business day and once at the end of the business day) for status reports until resolution is reached.

Priority	Description	Resolution
Priority 2	A business critical problem with a work around. This is any business critical function in which work cannot be performed by the Customer according to the Service's specified manner but in which there is a way to complete the work by some other manner.	<p>If a Support Specialist cannot resolve a Priority 2 support request during first contact with the Customer, the following escalation plan is employed:</p> <ul style="list-style-type: none"> • Support Specialist researches request and contacts Customer by phone or email within four (4) hours to report status. This is done during Astoria Software's Support hours of 8 am — 5 pm (Pacific Time). • If request is not resolved, Support Specialist escalates request to Support Coordinator for review. Customer is contacted by phone or email within four (4) hours to report status. This is done during Astoria Software's Support hours of 8 am — 5 pm (Pacific Time). • If request is not resolved, the Support Coordinator escalates the request to the appropriate service or development manager, the Customer is contacted by phone or email within four (4) hours, and a resolution plan is communicated to the Customer. This is done during Astoria Software's Support hours of 8 am — 5 pm (Pacific Time). • If the request is not resolved the 2nd day the request is received, the Customer is contacted by web portal, email or phone once daily (either at the beginning of the business day or at the end of the business day, whichever the customer prefers) for status reports until resolution is reached.
Priority 3	A non-critical business problem. This is a non-critical business function in which work is impaired or cannot be performed by the Customer	<p>If a Support Specialist cannot resolve a Priority 3 support request during first contact with the Customer, the following escalation plan is employed:</p> <ul style="list-style-type: none"> • Support Specialist researches request and contacts Customer by the next business day to report status. This is done during Astoria Software's Support hours of 8 am — 5 pm (Pacific Time). • If request is not resolved, Support Specialist escalates request to Support Coordinator for review. Customer is contacted by web portal, phone or email as needed until resolution.

Service Level as Provided by Idiom Technologies, Inc. for WorldServer

For Technical Support, contact Idiom’s Idiom’s Customer Support Center located at <http://www.idiominc.com/support>, via email (support@idiominc.com), or by phone. For North American support, Technical Support business hours are 09:00 to 17:30 EST Monday through Friday, excluding office closures for U.S. holidays or unforeseen circumstances (weather, power outage, etc.). For European support, Technical Support business hours are 09:00 to 17:00 Central European Time Monday through Friday, excluding office closures for recognized Belgian public holidays or unforeseen circumstances (weather, power outage, etc.).

Idiom will assign each Technical Support request a Severity Level, which level will dictate the timing of Idiom’s response.

Severity	Description	Initial Response Time
Level 1	Software has experienced a significant production system problem that prevents operation or severely limits or is reasonably expected to severely limit the performance of the Subscriber causing significant loss to the customer’s business. No workaround appears to be available	Within four (4) hours
Level 2	Software has experienced a significant non-conformity that does not prevent or severely limit use of the Software, but prevents the Software from performing one or more material functions making use of the Software significantly inconvenient and substantially reducing the value of the Software to the Subscriber.	Within one (1) business day
Level 3	Software has experienced a problem that does not significantly affect performance, but does not function as described in documentation.	Within two (2) business days
Level 4	General questions about Software that either are not covered in Documentation or require clarification.	Within five (5) business days

Hours and business days are counted based on the hours during which Technical Support is available. The response times listed above are applicable to hardware and software configurations currently classified as supported by Idiom and assume timely cooperation from Subscriber.

**SCHEDULE BA4
GLOBAL VAULT PROFESSIONAL
SERVICES**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Jason Pratt Xylem Inc.			jason.pratt@itt.com
Ray Schussler ITT Corporation	Global Engineering Systems Manager		ray.schussler@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will provide Global Vault Professional Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide Global Vault Professional Services to support the Windchill/PDMLink, ProjectLink, and MPMLink FMC Standard Product Data Lifecycle Management (PDLM) Platform:			
		<ul style="list-style-type: none"> • Windchill/PDMLink, ProjectLink and MPMLink FMC Standard Product Data Lifecycle Management (PDLM) Platform Support & Maintenance — Service Provider will receive ticket requests from Service Receiver, monitor incident resolution requests, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. 	Up to 30 hours per Month		
IT-Global Vault-01	Global Vault Professional Services	<ul style="list-style-type: none"> • Windchill/PDMLink, ProjectLink and MPMLink Standard Product Data Lifecycle Management (PDLM) Platform Database Support — Service Provider will receive ticket requests from Service Receiver and will trouble shoot database related incidents, maintain database schema if necessary, bounce databases as required, perform data cleanup activities as needed, monitor and maintain, provide support for all database issues in test/dev environments, archive and truncate database tables as required, compact databases as required, compress, and delete old log files as needed, and conduct scheduled maintenance activities. • Training/Mentoring - The Service Provider after receiving a request from the Service Receiver, will provide Training, Mentoring, and knowledge about the ITT implementation of Windchill/ PDMLink to the Service Receiver 	Up to 20 hours per Month	12	Time and Materials based on the Additional Pricing Section

Service Provider will be required to:

- Maintain staff of United States persons only

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will

accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre- distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-Global Vault-02	Global Vault Professional Services Migration	<p>Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details 	Time and Materials Based on Additional Pricing Section

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will provide the following knowledge transfer services:	
IT-Global Vault-03	Global Vault Professional Services Knowledge Transfer	<ul style="list-style-type: none"> Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Global Vault Application and related interfaces 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Global Vault Professional Services by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

PREREQUISITES/DEPENDENCIES

- If Service Receiver, or the Service Receiver’s Supplier(s), sends inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver will remove all Service Receiver data from the Service Provider’s Global Vault instance. These services are included at \$0 cost.
- Service Provider will remove all Service Provider data from the Service Receiver’s Global Vault instance. These services are included at \$0 cost.
- Service Receiver must provide VPN access for specific Service Provider users to the Service Receiver’s servers. Service Provider must provide VPN access for specific Service Receiver users to the Service Provider’s servers. VPN access will be provided

to allow data cleanup and removal.

- Service Receiver must provide access, via secure VPN at all times or additional ports, to allow up to 10 Service Provider staff members to gain access to the Global Vault environment. The Service Receiver will need to provide these Service Provider staff members with the appropriate elevated privileges needed to complete the services requested, this will be required for the period of this TSA and should be consistent with the policies and procedures set forth by Service Receivers Service Delivery organization.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

**SCHEDULE BA5
SUPPLIER PORTAL**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Cecilia Akesson Xylem Inc.	Team Leader		cecilia.akesson@itt.com
Kevin Loucks ITT Corporation	Manager, Transition Management Office		kevin.loucks@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Supplier Portal Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide ongoing Supplier Portal service and application support:			
		<ul style="list-style-type: none"> Supplier Portal Processing — The Service Provider will operate the Supplier Portal such that the Service Receiver’s staff and Suppliers can access the Supplier Portal via the Web. The Service Receiver’s Suppliers access the Supplier Portal to review, create and update various types of Purchasing and Shipping information necessary to review Purchase Orders; create and send Order Response, receive Order Changes, review Order Acknowledgements, review Supplier Data, create Dispatch Advice, and review Goods Received messages that transmit to and from the Service Receiver’s ERP/MRP system. 			
IT-Supplier Portal-01	Supplier Portal Application Support Services	<ul style="list-style-type: none"> The Service Provider’s Supplier Portal will receive Supplier Data messages from the Service Receiver’s ERP/MRP system, and create or update Supplier Information within the Supplier Portal. An email is sent back to the Service Receiver acknowledging the updates. The Service Provider’s Supplier Portal will receive Purchase Order Register, Change and Cancel messages from the Service Receiver’s ERP/MRP system, to create or change Purchase Order information within the Supplier Portal. The Service Provider’s Supplier Portal sends an email notification to the designated Service Receiver’s Supplier. The Service Provider’s Portal will allow the Service Receiver’s Suppliers to acknowledge the Orders on the Supplier Portal, and will send Order Response messages to the Service Receiver’s ERP/MRP system. The Service Provider’s Portal will receive Order Acknowledgement messages from the Service Receiver’s ERP/MRP system, and update and reflect this on the Supplier Portal. The Service Provider’s Supplier Portal allows the Receiver’s Suppliers to create and update Dispatch Advice information in the Supplier Portal, the Supplier Portal sends Dispatch Advice messages to the Service Receiver’s ERP/MRP system. The Supplier Portal, for Bookings with ‘No Invoice Control’, will generate a PDF report file, and print it to a designated default printer at the Service Receiver’s Supplier’s Forwarder. 	93,000 Purchase Orders Annually	18	Cost plus 2% – 10%

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>In addition, the Supplier Portal will, once a Supplier has created a shipment and dispatched it, create a packing information (Flag/Label) PDF report and print it on the designated default printer that the Supplier has set up within the Supplier Portal.</p>			
		<ul style="list-style-type: none"> The Service Provider's Supplier Portal will receive Goods Received messages and create and update this information in the Supplier Portal. The Service Provider's Supplier Portal allows the Service Receiver's Supplier to create and update an Invoice within the Service Provider's Supplier Portal, the Supplier Portal transmits the Invoice to the Service Receiver's ERP/MRP system. 			
		<ul style="list-style-type: none"> When the Service Provider's Supplier Portal identifies a corrupt message or one with invalid or bad data, the Service Provider's Supplier Portal will generate and send an email to the designated Service Receiver contact. The Service Receiver determines how best to correct the invalid message. 	1,700 emails Monthly		
		<ul style="list-style-type: none"> Access to Supplier Portal Application — Service Provider will provide access to application for authorized Service Receiver Suppliers and staff per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. 			
		<ul style="list-style-type: none"> Supplier Portal Support & Maintenance — Service Provider will monitor incident resolution requests from the Service Receiver's Superusers and Staff, and recommend and implement incident resolution per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve 	150 Incidents Annually		

break in application.

- Supplier Portal Database Support — Service Provider will monitor incident resolution requests, and recommend and implement incident resolution

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application.			

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-Supplier Portal-03	Supplier Portal Migration	<p>Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details <p>Service Provider will provide the following education and training services:</p>	Time and Materials Based on Additional Pricing Section
IT-Supplier Portal-04	Supplier Portal Training	<ul style="list-style-type: none">• Provide training and education to the Service Receiver's staff to enhance their capability to stand alone and manage a Portal <p>Service Provider will provide the following knowledge transfer services:</p>	Time and Materials Based on Additional Pricing Section
IT-Supplier Portal-05	Supplier Portal Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Supplier Portal Application and related interfaces	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Supplier Portal Applications by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing

operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Emmaboda, Sweden to ITT co. global locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the applications and interfaces documented in Attachment A, within the Service Receiver's systems and applications.
- If Service Receiver, or the Service Receiver's Supplier(s), sends inaccurate data to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- The Service Receiver will continue to utilize and have available a Supplier Portal Superuser (senior buyer and business expert) to provide first line support for the Supplier Portal.
- The Service Receiver's Staff will need to have the Citrix client installed on their PC devices.
- The Service Receiver's must have one of the following ERP/MRP systems active in order to utilize the Service Provider's Supplier Portal: Business Planning and Control System (BPCS), Planning Resource Management System (PRMS) or IDMS B&G systems.
- Service Receiver, in a separate and independent agreement, must have Websphere MQ systems active and maintained with the correct interfaces and data feeds to Supplier Portal by the Service Receiver for the period of time in which this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

The Service Provider will provide support services during Swedish Office Hours, Monday through Thursday from 7:30am to 4:30pm, and on Friday from 7:30am to 1:30pm Swedish time. Incidents logged after Swedish Office Hours will be addressed on the start of the next support day.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

<u>Message Name</u>	<u>Business Purpose</u>	<u>Source System</u>	<u>Destination System</u>
Supplier	Service Receiver Creates and Maintain Supplier data in the Supplier Portal	Service Receiver MRP/ERP	Supplier Portal
Orders	Service Receiver submits Purchase Orders to their Suppliers, via the Supplier Portal	Service Receiver MRP/ERP	Supplier Portal
Order Response	Supplier communicates to Service Receiver that the Order has been acknowledged	Supplier Portal	Service Receiver MRP/ERP
Order Response Acknowledgement	Service Provide communicates to their Supplier that the Service Provider acknowledges the Response from their Supplier	Service Receiver MRP/ERP	Supplier Portal
Dispatch advice	Supplier communicates to the Service Receiver when the Purchase Order has been fulfilled, manufactured and/or Packed. Supplier communicates to the Service Receiver Pickup Orders, Ship Dates, and VMI Goods collection notifications	Supplier Portal	Service Receiver ERP/MRP
Good Received	Service Receiver communicates to their Supplier that the Shipment has been received	Service Receiver ERP/MRP	Supplier Portal
Invoice	Supplier communicates to the Service Receiver a Invoice for payment	Supplier Portal	Service Receiver ERP/MRP

**SCHEDULE BA6
SERVICES TSA ANNEX FOR
AXMINSTER**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to: **Duncan Lewis**

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider Duncan Lewis</u>	General Manager		Duncan.Lewis@itt.com
<u>Service Recipient John Veness</u>	General Manager		John.Veness@itt.com

PARTIES TO THE AGREEMENT

1. **Service Provider:** Lowara (UK) Ltd.
2. **Service Recipient:** ITT Industries Ltd.

GENERAL SERVICE DESCRIPTION

1. **Pump Testing Services**
2. **Information Technology Services**
3. **Finance Support Services**

TERM AND OPTION

1. **24 months — Commencing on the date of the separation into 3 companies**
2. **Service Recipient will have the option to terminate this agreement at any time after the 1st 12 months with 6 months advance written notice to the Service Provider.**

SERVICES TO BE PROVIDED

1. **Pump Testing Services**
 - a. **ITT personnel shall follow Lowara's written pump test procedures when conducting tests.**
 - b. **ITT personnel who will use the test area must regularly attend an induction course on Lowara's environmental, safety & health (ESH) procedures.**
 - c. **Only the ITT personnel who have been trained in these regular ESH induction courses shall be eligible to carry out pump tests.**

- d. All ITT personnel and items/pumps that will use the test area must be logged into and out of the Lowara facility in accordance with Lowara's entrance and exit policies for non Lowara personnel.
 - e. Service recipient shall carry out a risk assessment in accordance with service provider's on each occasion that recipient utilizes the test area.
 - f. The test area must be left in the same condition post testing as it was prior to the testing.
 - g. Lowara personnel working near the test area will not oversee or assist in the pump testing.
2. Information Technology Services
- a. Provide day-to-day on-site IT support
 - i. If ITT BPCS network is not functioning properly provide troubleshooting and support.
 - ii. Provide BPCS 'permissions' locally (rather than contacting Lowara support center in Italy).
 - iii. Provide troubleshooting and support for ITT employee laptop and desktop computers.
 - iv. Assist ITT with installing new software as needed.
3. Finance Services (Lowara support for ITT)
- a. Provide day-to-day on-site Finance support related to the BPCS IT system
 - i. ITT is installing a new BPCS system. They have been relying on a similar system hosted by Lowara in Italy.
 - ii. ITT likely needs the system to collect the same information that the Lowara system generates today.
 - iii. ITT may require assistance from Lowara to collect information from the ITT Co / IP BPCS system.

LOCATIONS

1. Lowara facility located at the following address:

Lowara (UK) Ltd.
Millwey Rise Industrial Estate
Axminster EX13 5HU, United Kingdom

PREREQUISITES/DEPENDENCIES

1. Real Estate Sublease is in effect.
2. Service Recipient will follow all of Service Provider's Environmental, Safety, & Health (ES&H) policies and procedures while using the pump testing facilities. Service Provider will provide its ES&H written policies to Service Recipient at the outset of this agreement and agrees to provide overview training prior to the Service Recipient's use of the pump testing facilities.
3. Service Recipient's customers will be granted access to the test facility along with Service Recipient's representatives for a customer witnessed pump test.
4. Service recipient is precluded from hiring Service Provider's employees that may provide these services under this agreement for the duration of this agreement plus an additional 1 year after the agreement is terminated.
5. In the event of 3rd party claims against Service Recipient which are unrelated to this agreement, the Service Recipient agrees to indemnify the Service Provider for any costs that the Service Provider may incur in the event that the 3rd party elects to also claim damages against the Service Provider because of their relationship with the Service Recipient. The Service Recipient also agrees to defend the Service Provider at its sole cost the extent permitted to do so under United Kingdom law.

TAX STATUS

1. Service Provider — Payments received under the terms of this agreement will be considered taxable income in the United Kingdom
2. Service Recipient — Payments made under the terms of this agreement will be tax deductible in the United Kingdom
3. VAT of the current rate % of the invoice amount will be charged by the service provider to the service recipient

BILLING LOCATION

Lowara (UK) Ltd. Millwey Rise Industrial Estate Axminster EX13 5HU, United Kingdom

SERVICE LEVEL

1. Service Provider agrees to use reasonable care and diligence in the fulfillment of all services described above. Service Provider also agrees that it will promptly carry out services based on reasonable business practices and judgment.

NOTICES

All correspondence with respect to this agreement should be sent to the Service Owners listed above.

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
N/A	None required	See Term and Option above

PRICING & PAYMENT TERMS

1. The hourly fixed charge for use of the pump testing area shall be Cost plus 2% - 10% per hour for the term of this agreement — payable in British Pounds.
2. The hourly fixed charge for Information Technology services and Finance Support services will be Cost plus 2% - 10% per hour for the term of this agreement — Payable in British Pounds.
3. The fixed hourly rate of Cost plus 2% - 10% per hour shall be the minimum charge. Partial hour charges will be rounded up to include the entire hour. For example, a service provided in 2 hours and 20 minutes will be charged at 3 hours or Cost plus 2% - 10%.
4. Invoices will be prepared monthly and mailed to the service provider via email. Invoices shall include the date services were provided, the name(s) of the person(s) who provided the service, the number of hours spent providing the service, and the description of the product that was tested where applicable.
5. There will be no additional backup attached to these invoices.
6. Invoice payment terms are net 30 days from invoice date.

**SCHEDULE BA7
TEST AND PAINT SERVICES TSA IN
NANJING**

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider's Contact</u> <i>Harald Rach</i>	General Manager ITT Nanjing Co., Ltd. (Xylem Nanjing) Longyang Road, Luhe Economic Development Area, Luhe District, Nanjing, Jiangsu Province, China		<u>Harald.rach@itt.com</u>
<u>Service Recipient's Contact</u> <i>Carter Chan</i>	General Manager, IP China ITT (China) Investment Company Limited 30F Tower A, City Center of Shanghai, 100 Zunyi Road Shanghai 200051		<u>Carter.Chan@itt.com</u>

PARTIES TO THE AGREEMENT

1. **Service Provider — ITT Nanjing Co., Ltd (Xylem Nanjing)**
2. **Service Recipient — IP China / Shanghai Goulds Pump**

GENERAL SERVICE DESCRIPTION

Service Provider to provide pump testing and pump painting services to Service Recipient.

Pumping testing and pump painting; Agreement to last until October 31, 2013

Testing service for VIT pumps and other pumps; Painting service for all pumps

TERM AND OPTION

1. **Maximum Service Period — 24 months — Commencing on the Distribution date.**

2. The Hourly rates are set forth below under Pricing & Payment Terms. There is an escalation in price after the 1st 12 months, as set forth in the pricing terms.
3. Service Recipient will have the option to terminate this agreement, with no additional make-whole fee as required by Section 11(b) of the Agreement, after the 1st 12 months with 1 month advance written notice to the Service Provider
4. This agreement cannot be extended beyond the term of 24 months.

SERVICES TO BE PROVIDED

1. **Testing of IP China / SGP products**
 - a. Service Provider provides Service Recipient full access to the test bed and infrastructure to fully test pumps and other related products
 - b. Service Provider also provides tools, equipment and personnel to fully validate a product as required by Service Recipient.
 - c. Service Provider also fully tests the products per instructions from Service Recipient or its customers or its agents
 - d. Service Provider provides full report(s) on the results of the test and performance of the products
 - e. Service Provider personnel will take control of the products at the loading dock and transfer the products to the test bed, install them on the test bed, fully test the products, remove the products and package them and return as required by Service Recipient
 - f. Service Recipient or its agents or its customers will have access to the products while they are being prepared for testing, while products are being tested and while the products are being processed for return to Service Recipient
 - g. Service Recipient or its agents or its customers will have access to the control room in order to witness the test.
 - h. Only Service Provider personnel are allowed to run the test and operate all tools, machinery and controls related to the testing of these products
 2. **Painting of IP China / SGP products**
 - a. Service Provider provides paint services to Service Recipient utilizing existing paint booths at the Nanjing factory
 - b. Service Provider provides paint services according to Service Recipient requirements as agreed in the individual orders placed by Service Recipient
 - c. Service Provider personnel will take control of the products at the loading dock and transfer the products to the paint booth, prep the products properly before installing them in the paint booth, fully paint the products, remove the products from the paint booth and package them and return as required by Service Recipient
 - d. Service Recipient or its agents will have access to the products before and after the painting process in order to witness and accept the painted product.
 3. Service Provider and Service Recipient agree on lead-times for testing and painting of each product at the time of placing of the order. Service Provider will make reasonable efforts to comply with the agreed lead-time and will communicate with the Service Recipient if there are any delays in fulfilling the order.
-

LOCATIONS

Service Provider factory is located at the following address:

Longyang Road, Luhe Economic Development Area, Luhe District, Nanjing, Jiangsu Province, China

TAX STATUS

- 1. Service Provider — Payments received under the terms of this agreement will be considered taxable income in China**
- 2. Service Recipient — Payments made under the terms of this agreement will be tax deductible in China**

PREREQUISITES/DEPENDENCIES

- 1. After the termination of this agreement, it may be necessary from time to time for the Service Provider, on behalf of the Service Recipient, to respond to inquiries made by customers or government authorities about Service Recipient's financial statements and tax filings, including providing support for audits. In this event, the Service Provider will contact the Service Recipient and agree on an appropriate course of action and response. To the extent that Service Provider's resources are to be used to respond to the inquiries, after the TSA ends, the Service Provider will be entitled to invoice the Service Recipient at the following rates per hour provided if assistance is needed under this section after 2012, the parties will renegotiate such rates in good faith;**
 - a. Clerical — US\$20.00**
 - b. Professional — US\$30.00**
 - c. Management — US\$77.00**
- 2. At the termination of this agreement, the Service Recipient will provide the necessary support at its own expense to transfer data to its own systems. The Service Provider will agree to provide training to the Service Recipient's employees on the Service Provider's premises or via conference call / web ex prior to the termination of the agreement. The Service Provider will not be required to send any of its employees to any other Service Recipient location.**
- 3. In the event of 3rd party claims against the Service Recipient which are unrelated to this agreement, the Service Recipient agrees to indemnify the Service Provider for any costs that the Service Provider may incur in the event that the 3rd party elects to also claim damages against the Service Provider because of their relationship with the Service Recipient. The Service Recipient also agrees to defend the Service Provider at its sole cost to the extent permitted to do so under Chinese Law.**

BILLING LOCATION

NOTICES

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following;

1. Service Provider — Dan Kelly

1133 Westchester Avenue
Suite 2000
White Plains, NY 10605

2. Service Recipient — Joanne Scalard

1133 Westchester Ave
Suite 3000
White Plains, NY 10605

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

PRICING & PAYMENT TERMS

1. The hourly fixed charge for testing services provided under this TSA
 - a. Specified by model as described in the attached table
 - b. The hourly rate has an escalation as described in the table
2. The hourly fixed charge for painting services provided under this TSA
 - a. Specified by model as described in the attached table
 - b. The hourly rate has an escalation as described in the table
3. Refer to the attached MS-Excel pricing document for the pricing details
4. All Invoices are payable in Chinese Yuan (RMB).
5. Invoices will be prepared monthly and mailed to the service recipient via email or regular mail.
6. The 1st invoice will be dated on the last day of the financial closing in November 2011
7. Invoice payment terms are net 30 days from invoice date.
8. Subsequent invoices will follow every 30 days as long as there is activity. If Service Recipient don't use any testing services in any given month, Service Provider doesn't have to provide an invoice.

**SCHEDULE BA8
SERVICES TSA SCHEDULE FOR
CHIHUAHUA
SERVICE OWNER**

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Service Provider Kacy Litzy	VP Director Global Operations		Kacy.litzy@fluidtechnology.net
Service Recipient Alan Gilden	Valencia Director of Operations		Alan.gilden@ittcorp.net

PARTIES TO THE AGREEMENT

1. **Service Provider** – Flow Control LLC
2. **Service Recipient** – Aerospace Controls LLC

GENERAL SERVICE DESCRIPTION

1. Pass through of American Industries shelter plan expenses
2. IT Services
3. Environmental Health and Safety Services

TERM AND OPTION

1. Minimum Service Period — 6 months – Commencing on the Distribution Date
2. The Monthly Costs are set forth below under Pricing & Payment Terms. The Service Recipient and Service Provider agree that, except as set forth in this Services TSA Schedule for Chihuahua (“this TSA”) no additional 2%, 10% or 4.5% increase in such pricing should be applied as set forth in Section 2(a)(i) of the Agreement.
3. Service Recipient shall have the option to renew at 1.15 times the monthly fixed charge as noted below for an additional 3 months if written notice is provided 60 days prior to the end of the Minimum Service Period. Service Recipient will have the option to terminate this agreement at any time, with no additional make-whole fee as required by Section 11(b) of the Agreement, after the 1st 6 months with 1 months advance written notice to the Service Provider

SERVICES TO BE PROVIDED

1. **Pass through of American Industries (the Shelter Plan Company) expenses including but not limited to the following;**
 - a. **Manage relationships with all Mexico government agencies**
 - b. **Human Resources**
 - i. **Recruit, selection and hiring of required personnel**
 - ii. **Labor administration**
 1. **Employee contracts**
 2. **Employee badge administration**
 3. **Compensation package**
 4. **Promotion policies & employee transfers**
 5. **Maintain employee records**
 6. **Employee conflict resolution**
 7. **Manage relationship with Labor Board**
 8. **Instruct personnel supervisors**
 9. **Develop and manage collective work agreement**
 10. **Ensure compliance with labor laws**
 11. **Negotiate with labor union**
 12. **Xpat support and administration**
 - iii. **Conduct required personnel training**
 - iv. **Payroll Services**
 1. **Collect weekly payroll and timekeeping data**
 2. **Gather supervisor approvals**
 3. **Process payroll**
 4. **Input of new hires into payroll system**
 5. **Process employee terminations**
 6. **Manage savings fund program**
 7. **Administer food coupons**
 8. **Make required payroll tax payments**
 9. **Provide cost per hour reports on line**
 10. **Timely payments to employees**
 11. **Maintain payroll and HR software**
 - v. **Employee retention programs**
 1. **Administer all employee retention programs (cafeteria, social security, medical, loans, day care etc)**
 - vi. **Infirmity Coordination**
 1. **Manage dispensary services**
 2. **Manage disability cases**
 3. **Maintain medical records**
 4. **Inspect cafeteria services**
 - vii. **General Services**
 1. **Hire and manage cafeteria services**

2. Hire and manage transportation services
3. Control access to facility through time and attendance system
4. Address maintenance and cleanliness concerns
5. Address any employee related issues with government agencies

c. Procurement, Accounting and Fiscal

- i. Payment of all required Mexico corporate taxes
- ii. Payment of all required payroll taxes
- iii. Calculation and administration of employee profit sharing program
- iv. Maintain fixed asset records
- v. Process accounts payables (MR0) invoices on a timely basis and pay suppliers
- vi. Obtain bids and proposals from suppliers and evaluate in a timely manner
- vii. Manage vendor relationships
- viii. Issue Purchase Orders to suppliers
- ix. Track open purchase orders
- x. Obtain required invoice approvals
- xi. Code vendor invoices to proper account numbers
- xii. Process and administrate employee travel expenses
- xiii. Provide budget and actual spending reports
- xiv. Maintain relationship with banks and bank account administration
- xv. Prepare Shelter plan invoices that are sent to the service provider and pro rate expenses if necessary between the service provider and the service recipient
- xvi. Resolve issues with government auditors
- xvii. Keep required backup for statutory and audit purposes
- xviii. Prepare required statutory financial statements and file on a timely basis
- xix. Maintain general ledger software

d. Freight forwarding activities

- i. Southbound
 1. Receive and unload goods in port of entry
 2. Verify identification data
 3. Prepare wrap and weigh pallets
 4. Forward documentation to Mexico customs broker
 5. Prepare detailed reports on quantity of bundles on each truck
 6. Ensure efficient customs clearance
- ii. Northbound
 1. Coordinate with service recipient for disposal of waste material returned from Mexico

e. Import and Export

i-Exports

1. Process pro forma invoice, packing list, pedimento
2. Review above for accuracy
3. Dispatch truck
4. Traffic (Follow of the truck)
5. Invoice review for carriers and Customs brokerage
6. Payment requisitions for services

ii-Imports

- 1. Review list of goods**
 - 2. Classify merchandise**
-

3. **Coordinate with counterpart broker**
 4. **Process pro forma invoice, packing list, pedimento**
 5. **Review above for accuracy**
 6. **Dispatch truck**
- iii. **Other Shipments (Valencia)**
1. **Review list of goods**
 2. **Classify merchandise**
 3. **Input parts and data to SOE system**
 4. **Coordinate with counterpart broker**
 5. **Process pro forma invoice, packing list, pedimento**
 6. **Review above for accuracy**
 7. **Dispatch truck**
- iv. **Virtual imports exports**
1. **Review list of goods**
 2. **Classify merchandise**
 3. **Input parts and data to SOE system**
 4. **Coordinate with counterpart broker**
 5. **Process pro forma invoice, packing list, pedimento**
 6. **Review above for accuracy**
 7. **Dispatch truck**
- v. **In cases of customs inspection, coordinate with inspector for clearance of goods**
- vi. **Tracking of open and close Pedimentos**
- vii. **Process complimentary Pedimentos to pay duties**
- viii. **Prepare paperwork required to comply with Anexo 24**
- ix. **Import / export record keeping**
- b. **Provide support for classification of merchandise for US & Mexico customs purposes**
 - c. **Review import export shipment information for accuracy**
 - d. **Coordinate shipments and carriers to Service Recipient factories/customers in Mexico**
 - e. **Coordinate virtual import/exports**
 - i. **Coordinate with counterpart broker**
 - ii. **Review documentation for accuracy**
 - iii. **Agree with data to be submitted**
- f. **Coordination of customs shipment inspection activities to ensure timely resolution and clearance of goods**
- g. **Record keeping**
- i. **Ensure customs related documents are filed on a timely basis**
 - ii. **Assure easy access to customs documentation when needed**
- h. **Coordinate with broker to ensure timely opening and closing of Mexican Pedimentos**
- i. **Ensure Mexican Pedimento duties are paid on a timely basis**
- j. **Maintain relationship with the Mexico Secretary of the Economy. Provide information as required.**
- k. **Insure timely compliance with Anexo 24**
-

- l. Completion and filing of annual report of Foreign Business Transactions**
- m. Process and file amendment applications for the Maquila Program**
- n. Provide information to the tax authorities as required or requested**
- o. Support D&T audits of customs activities**
 - i. Attend meetings**
 - ii. Provide information**
 - iii. Maintain control over audits**
- p. Support customs audits**
 - i. Attend meetings**
 - ii. Provide information & review audit findings and comments**

Note: For a complete list of pass through services to be provided by the service provider to the service recipient please refer to the service provider's contract with the Shelter Plan Provider- Scope of Shelter Services section of the contract

- 2. IT Services**
 - a. Technical on site support for PC's, software and services as requested by Service Recipient**
 - 3. Environment Health and Safety Services (EH&S)**
 - a. Water Management services**
 - b. Reporting to government agencies in a timely and accurate manner**
 - c. Obtain required permits**
 - d. Chemical handling process**
 - e. Sale of scrap handling**
 - f. Ensure compliance with statutory legislation**
-

LOCATIONS

1. **Flow Control Chihuahua Mexico facility located at the following address;**

Av. Washington # 3701, Edificio 8
Parque Industrial las Americas
C.P. 31114
Chihuahua, Chihuahua. Mexico 31200

PREREQUISITES/DEPENDENCIES

1. **The service provider will enter into a new shelter plan agreement with American Industries (the Shelter Plan Company) prior to the Distribution Date**
2. **Service Recipient will sign all required EHS filings, permits etc. NO POA will be provided to the Service Provider**
3. **Service Recipient is precluded from hiring Service Provider's employees that provide the services under this TSA for the duration of this TSA plus for an additional one year after the TSA is terminated.**
4. **At the expiration of this agreement, the Service Provider may hire any of the Service Recipient's shelter plan (American Industries) employees, if it chooses to do so.**
5. **The Service Provider's IT department will be allowed access to service recipient's designated areas as per the floor plan that forms a part of the Chihuahua facility rental TSA for purposes of providing the services that are included in this agreement. The Service Provider's IT department will have the right to access the Service Recipient's IT data in order to provide the services that are included in this agreement**
6. **To the extent that the Shelter Plan Company does not fulfill its obligations to the service provider under the terms of its agreement with the service provider, the service provider will have a reasonable period of time to prepare and to implement an alternative action plan to provide the services as described in this TSA. Both parties will make good faith efforts to cooperate with each other in the foregoing process and will mutually agree on the alternative approach with regard to the provision of services, due to the nonperformance of the Shelter Plan Company. The failure of the Shelter Plan Company to fulfill its obligations will not excuse the service provider from providing the services that are being passed through to the service recipient under the terms of this TSA.**
7. **Service recipient agrees to continue to pay any pass through expenses as per the Services To be Provided – Item 1 section of this agreement that may be presented for payment by the service provider after this agreement is terminated due to logistical or other issues, provided appropriate backup documentation is sent with the service provider invoice**
8. **To the extent that the Service Provider or the Shelter Plan Company terminates any of its employees who are providing services solely to the Service Recipient (and not supporting any other aspect of the Service Provider's business) under this TSA at the end of this agreement because of lack of work, the Service Recipient agrees to reimburse the Service Provider for any one time termination costs that are required to be paid as per government regulation or company policy.**

TAX STATUS

1. **Service Provider – Payments received under the terms of this agreement will be considered taxable income in the United States**
 2. **Service Recipient – Payments made under the terms of this agreement will be tax deductible in the United States**
-

BILLING LOCATION

- 1. **Flow Control LLC – Gloucester, Mass. USA**

NOTICES

All correspondence with respect to this agreement should be sent to the Service Owners listed above with copies to the following;

- 1. Service Provider – Dan Kelly
1133 Westchester Avenue
White Plains, NY 10605
- 2. Service Recipient – Alan Gilden
28150 Industry Drive
Valencia, Ca. 91355

NOTICE REQUIREMENTS

No.	Third Party Provider	Prior Notice Requirement to Terminate Service
	American Industries	See Term and Option above

PRICING & PAYMENT TERMS

1. American Industries (the Shelter Plan Company) pass through expenses
 - a. Service Provider will invoice Service Recipient once a month immediately following receipt of invoices from the Shelter Plan Company and obtaining timely invoice approval from both the service provider and service recipient Mexico General Managers. The monthly invoice from the service provider will be accompanied by all of the Shelter Plan Company invoices as substantiation for the invoice. All invoices will be payable in US Dollars.
 - b. There will be no changes to proration percentages used by the Shelter Plan Company to allocate pass through expenses between the service provider and service recipient during term of this agreement. The proration percentages used by the Shelter Plan Company immediately prior to the Distribution Date will be used for the term of this agreement.
 - c. The Service Recipient's Mexico General Manager agrees that invoice approval must be completed within 5 days of receipt of the invoices from the Service Provider or reasons for non approval disclosed to the Service Provider.
 2. IT Services, as defined in this agreement, will be charged on a time and materials basis. Materials will be charged at Service Provider's cost and required labor will be charged at a rate of \$25.00 per hour, payable in US Dollars. Invoices will be prepared monthly. Copies of vendor invoices will be attached to the invoice to support the materials charges and timesheets showing the number of hours and dates worked by person will be attached to support labor charges
 3. EH&S Services, as defined in this agreement, will be charged on a time and materials basis. Materials (example – permit fees) will be charged at Service Provider's cost and required labor will be charged at a rate of \$25.00 per hour, payable in US Dollars. Invoices will be prepared monthly. Copies of vendor invoices will be attached to the invoice to support the materials charges and timesheets showing the number of hours and dates worked by person will be attached to support labor charges
 4. Invoices as per items 1-3 above and the associated backup will be physically mailed in one package once a month by the service provider to the service recipient.
 5. There will be no additional backup attached to these invoices for items 1 and 2 above. For item 3 copies of vendor invoices will be attached to the invoice to support the materials charges and timesheets showing the number of hours and dates worked by person will be attached to support labor charges
 6. Sales taxes will be charged if required by USA state law
 7. Invoice payment terms are net 30 days from invoice date.
 8. Payments over 10 days late will be charged interest at a rate of 10% per annum
 9. Exit costs as well as costs incurred to respond to inquiries by the authorities by the Service Provider on behalf of the Service Recipient which occur after this agreement has been terminated will be invoiced & billed by the Service Provider as soon as practicable with appropriate backup documentation.
-

**SCHEDULE BA9
BASIC TIME AND MATERIALS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
<u>Service Provider's Contact</u>			
Xylem Inc. Tim Coogan	TSA Manager		Tim.Coogan@itt.com
<u>Service Recipient's Contact</u>			
ITT Corporation Daryl Bowker	TSA Manager		Daryl.bowker@ittcorp.com

PARTIES TO THE AGREEMENT

Service Provider: Xylem Inc.

Service Receiver: ITT Corporation

TERM AND OPTION

The Term shall be 18 months commencing on the Distribution Date. There shall be no Minimum Service Period.

GENERAL SERVICE DESCRIPTION

Service Receiver may need assistance after the Distribution Date from the Service Provider for miscellaneous services, including but not limited to consulting, advisory, knowledge transfer and other similar services in various areas including, but not limited to finance, tax, accounting, insurance, treasury, human resources and communications, which are not already provided for under all of the other TSAs between ITT Corporation, Xylem Inc., and Exelis Inc.

The Service Provider hereby agrees to cause its and its affiliates employees (collectively, "Experts") to provide a reasonable amount of services upon reasonable notice and request from the Service Receiver on a time and materials basis from the Distribution Date through June 30, 2013 (the "Minimum Term" and the "Maximum Term").

To utilize this TSA Schedule, employees of Service Receiver should request such services via email or telephonically where both parties have a clear expectation of the estimated number of hours of assistance being requested. For projects that are expected to require more than 5 to 10 hours of assistance a one or two paragraph project plan should be agreed to in order to avoid misunderstandings. The project plan should be put together by the Service Provider's "Expert" with respect to the requested services.

Employees of Service Receiver should advise their TSA manager that a request for services has been made together with a description of such services requested and the estimated number of hours requested.

The "Expert" should advise their TSA manager that a request for services has been made and the estimated number of hours requested.

SCOPE OF SERVICES

The scope of services will depend on the needs of the Service Recipient and the capabilities and availability of the Experts.

LOCATIONS

All locations around the world.

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer employed by Service Provider, Service Provider will, at the request of the Service Receiver,

use commercially reasonable efforts to provide similar services. However, if Service Receivers or an affiliate employ any of the Experts, the specific service requested under this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver.

TAX STATUS

Sales tax will be charged as determined by the Service Provider and the Service Receiver shall pay such tax along with the payment for the service provided.

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below under Notice Requirements, except in cases where services are provided outside of the United States, in which case invoices will be created by the Service Provider's legal entity in the country where the services are being performed and invoiced to the Service Receiver's legal entity that requested the services in the Service Provider's local currency. The bill will cover all charges for services under this Schedule from Service Provider and, to the extent reasonably feasible, will be itemized among Service Receiver's legal entities if identified by the Service Receiver when requesting the service. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the US dollar amount per Expert.

The Experts shall track their time on either a time sheet or any other proper method such as the utilizing the time sheet attached hereto and Service Provider agrees that the time sheets will accompany the invoice that is sent to the Service Recipient for payment. In cases where the requested services are expected to take longer than 30 days to complete, the Service Provider will be allowed to invoice the Service Receiver once per month for all costs incurred to date.

NOTICE REQUIREMENTS

No notice of Termination is required under this Schedule and there shall be no make-whole fee under this Schedule

Notices and bills to the Service Provider should be sent to:

ITT Corporation
240 Fall Street
Seneca Falls, NY 13148
Attention: Daryl R. Bowker

Notices and bills to the Service Provider should be sent to:

Xylem Inc.
1133 Westchester Avenue
Suite 2000
White Plains, NY 10604
Attention: Tim Coogan

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services in accordance with Service Providers documented travel policies and any incremental out of pocket costs incurred by the Service Provider in order to provide the requested services that are invoiced by unaffiliated 3rd parties. Service Provider agrees to provide vendor invoices as backup to the Service Receiver when invoicing the Service Receiver under the terms of this TSA.

The hourly rates below include a 4.5% increase for inflation and the 2% profit margin and shall be applicable in 2011 and 2012. The rates shall increase by 4.5% in 2013.

Service	Hourly Rate*
Hourly Rate Administrative/Secretarial.	\$50 per hour
Hourly Rate for a Non Executive	\$100 per hour
Hourly Rate for an Executive	\$150 per hour

* Note: In cases where invoicing is done outside the United States, the above rates should be converted to local currency based on the exchange rate on the date the invoice is prepared.

**SCHEDULE BC2
BASIC TIME AND MATERIALS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
------	-------	-------	--------

Service Provider's Contact

Xylem Inc.

Tim Coogan

TSA Manager

Tim.Coogan@itt.com

Service Recipient's Contact

Exelis Inc.

Joe Daniel

TSA Manager

Joe.daniel@itt.com

PARTIES TO THE AGREEMENT

Service Provider: Xylem Inc.

Service Receiver: Xylem Inc.

TERM AND OPTION

The Term shall be 18 months commencing on the Distribution Date. There shall be no Minimum Service Period.

GENERAL SERVICE DESCRIPTION

Service Receiver may need assistance after the Distribution Date from the Service Provider for miscellaneous services, including but not limited to consulting, advisory, knowledge transfer and other similar services in various areas including, but not limited to finance, tax, accounting, insurance, treasury, human resources and communications, which are not already provided for under all of the other TSAs between ITT Corporation, Xylem Inc., and Exelis Inc.

The Service Provider hereby agrees to cause its and its affiliates employees (collectively, "Experts") to provide a reasonable amount of services, upon reasonable notice and request from the Service Receiver on a time and materials basis from the Distribution Date through June 30, 2013 (the "Minimum Term" and the "Maximum Term").

To utilize this TSA Schedule, employees of Service Receiver should request such services via email or telephonically where both parties have a clear expectation of the estimated number of hours of assistance being requested. For projects that are expected to require more than 5 to 10 hours of assistance a one or two paragraph project plan should be agreed to in order to avoid misunderstandings. The project plan should be put together by the Service Provider's "Expert" with respect to the requested services.

Employees of Service Receiver should advise their TSA manager that a request for services has been made together with a description of such services requested and the estimated number of hours requested.

The "Expert" should advise their TSA manager that a request for services has been made and the estimated number of hours requested.

SCOPE OF SERVICES

The scope of services will depend on the needs of the Service Recipient and the capabilities and availability of the Experts.

LOCATIONS

All locations around the world

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer employed by Service Provider, Service Provider will, at the request of the Service Receiver, use commercially reasonable efforts to provide similar services. However, if Service Receivers or an affiliate employ any of the Experts, the specific service requested under this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver.

TAX STATUS

Sales tax will be charged as determined by the Service Provider and the Service Receiver shall pay such tax along with the payment for the service provided.

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below under Notice Requirements, except in cases where services are provided outside of the United States, in which case invoices will be created by the Service Provider's legal entity in the country where the services are being performed and invoiced to the Service Receiver's legal entity that requested the services in the Service Provider's local currency. The bill will cover all charges for services under this Schedule from Service Provider and, to the extent reasonably feasible, will be itemized among Service Receiver's legal entities if identified by the Service Receiver when requesting the service. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the US dollar amount per Expert.

The Experts shall track their time on either a time sheet or any other proper method such as the utilizing the time sheet attached hereto and Service Provider agrees that the time sheets will accompany the invoice that is sent to the Service Recipient for payment. In cases where the requested services are expected to take longer than 30 days to complete, the Service Provider will be allowed to invoice the Service Receiver once per month for all costs incurred to date.

NOTICE REQUIREMENTS

No notice of Termination is required under this Schedule and there shall be no make-whole fee under this Schedule

Notices and bills to the Service Provider should be sent to:

Xylem Inc.
1133 Westchester Avenue
Suite 2000
White Plains, NY 10604
Attention: Tim Coogan

Notices and bills to the Service Receiver should be sent to:

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attention: Joe Daniel

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services in accordance with Service Providers documented travel policies and any incremental out of pocket costs incurred by the Service Provider in order to provide the requested services that are invoiced by unaffiliated 3rd parties. Service Provider agrees to provide vendor invoices as backup to the Service Receiver when invoicing the Service Receiver under the terms of this TSA.

The hourly rates below include a 4.5% increase for inflation and the 2% profit margin and shall be applicable in 2011 and 2012. The rates shall increase by 4.5% in 2013.

Service	Hourly Rate*
Hourly Rate Administrative/Secretarial.	\$50 per hour
Hourly Rate for a Non Executive	\$100 per hour
Hourly Rate for an Executive	\$150 per hour

* Note: In cases where invoicing is done outside the United States, the above rates should be converted to local currency based on the exchange rate on the date the invoice is prepared.

**SCHEDULE BC3
SINGAPORE PERSONNEL SERVICES**

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
<u>Service Provider's Contact</u>			
Gary Jollow	HR Director Water and Wastewater Singapore		Gary.Jollow@itt.com
<u>Service Receiver's Contact</u>			
Douglas Parks	Geospacial Systems, HR Director		Douglas.Parks@itt.com

PARTIES TO THE AGREEMENT

Service Provider: ITT Water and Wastewater Singapore PTE LTD

Service Receiver: Exelis Inc.

GENERAL SERVICE DESCRIPTION

ITT Water and Wastewater Singapore PTE LTD ("WWW"), now known as _____, entered into a Tenancy Agreement (the "Tenancy Agreement"), commencing on April 27th 2011 with Prof Tan Teck Koon ("Landlord") with respect to an apartment located at 41a Bedok Ria Crescent #01-30 Stratford Court, Singapore 489929 (the "Premises") for the benefit of employee (Ron Davis) and his family (collectively, the "Tenants") to be transferred to Service Receiver. The Service Receiver and Tenants desire to terminate the Tenancy Agreement effective as of November 20, 2011 (the "Termination Date") pursuant to an agreement between the Service Provider and the Landlord (the "Buy-out Agreement").

The negotiations of the Buy-out Agreement were led by the Service Receiver. Pursuant to the Buy-Out Agreement, the Service Provider agreed to pay the landlord a certain sum of money that would cover all known obligations of Service Provider to the Landlord (the "Buy-out Amount"). In addition, the Buy-out Agreement also provides that the Landlord is directed to pay the Deposit, as defined in the Tenancy Agreement, directly to the Service Receiver.

SCOPE OF SERVICES

Service Provider shall not do anything to disrupt or terminate the Tenancy Agreement prior to the Termination Date. Service Provider shall, within 30 days of receipt, deliver to the Service Receiver any and all amounts received from the Landlord with respect to the Premises.

Service Receiver shall indemnify and hold the Service Provider harmless for any and all actual costs or expenses incurred by Service Provider or paid by Service Provider to the Landlord in connection with the Premises, any remaining tax claims/issues associated with the sponsorship of Ron Davis or any claims Ron Davis may have with respect to his sponsorship by Service Provider or with respect to termination of his sponsorship by Service Provider. (the "Indemnified Amounts"). Service Receiver shall pay the Indemnified Amounts within 30 days of receipt of a notice describing the amount and reason Service Provider paid Landlord or any third party any amount in connection with the Premises. If such amount is greater than \$5,000, Service Provider shall notify Service Receiver 5 business days in advance of such payment to the Landlord or third party in connection with the Premises and shall allow the Service Receiver to contest the payment or the claim. Service Receiver will be liable for any and all actual damages, costs or expenses incurred by Service Provider in the event Service Provider contests the payment or the claim.

LOCATIONS

Singapore

PREREQUISITES/DEPENDENCIES

None

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below.

NOTICE REQUIREMENTS

Notices under this Schedule should be sent to the following addresses (with an email copy to the Service Owners set forth above):

If to Service Provider:
Xylem Inc.
1133 Westchester Avenue
Suite 2000
White Plains, NY 10604
Attention: Dan Kelly

If to Service Receiver
Exelis Inc.
1650 Tysons Blvd #1700
McLean, VA 22102-4827
Attention: Rachel Semanchik

PRICING

Service Receiver shall pay all miscellaneous expenses (telephone, broadband, utilities) charged to and paid by Service Provider with respect to Ron Davis and his family. Service Provider shall provide Service Receiver with an invoice detailing such amounts and Service Receiver shall pay such amounts within 30 days of the date of such invoice.

**SCHEDULE BC1
UK BENEFITS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Service Provider's Contact			
Barbara West	UK Benefits Manager		barbara.west@fluidtechnology.com
Service Recipient's Contact			
Caroline Hunt	Senior Benefits Manager		Caroline.hunt@itt.com

PARTIES TO THE AGREEMENT

Service Provider: Water Process Ltd

Service Receivers: collectively, ITT Defense, Ltd and EDO MBM Technology Ltd.

GENERAL SERVICE DESCRIPTION

Service Receivers have two business locations in England — Brighton and Basingstoke. Benefits for Service Receivers in England have been managed pre-spin by Service Provider based in Basingstoke. Service Receivers need assistance from Barbara West and/or Linda Frawley (collectively, the “Experts”) on a time and materials basis to provide services similar to those provided to the Service Receivers during the 12 month period prior to October 1, 2011, including continuity of Benefits Administration, training and advice for 18 months (“Minimum Term”), but not longer than 24 months from the date hereof (“Maximum Term”).

SCOPE OF SERVICES

The following services will be provided on a time and materials basis by the Experts.

- Completion of Harmonization of Benefits for Service Receivers' Brighton location
 - Launch Flexible Benefits Package for Service Receivers' Brighton and Basingstoke locations including administration, communications, etc.
 - Assistance in establishing Service Receivers' policy for enrollment in Private Medical
 - Assistance with establishing, implementing and administering a share incentive plan for the Service Receivers.
 - Assistance with the administration and preparation for cessation of Service Receivers' Defined Benefit Plan (General Pension Plan) and movement to a Defined Contribution Plan (ITT Retirement Savings Plan)
 - Provide guidance in negotiating premiums with various Benefit Brokers to include interfacing with appropriate Benefits Vendors on behalf of Service Receivers, but not executing agreements on Service Receivers' behalf.
 - Facilitate the transition of the Benefits Vendor relationship to designated Service Receivers' HR Benefits Manager
 - Facilitate the transition of the daily benefit activities to the HR staff of both Service Receivers in Basingstoke, UK and Brighton, UK
 - Provide guidance on applicable British Laws versus Benefits provided, but not legal advice.
 - All communications initially prepared by the Experts to Service Receivers' employees will be reviewed by the Service Receiver's Sr. Manager of Benefits and Service Receivers' Vice President, Human Resources, or such other person as may be designated by Service Receivers
 - The Experts will provide employees designated by the Service Receivers with monthly status reports. The Experts will work under a schedule mutually agreed to prior to October 1, 2011 which will average approximately eight (8) hours per week during the first three (3) to six (6) months and then two (2) to four (4) hours thereafter. The Experts will utilize their current office and equipment at Service Provider, Basingstoke, England, unless Service Provider moves such employees, at its discretion.
 - Such other services as the Experts have provided to ITT Corporation's Defense business during the twelve (12) month period prior to October 1, 2011 and requested by Service Receiver, which shall not include legal or tax advice or the execution of any documentation for any governmental authority.
-

LOCATIONS

Basingstoke, UK

Brighton, UK

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer employed by Service Provider, Service Provider's then current benefit manager will, at the request of the Service Receivers, provide similar services at an agreed hourly rate, based on such benefit manager's all in cost to the Service Provider (total compensation plus allocated overhead). However, if Service Receivers or an affiliate employ any of the Experts, this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver. In the event the Experts are no longer employed by Service Provider or no longer capable of providing services due to disability, and the Experts are not replaced by another benefits leader, this Schedule shall terminate with no further obligations of either party.

The Service Receivers' human resources department shall cooperate with the Experts as the Experts provide service under this Schedule.

TAX STATUS

VAT will be charged as determined by the Service Provider

BILLING LOCATION

Service Provider will provide ITT Defense, Ltd. with an invoice to its address set forth above. The bill will cover all charges for services under this Schedule from Service Provider to both Service Receivers and, to the extent reasonably feasible, will be itemized between the two Service Receivers. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the British Pound amount per Expert.

SERVICE LEVEL

To the extent necessary data is available after the date hereof, the Experts will provide the same service level to the Service Receiver as they provide to their employer.

NOTICE REQUIREMENTS

Service Receiver shall notify Service Provider at least 90 days in advance of the Minimum Term if it wants to extend or terminate this Schedule, but such extension shall not be for longer than the Maximum Term. If notification is not received by the Service Provider, the service will terminate at the end of the Minimum Term. There shall be no make-whole fee in the event of an early termination under this Schedule.

Notices to the Service Provider should be sent to
Water Process Ltd, Jays Close,
Viabes Estate, Basingstoke, Hampshire RG22 4BA
Attention: Barbara West

Notices to the Service Receiver should be sent to
ITT Defense, Ltd and EDO MBM Technology Ltd.
C/O Exelis Inc.
1919 W Cook Rd
Fort Wayne, Indiana 46818
Attention: Caroline Hunt

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services.

The hourly rates below include a 4.5% increase each year for inflation and a 2% increase for a profit margin. In the event the service continues past the Minimum Term, the rate will increase by 8%

Service	Hourly Rate
Hourly Rate for Ms. West.	“Cost plus 2% - 10%” during 2011
	“Cost plus 2% - 10%” during 2012
	“Cost plus 2% - 10%” during 2013
Hourly Rate for Ms. Frawley	“Cost plus 2% - 10%” during 2011
	“Cost plus 2% - 10%” during 2012
	“Cost plus 2% - 10%” during 2013

**SCHEDULE CA1
GENERAL LEDGER ACCOUNTING
ITT HQ**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Misty Markle Exelis Inc.	Accounting Manager		misty.markle@itt.com
Catherine Lupinacci ITT Corporation	Manager of Corporate Accounting & Planning		catherine.lupinacci@ittcorp.net

GENERAL SERVICE DESCRIPTION

Service Provider will perform General Ledger Accounting Services for ITT Corp Headquarters for Service Receiver.

Service Receiver and its Subsidiaries will utilize the Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide General Ledger Accounting Services to ITT Corp Headquarters:			
		<ul style="list-style-type: none"> Balance and Post Payroll Journal Entries — The Service Provider will use the Completed Payroll Cycles from the Service Receiver to post the Journal on ITT Co. HQ ledger. This will occur three (3) business days after the payroll cycle completes. 	155 Annually		
		<ul style="list-style-type: none"> Prepare Payroll Accrual Report — The Service Provider will receive a notification from Service Receiver to produce the Payroll Accrual Report in PDF format from Infinium for Service Receiver. The report will be completed one (1) business day after notification is received. 	4 Annually		
SS-GLHQ-01	General Ledger Accounting Services ITT Co. HQ	<ul style="list-style-type: none"> Prepare Journal Entries for Infinium Enterprise Application and Payroll Service Charges — The Service Provider will use the TSA Costs from Service Receiver to post the Journal on ITT Co. HQ ledger. This will be completed prior to month end close. 	50 Annually		
		<ul style="list-style-type: none"> Prepare Journal Entries for Fringe — The Service Provider will use the Payroll Month End Close from Service Receiver to post the Journal on ITT Co. HQ ledger. This will be completed prior to month end close. 	24 Annually	18	Cost plus 2% - 10%
		<ul style="list-style-type: none"> Prepare Journal Entries for Environmental Reserve — The Service Provider will use the Payroll Month End Close from Service Receiver to post the Journal on ITT Co. HQ ledger. This will be completed prior to month end close. 	12 Annually		
		<ul style="list-style-type: none"> Prepare Journal Entries for Medical Insurance and Investment Savings Plan — The Service Provider will use the interface files as documented in Attachment A to remit payment to Vendor and post the Journal on ITT Co. HQ ledger. This will be completed prior to month end close. 	68 Annually		
		<ul style="list-style-type: none"> Journalize ISP Surcharges — The Service Provider will use the interface files as documented in Attachment A to remit payment to Vendor and post the Journal on ITT Co. HQ ledger. This will be completed prior to month end close. 	52 Annually		

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> Prepare Flexible Spending Account Report and Create Journal Entry — The Service Provider will use the Payroll Month End Close to post the Journal on ITT Co. HQ ledger and provide Service Receiver with the report. This will be completed 15 days after the calendar month. 	12 Annually		
		<ul style="list-style-type: none"> Journalize CELCO Medical Premium Checks — The Service Provider will use a copy of Medical Checks related to retirees paying their premium from an internal business unit within Service Provider which in-turn receives the actual check from the retiree for Service Provider to post the Journal on ITT Co. HQ ledger. This will be completed prior to month end close. 	12 Annually		
		<ul style="list-style-type: none"> Assist in Payroll Salaries Account Reconciliation — The Service Provider will use the “(Month, Year) Payroll Reconciliation” spreadsheet from Service Receiver to create queries to support general ledger account reconciliation. This will be completed one (1) business day after the request is received. 	12 Annually		
		<ul style="list-style-type: none"> Liability Calculation for Short Term Disability — The Service Provider will use a query provided from an internal business unit within Service Provider to calculate the liability for short term disability and provide a report in spreadsheet format. 	1 Annually		
		<ul style="list-style-type: none"> Prepare Clearing Journal Entries for Entities within ITT Co. — The Service Provider will use the final month end intercompany balances provided from an internal business unit within Service Provider to prepare the clearing journal entries for ITT Co. HQ ledger. This will be posted before the last day of fiscal month. 	12 Annually		
		Provide General Ledger Accounting Services for ITT Co. HQ to close GIS GL:			
SS-GLHQ-02	General Ledger Accounting Services ITT Co. HQ to close GIS GL	<ul style="list-style-type: none"> Provide eBuyITT Admin Services — The Service Provider will use monthly Transaction Detail Reports from Service Receiver to post journal entry in general ledger. 	1 per Week		
		<ul style="list-style-type: none"> Provide P-Card Admin Services — The Service Provider will use monthly Transaction Detail Reports from Service Receiver to post journal entry in general ledger. 	1 per Month	6	Cost plus 2% - 10%
		<ul style="list-style-type: none"> P-Card Online Approval Services — The Service Provider will receive e-mail notification to approve P-Card transactions from Service Receiver. Service Provider will review online and approve P-Card transactions. 	2 per Month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> • Provide Delegation of Authority Admin Services — The Service Provider will receive an e-mail notification from Manager or Director of Service Receiver's organization to update the Delegation of Authority document. The Service Provider will provide the approved Delegation of Authority Document. This will be provided within one (1) business day of receiving the e-mail notification request. 	1 per Month		
		<ul style="list-style-type: none"> • Reconcile Balance Sheet Accounts — The Service Provider will use the month end close documents from Service Receiver to reconcile General Ledger Accounts. 	70 per Month		
		<ul style="list-style-type: none"> • Complete Month End General Ledger Processing — The Service Provider will use Month End Checklist, Month End JE List, Month End Close, Chart of Account Request Form, and other reports from Service Receiver to provide Month End Close services and feed this information to Hyperion. <ul style="list-style-type: none"> o Month End — Prepare and post all journal entries, setup and maintain chart of accounts, maintain company controls and period controls. o ZDAP Report — Review and process accruals. 	1 per Month		
		<ul style="list-style-type: none"> • Complete Year End Close — The Service Provider will use the Completed Year End Close data from Service Receiver to create Year End journals, update retained earnings, and roll forward of asset and liability account balances for the next year. 	1 per Year		
		<ul style="list-style-type: none"> • Tracking and Transfers of Fixed Assets — The Service Provider will receive request from Service Receiver's management to transfer assets to New Co or impair and will provide journal entry and/or invoice to the New Co. 	5 per Month		
		<ul style="list-style-type: none"> • Complete Concur Journals and Transfers due to Employee Movement — The Service Provider will use Concur feed data from Service Receiver to provide journal entries and transfers due to employee movement. 	1 per Week		
		<ul style="list-style-type: none"> • Provide Purchasing related services — <ul style="list-style-type: none"> o Complete Finance Approval on Purchase Requisitions — The Service Provider will use Purchase Requisition information from Service Receiver to provide finance approval on Purchase Requisitions. This will be provided within one (1) business. o Review Purchase Order Commitment and Close Active Purchase Orders — The Service Provider will use the Purchase Order Reconciliation Report 	5 per Month		
			535 Open Purchase		

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		from Service Receiver to e-mail Buyers requesting action to close purchase orders. All Purchase Orders will be closed by end of TSA period.	Order Lines		
		<ul style="list-style-type: none"> • Load Financials & Intercompany Balances for Hyperion — The Service Provider will use completed Month End Close information from Service Receiver to reconcile intercompany balances and perform financial review. 	1 per Month		
		<ul style="list-style-type: none"> • Prepare Cost Center Variance Monthly Reports — The Service Provider will use completed Month End Close information from Service Receiver to produce a monthly G&A expense detail report to Managers. 	1 per Month		

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented in this agreement
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications

increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include:	
		<ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver 	
SS-GLHQ-02	General Ledger Accounting Support Services ITT Co. HQ Migration	<ul style="list-style-type: none"> • Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, functional data mapping, and impacts of design decisions 	Time and Materials Based on Additional Pricing Section
		Service Provider will provide the following knowledge transfer services:	
SS-GLHQ-03	General Ledger Accounting ITT Co. HQ Knowledge Transfer	<ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to this agreement 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to General Ledger Accounting by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to White Plains, NY, USA.

PREREQUISITES/DEPENDENCIES

- Security and access controls will be maintained as set forth in the Master Services Agreement.
- If Service Receiver provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must actively be engaged on the Infinium Application TSA for the duration this agreement is in effect.
- Service Receiver must actively be engaged on the HR/Payroll/Benefits TSA for the duration this agreement is in effect.
- Service Receiver (ITT HQ) general ledger must be in the current reporting period in order for the Service Provider to complete the services documented within this agreement. Service Receiver and Service Provider will work together to ensure that the current period is open to process transaction(s).

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be

commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

<u>Journal Entry Type</u>	<u>Interface Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source</u>	<u>Frequency</u>
Medical Insurance — MetLife		Report withholdings and premiums to the record keeper	JP MORGAN CHASE	Infinium	Monthly
Medical Insurance — Health Savings Account (HSA)		Report withholdings and premiums to the record keeper	Mellon	Infinium	Weekly
Investment Plan Savings (ISP) and ISP Surcharges		Report withholdings and premiums to the record keeper	Wells Fargo / ACS	Infinium	Weekly

**SCHEDULE CA2
HR/PAYROLL/BENEFITS**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, expect where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Joe Daniel Exelis Inc.	TSA Manager		joe.daniel@itt.com
Daryl Bowker ITT Corporation	Director, Shared Services		daryl.bowker@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Payroll, Payroll Tax, HR, Garnishment and Benefit Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens and documents that support Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide payroll and tax configuration support required to support payroll services:			
		<ul style="list-style-type: none"> Income Codes —Service Provider will use the Income Request Form from the Service Receiver to update tax, garnishment, eligibility, pension, and 401K with the provided income codes. 5 business days prior notice are required to make the income code changes. Deduction Codes —Service Provider will use the Deduction Request Form from the Service Receiver to update tax, Group Term Life (GTL), and other accumulator requirements with the provided deduction codes. 5 business days prior notice are required to make the deduction code changes. Paid Time Off (PTO) Accrual Controls —Service Provider will use the PTO Policy document from the Service Receiver to accrual code and schedule setups requested by the Service Receiver. 10 business days prior notice are required to make the requested PTO Accrual Controls changes. 			
SS-Payroll-01	Payroll Services	<ul style="list-style-type: none"> Federal/State/Local Tax Table —Service Provider will use the Notification of Federal/State/Local Tax Change provided by the Service Receiver to update the local tax setup within systems managed by Service Provider within 5 business days of the request. Federal/State/Local Tax —Service Provider will use the Request for Level Control provided by automated systems to update the level control setup within systems managed by Service Provider within 5 business days of the request. Employer Codes — Service Provider will use the Request for New Employer Codes from the Service Receiver to update employer codes in systems managed by Service Provider within 5 business days of the request. User Defined Field — Service Provider will use the Request for User Defined Field provided by the Service Receiver to update the necessary fields within 5 business days of the request. Level Control — Service Provider will use the Request for Level Control provided by the Service Receiver to update the level control setup within systems managed by Service Provider within 5 business days of the request. Pay Cycle — Service Provider will use the 	100/month for all SS-Payroll-01	18	Cost plus 2% – 10%

Request Pay Cycle from the Service Receiver
to setup the pay cycle with the pay calendar
where applicable. 5 business days are

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		required to make the pay cycle changes. Pre-distribution date pay cycle configuration is defined in Attachment B.			
		<ul style="list-style-type: none"> • Employer Group — Service Provider will use the Request for Employer Group provided by the Service Receiver to update the Employer Group within systems managed by Service Provider within 5 business days of the request. • Cycle Group — Service Provider will use the Request for Cycle Group provided by the Service Receiver to update the cycle group setup within systems managed by Service Provider within 5 business days of the request. • Payroll Authorization Group — Service Provider will use the Request for Payroll Authorization Group provided by the Service Receiver to update the Payroll Authorization Group setup within systems managed by Service Provider within 5 business days of the request. • Income Authorization Group — Service Provider will use the Request for Income Authorization Group provided by the Service Receiver to update the income authorization group setup within systems managed by Service Provider within 5 business days of the request. • Deduction Authorization Group — Service Provider will use the Request for Deduction Authorization Group provided by the Service Receiver to update the deduction authorization group setup within systems managed by Service Provider within 5 business days of the request. • Auto Pay Groups — Service Provider will use the Request for Auto Pay Groups provided by the Service Receiver to update the auto pay groups setup within systems managed by Service Provider within 5 business days of the request. • Labor/Income Cross Reference Table — Service Provider will use the Request for Labor/Income Cross Reference Table Maintenance provided by the Service Receiver to update the Labor/Income Cross Reference Table setup within systems managed by Service Provider within 5 business days of the request. • General Ledger Cross Reference Table — Service Provider will use the Request for General Ledger Cross Reference Table maintenance provided by the Service Receiver to update the general ledger cross reference table setup within systems managed by Service Provider within 5 business days of the request. 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide garnishment, child support, tax levy, interrogatory correspondence, withholding and payments support required for payroll services:			
		<ul style="list-style-type: none"> Garnishment Letter — Service Provider will use the Garnishment Notification to provide a garnishment letter to the garnishing agency during the latter of 7 days after notification and the next applicable payment cycle. Garnishment Withholding — Service Provider will use the Garnishment Notification to adjust the employee garnishment deduction setup during the latter of 7 days after notification and the next applicable payment cycle. Garnishment Payments — Service Provider will use the Garnishment Notification to update the garnishment payments to agency during the latter of 7 days after notification and the next applicable payment cycle. Stop Garnishments — Service Provider will use the Garnishment Stop Notification to deactivate the employee garnishment deduction and process refund of any over-withholding during the latter of 7 days after notification and the next applicable payment cycle. 	New Transactions 200, Monthly Payments 700		
		Provide employee maintenance support where appropriate to support payroll processing:			
		<ul style="list-style-type: none"> W-4 — Service Provider will use the W-4 Form from the Service Receiver to update employee W-4 information with the provided information. Service Receiver must provide such information at least 2 business days prior to processing of payroll to ensure inclusion in the current payroll run. Home/Work State Update — Service Provider will use the employee change request for home/work state maintenance from the Service Receiver to make requested updates. Service Receiver must provide such information at least 2 business days prior to processing of payroll to ensure inclusion in the current payroll run. Direct Deposit — Service Provider will use the Direct Deposit Form from the Service Receiver to update employee direct deposit information with the provided information. Service Receiver must provide such information at least 2 business days prior to processing of payroll to ensure inclusion in the next payroll run. 	600/month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide college fund employee direct deposit maintenance required to support payroll processing upon receipt of notification of enrollment or change via email. Request will be processed within 7 days of notification in the next applicable payment cycle.	30/month		
		Provide executive excess savings plan updates to employee deduction code maintenance required to support payroll processing upon receipt of Service Receiver notification of employee. Request will be processed within 7 days of notification in the next applicable payment cycle.	30/month		
		Provide ACS 401k Interface Processing required to support payroll processing:			
		<ul style="list-style-type: none"> • Saving Plan Deferral & Loan — Service Provider will use the ACS ISP Feedback File from the Service Receiver’s 3rd party to update employee deduction code information with the provided information. Service Receiver’s 3rd party must provide such information by Friday evening the week prior to requested update. 			
		<ul style="list-style-type: none"> • Saving Plan Deferral & Loan — Service Provider will use the ACS ISP Feedback File from the Service Receiver’s 3rd party to update employee deduction code information with the provided information. Service Receiver’s 3rd party must provide such information by Friday evening the week prior to requested update. 			
		<ul style="list-style-type: none"> • ACS Error Report Review — Service Provider will review the ACS ISP Feedback File from the Service Receivers 3rd party provider to review any fallout which may have occurred. Upon fallout Service Provider will notify ACS to conduct maintenance to rectify documented fallouts. 	10 Monthly Interfaces Files & Reports		
		<ul style="list-style-type: none"> • ACS New Hire — Service Provider will use a report created from the ACS Interface File from the Service Receiver’s 3rd party to validate new hire processing. Service Receiver’s 3rd party must provide such information by Friday evening the week prior to requested validation. 			
		<ul style="list-style-type: none"> • ACS ISEV — Service Provider will use the ACS ISEV Status Change from the Service Receiver’s 3rd party to update employee deduction code information with the provided information. Service Receiver’s 3rd party must provide such information by Friday evening the week prior to requested update. 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>Provide JPMorgan 401k Interface Processing required to support payroll processing</p> <ul style="list-style-type: none"> • Saving Plan Deferral & Loan — Service Provider will use the JP Morgan ISP Feedback File from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. • Saving Plan Deferral & Loan — Service Provider will use the JP Morgan ISP Feedback File from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. • JP Morgan Error Report Review — Service Provider will review the JP Morgan ISP Feedback File from the Service Receivers 3rd party provider to review any errors which may have occurred. Upon fallout Service Provider will notify ACS to conduct maintenance to rectify documented fallouts. • JP Morgan New Hire — Service Provider will use a report created from the JP Morgan Interface File from the Service Receiver's 3rd party to validate new hire processing. Service Receiver's 3rd party must provide such information by Friday 5 pm EST or Thursday 5 pm EST if Friday is not a business day the week prior to requested validation. • JP Morgan ISEV — Service Provider will use the JP Morgan ISEV Status Change from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. 	10 Monthly Interfaces Files & Reports		
		Provide Principal Loan Processing required to support payroll processing upon receipt of notification by secured email and make the required employee deduction code changes.	Weekly Interface Files		
		Provide Marsh Benefit Processing required to support payroll processing upon receipt of interface file and make deduction code changes. Files must be received by the 17 th of the month for processing by the end of the month.	Two Interface Files Per Month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide John Hancock LTC Processing required to support payroll processing upon receipt of interface file and make deduction code changes. Files must be received by the 17 th of the month for processing by the end of the month.	Two Interface Files Per Month		
		Provide Runzheimer Fix and Variable Auto Processing required to support payroll processing upon receipt of interface file and make employee negative deduction transactions for payroll Files must be received by the 9 th of the month.	One Interface File Per Month		
		Provide Concur Travel Expense Reimbursement required to support payroll processing upon receipt of interface file and make employee negative deduction transactions. Files must be received by Thursday morning at 6 am EST to be processed in the next applicable pay cycle.	Weekly Interface Files		
		Provide executive deferral payment upon receipt of notification from Service Receiver for payout and make employee deferral payment. Files must be received by the 9 th of the month.	One Monthly Deferral Processing		
		Provide excess group term life calculations upon receipt of notification from Service Receiver for payout and make employee deferral payment. Files must be received by the 9 th of the month.	240 Batch Processing Runs		
		Complete nightly Infinium Benefit Deduction updates. Provide payroll processing.	240 Batch Processing Runs		
		<ul style="list-style-type: none"> Automated Labor Upload — Service Provider will use the interface from the Service Receiver’s labor system and create the Infinium labor file for payroll processing. Labor Code to Infinium Income code cross reference file updated as required. 			
		<ul style="list-style-type: none"> Labor Interface Validation — Service Provider will use the interface from the Service Receiver’s labor system to get totals. Service Provider will then match the Infinium and Service Receiver’s Labor System file. Should discrepancies exist, Service Provider will work with Service Receiver to resolve the issue. 	240 Pay Processing Cycles		
		<ul style="list-style-type: none"> Payroll Cycle Processing — Service Provider will then create Employee Processing Cycle 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>File, listing of employees with pay, benefit, leave of absence and terminations. A review of employee changes will be conducted by Service Receiver and corrections made if applicable. Employee changes will be added to cycle validation routine for balancing. Delays in Service Receiver responsibilities will delay payroll processing. Service Provider will not be liable for such Service Receiver caused delays.</p>			
		<ul style="list-style-type: none"> • Close Upload Labor to Payroll Cycle — Service Provider will upload employee labor to payroll cycle. • Gross to Net Calculation — Once Infinium releases time sheet data Service Provider will produce the payroll trial balance. • Payroll Adjustments — Service Provider will update employee pay information and add adjustments to validation routine for balancing as required. • Print Trial Balance/Approve Payroll — Using the Infinium trial balance Service Provider will create a trial balance report to post payroll and print pay stubs. If Trial Balance does not balance or has errors it must be corrected via update checks and Trial Balance Reran until error free and balanced. 			
		<p>Provide on-demand payroll processing of off-cycle check requests upon receipt of on-demand check request form from Service Provider. Form must be received by 5 pm for next day direct deposit or check delivery.</p>	<p>570 Transactions Annually</p>		
		<p>Provide bonus cycle payroll processing of off-cycle bonus payments upon receipt of bonus specification from Service Recipient. Form must be received 5 business days prior to date of required bonus payment.</p>	<p>7000 Transactions Annually</p>		
		<p>Provide manual W-2 earnings and deductions updates upon receipt of written notice and tax detail from Service Provider</p>	<p>325 Transactions Annually</p>		
		<p>Provide stock option manual payroll upon receipt of Smith Barney stock transaction file using the daily interface from Service Provider</p>	<p>80 Transactions Annually</p>		
		<p>Provide restricted stock manual payroll upon receipt of Smith Barney restricted stock transaction file using the daily interface from Service Provider</p>	<p>110 Transactions Annually</p>		
		<p>Provide quarterly tax dividend payment upon receipt of Smith Barney dividend transaction file using the quarterly interface from Service Provider</p>	<p>440 Transactions Annually</p>		
		<p>Provide Cartus quarterly relocation manual payroll upon receipt of Cartus Relocation Transaction file using the quarterly interface from Service Provider</p>	<p>140 Transactions Annually</p>		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Process payment for unused PTO time upon receipt of notification from systems during year-end	1700 Transactions Annually		
		Void or re-issue employee checks upon receipt of notification from Service Receiver. May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received two business days prior to start of payroll processing. Five business days notice is required for issuing as separate payroll process. [Service Provider will not be liable if funds have been disbursed prior to voidance.]	850 Transactions Annually		
		Make adjustments to employee pay upon receipt of notification from Service Receiver. Notification must be received 2 business days prior to the next pay cycle.	325 Transactions Annually		
		Process retro-active payments for delayed merit increase processing after receipt of notification from Service Receiver. May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received Two business days prior to start of payroll processing. Five business day notice required for issuing as separate payroll process.	350 Transactions Annually		
		Process special employee payments upon receipt of notification from Service Receiver. May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received 2 days prior to start of payroll processing. Five day notice required for issuing as separate payroll process.	900 Transactions Annually		
		Process relocation payment from employee paycheck upon receipt of notification from Service Receiver Processed with normal payroll. May be repaid over multiple payrolls or from one payroll per specification of Service Receiver.	200 Transactions Annually		
		Provide executive excess savings plan distribution upon receipt of notification from Service Receiver May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received 2 days prior to start of payroll processing. Five day notice required for issuing as separate payroll process.	50 Transactions Annually		
		Service Provider will use commercially reasonable efforts to provide post-payroll			
		<ul style="list-style-type: none"> Print/Distribute Check, Vouchers, & Reports — Printed Checks and Vouchers sealed and prepared for shipping distribution per business units instructions. 	250 Cycles Per Month		
		<ul style="list-style-type: none"> ACH Processing — ACH transmitted to clearing house using the Infinium ACH extraction process 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Bank Funding — Wire Transfer to cover payroll using the bank funding report option Credit Union Processing — File Transmission to Credit Union using the Infinium direct deposit extract Union Reporting — Union report transmitted using the Union employees and Union dues report Canadian Bond Processing — Transmission of Canadian Bond File to Royal Bank of Canada using the Canadian bond extract Positive Pay — Positive pay file transmitted to Wells Fargo using the positive pay extract file Direct Deposit Fund Pullback — Employee funds pulled back or error report with insufficient funds upon Service Receiver's request to pull back employee direct deposit. Service Provider will use the Shared Service form submission to Wells Fargo to pull back employee direct deposit. Insufficient funds notices are communicated to employees HR administrator for review of how to recover money 			
		Provide Infinium month end close once a month rolling month totals, update monthly benefits (Marsh & John Hancock), and update monthly limit processing. This service will be performed after final payroll for month and prior to first payroll of new month.	20 Companies Per Month		
		Process Infinium quarter end close once a quarter rolling quarter totals, update quarterly limit	20 Companies Per Month		
		Provide Infinium year-end processing.			
		<ul style="list-style-type: none"> Wage & Tax Balancing — Using the wage Base Report balance Employee Earnings and Taxes United Way Deduction — Infinium United Way Deduction Change for deduction codes 00800 & 0805 clearing the United Way deduction for the new year 401K Limit Update -Deduction limit updated with values for year 			
		Year End Payroll Register — Use the Infinium Year End Payroll Register to archive historical payroll registers	20 Companies Per Month		
		Hartford-JP Morgan Year End — Use the Infinium Save File to archive Hartford-JP Morgan year end 401K values			
		ACS — Use the Infinium Save File to archive ACS year end 401K values			
		Infinium W2 Box Updates — Use the Infinium Income & Deduction Reporting Groups to make			

W2 Box Reporting Reports

- **Infinium ADP W2 Box Update** — Use the ADP interface for W2 Reporting to create the ADP W2 Box Interface File
- **Local Tax Update** — Use the notification from locality or Service Receiver to update the local tax table

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Transfers — Clear Q1 Information captured for tax & 401K Limit processing for use in the W2 tax report Vinny 1st day report — Use the Infinium Day 1 Report for forecasting Payroll Calendar — Use the Infinium Cycle Maintenance to create Service Receiver Payroll Calendars W2 — Pension for Group Term Life (GTL) — Service Receiver provides files from ACS & Hartford and Service Provider updates Pensioner's W2's Highly Compensated Employee Listing — Using an AS400 Query, employees meeting IRS Highly Compensated Listing are found and 401K providers updated with list of highly compensated employees Executive Excess Saving Plan Employee Update — Service Receiver provides list of eligible employees for executive excess saving plan which Service Provider uses to update the Executive Excess Saving Plan Employee List provided for roll over into Excess Savings Plan New Jersey Disability Year End Update — Using the New Jersey Final Disability Report; Service Provider will update the New Jersey year end payroll entries to record New Jersey final disability entries. Infinium Year End Close — Year end close rolls year to day information to previous year and clear year-to-date dollars ADP 4th Quarter & Year End Extract — Using the ADP Extract Program an ADP Year End Interface File is created ADP — Balance Year — Using the ADP Year End Reports Year End Statutory Reports & W2 are output W2C's — Using the value center post year-end close entries to update the W2C Amended Year End — Use the ADP Extract Program to amended statutory reporting 			
		Provide US Tax Processing.	Registrations — 10 per month		
		<ul style="list-style-type: none"> ADP Company Profile Update — Use the ADP Tax Header Spreadsheet to update ADP tax reporting set up 	Interfaces — daily		
		<ul style="list-style-type: none"> ADP Code Mapping — Use the ADP Mapping Document to map ADP Tax Code to Infinium Tax 	Tax Payments — Daily & Quarterly		

Code

Per Requirements

- Infinium ADP Deduction Table Maintenance —
Use the Infinium ADP Tax Code file to output
ADP Interface File including the new tax code
- ADP Daily Interface File — Use the ADP
Infinium Payroll Tax Extract to create the ADP
Receipt of Tax Payment Detail

Cobra Reporting —
Quarterly

Quarterly Reporting

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> Daily Tax Audit Report — Use the Query: ADP Tax Audit Report to validate ADP Daily Tax Interface File 			
		<ul style="list-style-type: none"> ADP Daily Tax Funding — Use the ADP Invoice to create ADP Wire Payment 	Tracer Transactions	20 Monthly	
		<ul style="list-style-type: none"> ADP Unemployment Rate Change — Use the ADP Tax Header Spreadsheet to calculate ADP - Unemployment Payments with New Rate 	Amendments	10 Monthly	
		<ul style="list-style-type: none"> ADP Monthly Charges — Use the ADP Invoice to process ADP Payment 			
		<ul style="list-style-type: none"> Barnett Monthly Charges — Use the Barnett Invoice to process Barnett Payment 			
		<ul style="list-style-type: none"> ADP Quarterly Communication — Use the ADP Quarterly Updates to update the Quarterly Calendar Close Schedule 			
		<ul style="list-style-type: none"> Cobra Quarterly Tax Credit Entry — Use the SHPS Cobra Detail summarized and entered into ADP Payroll Tax Input to update the 941 Cobra Credit 			
		<ul style="list-style-type: none"> Quarterly Interface File — Use the ADP Infinium Quarterly Tax Extract to create the ADP Quarterly Tax Reporting File 			
		<ul style="list-style-type: none"> ADP TAX Reconciliation — Use the Infinium Quarterly Tax Report to reconcile ADP Quarterly Tax Reports 			
		<ul style="list-style-type: none"> Quarter Close & Statutory Reporting — Use Service Receiver approval to ADP for Quarterly Processing to make quarterly statutory payments and reporting 			
		<ul style="list-style-type: none"> Quarterly Report Distribution ADP — Use the Quarterly Reports Posted to Web Site to distribute Statement of Deposits, 941Cobra Credit, State & Local Wage Detail 			
		<ul style="list-style-type: none"> Quarterly Invoice Payments — Use ADP Invoice to make ADP Wire Payments 			
		<ul style="list-style-type: none"> Quarterly Federal & State Tax Amendments — Use Quarterly Amendment Filing to amended reporting 			
		<ul style="list-style-type: none"> Amendment Payment — Use the invoice to create ADP Wire Payment 			
		<ul style="list-style-type: none"> Tracers — Use agency notices to conduct ADP research 			
		<ul style="list-style-type: none"> Tracer Payments — ADP agency notice research to make payment of Agency Notices 			
		<ul style="list-style-type: none"> Close Tax ID — Use ADP header to close company so no future reporting in ADP 			
		<ul style="list-style-type: none"> Close Tax ID — Use the Agency notification of account closed to conduct final reconciliation 			
		Provide Canadian Tax Processing.			
		<ul style="list-style-type: none"> Canadian Tax Withholding — Using Canadian Tax Deductions provided by Service Receiver input Service Provider will complete 	Weekly Tax Payments		

Employee/Employer Tax Withholding/Liability

- Canadian Tax Payments — Using Payroll Registers provided by Service Receiver, Service Provider will make Canadian Tax Payment Annually
T4, T4A &
RL Reporting

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Year End Pension Calculation — Using the Canadian Pension Plan Policy provided by Service Receiver, Service Provider will compute Pension Plan Calculation RL1 & T4 Reporting — Using the Infinium Canadian Year End Process, Service Provider will complete T4 & RL1 Forms & XML Reporting 			
		Provide Puerto Rico Tax Processing.			
		<ul style="list-style-type: none"> Puerto Rico Tax Withholding — Using Tax Deductions Service Provider will calculate tax withholding for Service Receiver 	Weekly Tax Payments		
		<ul style="list-style-type: none"> Puerto Rico Tax Payments — Using Payroll Registers provided by Service Receiver, Service Provider will make Puerto Rico Tax Payments 	Annual W2P & W3P Reporting		
		<ul style="list-style-type: none"> Puerto Rico Year End Reporting — Using W2 & W3 Reporting Service Provider will make Employee & Employer Year End Tax Reporting 			
		Support the legal/regulatory audits documented below.			
		<ul style="list-style-type: none"> ACE — Worker Compensation Audit Tax Audits D&T Benefit Audit SOX Audit Disaster Recovery ACS — 401K Compliance Testing JP Morgan — 401K Compliance Testing Data Mining — Payroll 	4 Audits/Month		
		<ul style="list-style-type: none"> Service Provider will run the custom queries documented in Attachment C once a month 	Monthly		
		Provide Guam Tax Processing.			
		<ul style="list-style-type: none"> GUAM Tax Withholding — Using Tax Deductions provided by Service Receiver, Service Provider will calculate Tax withholding 			
		<ul style="list-style-type: none"> GUAM Tax Payments — Using the payroll registers Service Provider will make GUAM tax payments 	Annual W2G & W3G Reporting		
		<ul style="list-style-type: none"> GUAM Year End Reporting — Using W2 & W3 Reporting, Service Provider will make Employee & Employer Year End Tax Reporting 			
HR-Benefits-02	Human Resources, Benefits, Training,	Infinium and HRSS Support/Communication for handling of Service Receiver questions:			

&
Compliance
Support

- Daily Service Receiver Issue Handling - Service Receiver users can make a phone call or send an email to ask questions related to employee data and/or transactional history stored in Infinium/HRSS; M-F 8-5pm EST except U.S. holidays; 201/month 18 Cost plus 2% – 10%
- Data Input Questions Covered in User Manual
- System Requirements-Upgrades/System Changes Maintenance (Federal/State/Local)
- Infinium Canned Reports are available for the service receiver to access and review. Service Provider will be responsible for ensuring that

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<p>reports required for legal or regulatory requirements run.</p> <ul style="list-style-type: none"> • Coordinate issue resolution as needed with IT, Payroll, SS Accounting, HQ Benefits and/or third party vendors. • Anything not covered above is considered a special request to be handled using on a Time & Materials basis as outlined in the Additional Pricing Section of this document. 			
		<p>Benefit Administration and Reporting Internal/External:</p> <ul style="list-style-type: none"> • Weekly vendor file feed resolution to national carriers - Service Provider will accept phone or email from Service Receiver or external benefits provider and resubmit corrected file feed or corrected actual employee record based on request. • Salaried Pension Eligibility file feed questions from field Service Receiver HR staff will be triaged by Service Provider and assist Service Receiver in data correction. • Validation Reports from Health & Welfare and Pension - Service Provider will receive reports from 3rd party providers listing errors related to health & welfare data and Service Provider will assist Service Receiver HR field staff to make appropriate changes 	327/month		
		<p>Services for Service Receiver supervisors on payrolls that are not administered via the Fort Wayne Infinium System:</p> <ul style="list-style-type: none"> • Service Provider will create and/or update Job/Position Codes upon request from the Service Receiver • Service Provider will add an international supervisor as a new hire upon request from the Service Receiver • Service Provider will attach an international supervisor to an Infinium Employee record upon request from the Service Receiver • Service Provider will add an international supervisors' Concur ID to the appropriate record upon request from the Service Receiver 			
		<p>Services for Service Receiver Business Units and/or Infinium Companies that are not supported by local HR staff but administered by HRMS staff in Fort Wayne:</p> <ul style="list-style-type: none"> • Service Provider will create and or update Job/Position Code upon request from the Service Receiver • Service Provider will enter new hires on personnel side as well as on payroll side upon request from the Service Receiver • Service Provider will enter salary changes/address changes/title changes/transfers/terminations upon request from the Service Receiver • Service Provider will perform annual merit increase uploads upon request from the Service Receiver 	50/month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> • Service Provider will communicate with Service Receiver HR contacts from other Service Receiver business units to coordinate both transferring in and out of employees upon request from the Service Receiver • Service Provider will enter payroll changes including withholding changes/benefit deductions and catch-ups upon request from the Service Receiver • Service Provider will enter benefit updates including urgent updates upon request from the Service Receiver <p>Service Provider will make Address & Phone number changes upon request from the Service Receiver</p> <ul style="list-style-type: none"> • Service Provider will make Benefit Changes due to qualifying event & Annual Open Enrollment upon request from the Service Receiver • Service Provider will make Annual Salary Merit Increases upon request from the Service Receiver • Service Provider will make Annual Reviews (if applicable) upon request from the Service Receiver • Service Provider will make inquiries relating to benefits and/or personnel information upon request from the Service Receiver • Service Provider will produce Infinium Canned Reports upon request from the Service Receiver • Year-end Standard Benefit Enrollment Copy to New Plan Year • Year-end Vendor Meetings for open enrollment file feeds • Data Input Questions Covered in User Manual • Support Special Year End File Feeds to National H&W Vendors • Standard Communication regarding Annual Enrollment & Year End Dates • Collaborate with Payroll, Finance and IT for Year End Closing Processes using all input from year's changes and develop project plan to prepare system for enrollment and year-end processing. Project will then be started in July, and meetings with vendors conducted as needed depending on data from customers. ** Changing benefits providers in 2011 will be a special project using Time & Materials rates with specific notification on change. 			
					Each item in this table will be completed once a year
HR-Benefits-03	Training	Service Provider will take requests from Service Receiver HR manager to conduct periodic WebEx training of how to use Infinium systems and conduct the training for the Service Receiver.	1/month	18	Time and Materials
SS-Payroll Acct-04	Payroll Accounting	Provide Payroll Accounting services.			
		<ul style="list-style-type: none"> • Payroll Journals — Service Provider will use the payroll 	1972 annually	18	Cost

register summary from the Service Receiver to balance and post
payroll journals for each payroll cycle for the Service Receiver

plus 2%
- 10%

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> Payroll Balance Sheet Accounts — Service Provider will use the payroll month end close document from the Service Receiver to reconcile the payroll balance sheet accounts for the Service Receiver 	3060 annually		
		<ul style="list-style-type: none"> Employee Deductions — Service Provider will use completed payroll cycles document from Service Receiver to remit employee deductions for the Service Receiver 	364 annually		
		<ul style="list-style-type: none"> Employee Benefits for ISP,401 (K) and Insurances — Service Provider will use completed payroll cycles document and payroll queries from Service Receiver to validate, reconcile and remit employee benefits for ISP, 401(k) and insurances for the Service Receiver 	205 annually		
		<ul style="list-style-type: none"> ADP Payroll Taxes — Service Provider will use completed payroll cycles, payroll queries, and ADP invoices from the Service Receiver to validate, reconcile, and remit all Payroll Taxes to ADP 	240 annually		
		<ul style="list-style-type: none"> Interface File Transmission - Service Provider will use completed payroll cycles and payroll queries from the Service Receiver to transmit interface files to 3rd party vendors on behalf of the Service Receiver 	195 annually		
		<ul style="list-style-type: none"> Benefits Reporting — Service Provider will use the year end close information from the Service Receiver to provide annual reporting of benefits to the Service Receiver 	10 annually		
		<ul style="list-style-type: none"> ADP Federal and State Taxes — Service Provider will use tax extract and file feed from ADP from Service Receiver to journalize ADP Federal and State Tax Activity for the Service Receiver 	240 annually		
		<ul style="list-style-type: none"> ADP Mid Year Conversions — Service Provider will use YTD tax amounts information from Service Receiver to perform ADP midyear conversions for the Service Receiver 	5 annually		
		<ul style="list-style-type: none"> Non-supported ADP — Service Provider will use completed payroll cycles information from Service Receiver to remit non-supported ADP taxes for the Service Receiver 	12 annually		
		<ul style="list-style-type: none"> Control Files for 401(k) and ISP- Service Provider will use information from business units or HQs from the Service Receiver to maintain and control files for 401(k) and ISP for the Service Receiver 	30 annually		
		<ul style="list-style-type: none"> Payroll Bank Account — Service Provider will use bank account statements from the Service Receiver to reconcile payroll bank accounts for the Service Receiver 	24 annually		
		<ul style="list-style-type: none"> Unclaimed Payroll Property- Service Provider will use bank account statements from Service Receiver to manage unclaimed payroll property for the Service Receiver 	200 annually		

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> Automated Bank Functions- Service Provider will use cleared bank files from the Service Receiver to process post cleared checks in the Infinium payroll 	12		
		<ul style="list-style-type: none"> Year to Date Analysis for 401k— The Service Provider will use the Year End Payroll Close from an internal business unit within the Service Provider to calculate 401k Year to Date totals for employee, employer, and loans and provide report by vendor to the Service Receiver. 	3		

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
SS-Payroll-05	HR/Payroll/Benefits Migration	<p>Service Provider will make commercially reasonable best efforts to assist Service Receiver in exiting of this agreement. These efforts include:</p> <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, functional data mapping, and impacts of design decisions <p>Service Provider will provide the following knowledge transfer services:</p>	Time and Materials Based on Additional Pricing Section
SS-Payroll-06	HR/Payroll/Benefits Knowledge Transfer	<ul style="list-style-type: none">• Existing non-sensitive documentation maintained by Service Provider will be given to the Service Receiver as it relates to Payroll/HR/Benefit services	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to HR, Benefits and Payroll by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to Canada and USA locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will provide accurate and timely employee maintenance, time and attendance data and payroll adjustments required to produce pay checks. In conjunction with the preceding, Service Receiver will maintain the applications and interfaces documented in Attachment A.
- Service Receiver will be responsible for providing new tax registration requirements to Service Provider. Applicable tax registration information will be provided to Service Provider as required to complete tax registration.
- Service Receiver will be responsible for providing configuration changes to Service Provider including taxes, income, deductions, banking and benefits using the change request process and forms provided by Service Provider.
- If Service Receiver sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver will setup and make available to Service Provider a disbursement account from which Service Provider utilizes draft authorization to process payroll. Service provider will request funding for payroll checks, payroll direct deposits, payroll taxes, and other benefit remittances from the Service Receiver Treasury Headquarter location. Service Provider will open and own payroll bank accounts for the payroll transactions. Funding is required in the bank account one day prior to the value date. Late funding of the payroll account by the Service Receiver may result in delay of payroll checks, applied 401(k) funds, and benefit payments. Any outstanding liabilities associated to payroll tax and benefits will remain on Service Provider's general ledger at month end. Service Provider will retain interest earned, if any, on residual account balances and will pay all standard account related service fees. Any service fee associated with Non Sufficient Funds due to the Service Receiver will be the responsibility of the Service Receiver. Service provider will remit employee deductions from the Service Provider Accounts Payable bank account. Service Provider will collect the funds from the Service Receiver thru a 3rd party invoice.

Dependencies

- Service Receiver must actively be engaged on the Infinium Application TSA and related Business Objects Universe for the duration this agreement is in effect.

- Service Receiver, in a separate and independent agreement, must have the ADP application and interface active for the period of time in which this agreement is in effect.
- Service receiver, in a separate and independent agreement, must have Concur and other Time and Attendance systems listed in Attachment A active and maintained with the correct interfaces and data feeds to Infinium by the Service Receiver for the period of time in which this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- The services documented within this agreement must be exited at the same time and as such cannot be exited in parts.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion which are received using High, Medium, or Low. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented below for SS-Payroll-01, HR-Benefits-02, and HR-Benefits-03:

SLA	Response Time	Resolution
High	Within 24 hours of receiving notification during normal business hours	Within 24 — 48 hours of response during normal business hours
Medium	Within 48 hours of receiving notification during normal business hours	Within 48 — 120 hours of response during normal business hours
Low	Within 120 or more hours of receiving notification or as scheduled during normal business hours	Within 120 hours of response during normal business hours

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

Inbound Interfaces:

Interface Name	Program Name	Business Purpose	Vendor	Source System	Destination System
	XRCISDPDP	Dependents	ACS	Infinium	ACS
	XYCISP	ACS Salary ISP and Pension	ACS	Infinium	ACS
	XYCISP2				
	XPRCADPCHK	Create ADP Tax Journal	ADP	Infinium	ADP
	XPRGMADPC	Maintain ADP Tax Controls	ADP	Infinium	ADP
	XPYCADPDWN	ADP Periodic & Qtrly File Downld	ADP	Infinium	ADP
	XPYGADPBAL	ADP Balance Report	ADP	Infinium	ADP
	XPYGADPCHG	Refresh ADP Employee Number	ADP	Infinium	ADP
	XECBRUC	Unemployment emps	Barnett	Infinium	Barnett
		US_RELOWAGE_UPDATE.CARTUS	CARTUS	Infinium	CARTUS
	XPPYCTWRC	Send Cartus Receipt of gr	CARTUS	Infinium	CARTUS
	XPYCEEMT	Concur — Employee Master File Feed	Concur	Infinium	Concur
	TEG002C	Employee information	Concur	Infinium	Concur E-Xpense
	XPYCEEMT	FTP Employee information	Concur	Infinium	Concur
	XCHCEXTEMP	Export Employees to Concur	Concur	Infinium	Concur
		US Bank — Concur Travel	Concur	Infinium	Concur
		Garnishments	County Government	Infinium	County Government
	XECEMED	Empire Eligibility and HDHP Mellon pass thru	Empire/Blue	Infinium	Empire/Blue
	XPYGKRONOS	800 EVHR employee Infinium Data feed to (800)(Kronos) System	ITT	Infinium	Kronos
	NPYPCIMA	Employee feed 500	ITT	Infinium	Cannon
	NPYCCIM1ST	Cannon's Full Employee Master Update To Cim	ITT	Infinium	Cannon
	XYCEEMIPG	Download Employee Date to IPG — Daily (ER 810 92SHR)	ITT	Infinium	Goulds

Interface Name	Program Name	Business Purpose	Vendor	Source System	Destination System
	XPYG880D	Prudential Demographics 880	Prudential	Infinium	Prudential
	XPYG881D	Prudential Demographics 881	Prudential	Infinium	Prudential
	XPYPRUDEM	Send Prudential Demographics Systems	Prudential	Infinium	Prudential
	XPYP880D, 881D, 882D, 883D	Prudential Systems Demographics(ENI, CAP, CMC, ECI)	Prudential	Infinium	Prudential
	XECNHC	Cobra — New Hire	SHPS	Infinium	SHPS
	XRCFSA	FSA — Deduction feed to SHPS	SHPS	Infinium	SHPS
	XPYCSBBLD	Stock Options Eligibility	Smith Barney	Infinium	Smith Barney
	XRCSBP	Smith Barney CODES FILE	Smith Barney	Infinium	Smith Barney
	XRCSBP	Smith Barney EMAIL ADDRESSES	Smith Barney	Infinium	Smith Barney
	XRCSBP	Smith Barney PARTICIPANTS	Smith Barney	Infinium	Smith Barney
	XPEGNH	New Hire	State of Indiana	Infinium	State of Indiana
	XPEGWEBMD	WebMD ELIGIBILITY	WebMD	Infinium	WebMD
	CCHCPWFTP	FTP CCUSECHD2 — Well Fargo password change	Wells Fargo	Infinium	Wells Fargo
	XPYCWFPAY	CLP to send payroll ACH file to Wells Fargo	Wells Fargo	Infinium	Wells Fargo
	XPYCWFPPOS	CLP to run entire Wells Fargo pos pay process	Wells Fargo	Infinium	Wells Fargo
	XYGEXTCA	modified International ACH file for ALL of CANADA	Wells Fargo	Infinium	Wells Fargo
	NWBPAYTRN	Direct deposit transmission	Wells Fargo	Infinium	Wells Fargo
	NWBCHK01	Send Check Recon to bank	Wells Fargo	Infinium	Wells Fargo
	CCUCPWDR	Re-send check recon to bank	Wells Fargo	Infinium	Wells Fargo
	XPYCTACH	Payroll ACH	Wells Fargo	Infinium	Wells Fargo

Interface Name	Program Name	Business Purpose	Vendor	Source System	Destination System
	XRCECEMP1	Active Directory	ITT	Infinium	ITT
	XEMGP2E	HM Update Health Mast — Defense Companies	ITT-HM	Infinium	HM
	XPEGHYPR	Hyperion Planning- Build Transmission file	ITT Hyperion	Infinium	Hyperion
	XPYGMXLP	SAP AUTO PAY Benefit Deductions sent to Seneca Fall SAP system	ITT SAP	Infinium	SAP P2P
	XPECJHUP	Send file to Hancock	John Hancock	Infinium	John Hancock
	XECJHLT	John Hancock Eligibility	John Hancock	Infinium	John Hancock
	NEW	401K Feedback file from JP Morgan	JP Morgan	Infinium	JP Morgan
	Development				
	XECKMED	KAISER ELIGIBILITY	Kaiser Permanete	Infinium	Kaiser Permanete
	XECUBSOUT	Transmit file to Life Plus for Marsh	Marsh	Infinium	Marsh
	XPYCJH08	Upload Life Plus file	Marsh	Infinium	Marsh
	XECLP	LifePlus Eligibility	Marsh	Infinium	Marsh
	XPYCHSA2	HSA Send Extract File From Robot Job	Mellon	Infinium	Mellon
	XPYCMM	Medco Prescription	Merck Medco	Infinium	Merck Medco
	XPRCMLE	Metlife ltd/std mth - GL Advices	Metlife Advices	Infinium	Metlife
	XPRCML5SGL	Metlife LTD/STD (Menu option)	Metlife Advices	Infinium	Metlife
	XRCMETDTF	Metlife Dental	Metlife Dental	Infinium	Metlife Dental
	XRGVA1	Print Voluntary Accident Monthly report data	National Union Fire	Infinium	National Union Fire
	XRGVA3				
	XRGVA4				
	XECPMED	PACIFICARE ELIG	PACIFICARE	Infinium	PACIFICARE
	XPYPRURL1	Prudential Loans Systems	Prudential	Infinium	Prudential
	XPYC8800	ENI Prudential Dollar Send - 800	Prudential	Infinium	Prudential
	XPYC8810	CAP Prudential Dollar Send - 881	Prudential	Infinium	Prudential
	XPYC8830	ECI Prudential Dollar Send - 883	Prudential	Infinium	Prudential

ATTACHMENT B

The following table documents the process day for the in-scope pay cycles:

EMPLOYER	CYCLE CODE	NAME	FREQ	Paid Lag	Paid Current	Process Day	NEWCO	Required By
GOULDS PUMPS CANADA (IPG)	CGOBW	BI WEEKLY CGO	B		X	Pay Week - Monday	ITTCO	Mon - 2pm
ONTARIO PRO SERVICES CENTER	CONBW	BI WEEKLY CON	B	X		Pay Week - Monday	ITTCO	Mon - 2pm
ITT CANNON	BIWBW	BIW BI WEEKLY	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT CANNON	BIWHR	BIW HOURLY	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT CANNON	BWCAN	BI WEEKLY CANNON	B	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT CANNON	HRCAN	CANNON HOURLY EMPLOYEES	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT VEAM, LLC	BWVEA	VEAM SALARY	B	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT VEAM, LLC	HRVEA	HOURLY VEAM	B	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT CORPORATION	BWIND	ITT INDUSTRIES BI - WEEKLY	B	X		Pay Week - Tuesday	Unknown	Tues - 2pm
COMPUTER & EQUIP LEASING CORP	CELBW	COMPUTER & EQUIP LEASING	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT TRANSPORTATION DIST SVCS	BWGRP	TDS BW	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	AERHR	AEROSPACE HOURLY AH	W	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	AESAL	AEROSPACE SALARY AP	B	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	AMOHR	AMORY HOURLY FH	W	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	AMSAL	AMORY SALARY FS	B		X	Pay Week - Tuesday	ITTCO	Tues - 2pm

EMPLOYER	CYCLE CODE	NAME	FREQ	Paid Lag	Paid Current	Process Day	NEWCO	Required By
ITT FLUID TECHNOLOGY	CTBW	C'TREAT BW	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	EVHR	ENG VALVES HOURLY	W	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	EVSAL	ENG VALVES SALARY EV	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	GRSAL	GRINDEX SALARY GR	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	MFCBW	MOTION FLOW CONTROL SALARY	B		X	Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	SHBW	SHEROTEC BW	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	SHHR	SHEROTEC HOURLY ST	W	X		Pay Week - Monday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	WTBW	WET	B	X		Pay Week - Monday	Unknown	Tues - 2pm
ITT GOULDS PUMPS	CARBN	CARBON INDUSTRIES	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	EVZHR	DIV- IPG, UNITS VU,PJ,QU WEEKLY	W	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	H9WPS	PRO SHOP SALARY TX - BI-WEEKLY	B		X	Pay Week - Monday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	PROBW	BI WEEKLY CYCLE	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	9XLCS	CITY OF INDUSTRY SALARY	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	9XLSA	GOULD'S IPG BI-WEEKLY SALARY	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	92SHR	SF UNION - IPG- SU,CPG- WU WKLY	W	X		Pay Week - Monday	ITTCO	Tues - 2pm

EMPLOYER	CYCLE CODE	NAME	FREQ	Paid Lag	Paid Current	Process Day	NEWCO	Required By
ITT CORPORATION(FRC)	FRCSA	GOULD SHARED SERVICES	B		X	Non Pay Week - Thursday	Unknown	Tues - 2pm
ITT GOULDS PUMPS PA	H9XSA	ASHLAND SALARY	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT GOULDS PUMPS IPG	H9YSA	IPG SALARY	B		X	Non Pay Week - Thursday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION(ENIDINE)	EAHR	ENIDINE WEEKLY HOURLY EA	W	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION (ENIDINE)	EASAL	ENIDINE BI-WEEKLY SALARY EA	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION (CAP)	CAHR	CAP WEEKLY HOURLY CA	W	X		Pay Week - Monday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION (CAP)	CASAL	CAP BI-WEEKLY SALARY CA	B	X		Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	BIHR	BILLERICA HOURLY CM	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	BISAL	BILLERICA BI-WEEKLY SALARY CM	B		X	Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	CMHR	CMC BI-WEEKLY HOURLY CM	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	CMSAL	CMC BI-WEEKLY SALARY CM	B		X	Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT-KALIBURN INC.	KBHR	KALIBURN HOURLY (BI-WEEKLY)	B	X		Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT-KALIBURN INC.	KBSAL	KALI BURN SALARY (BI-WEEKLY)	B		X	Pay Week - Tuesday	ITTCO	Tues - 2pm
ITT KONI	BWFRI	KONI FRICTION SALARIED	B		X	Non Pay Week - Thursday	ITTCO	Tues - 2pm
ITT KONI	BWKON	BI WEEKLY KONI	B		X	Non Pay Week - Thursday	ITTCO	Tues - 2pm

ATTACHMENT C

Custom Queries to be run once a month by service provider:

<u>Query/Report Name</u>	<u>Application Used to Produce Information</u>	<u>Provider</u>	<u>Information Supplied</u>	<u>Frequency of Request</u>
DWA87200_MonthYear	Infinium Query	Debbie Weeks	Salaries Information of employees on Severance (Income Codes 00140 and 00270)	Monthly
Payroll by Individual	Business Objects	Carol Whisler	Payroll information of HQ Employees with names and cost centers	Monthly
Headcount	Business Objects	Idania Miro	Payroll information of HQ Employees with names and cost centers	Monthly

**SCHEDULE CA3
SECURITY OPERATIONS CENTER**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Phil Zaleski Exelis Inc.	Business Area Manager, Cyber Security Programs		phil.zaleski@itt.com
Bill Lavalette ITT Corporation	Chief Information Security Officer		bill.lavalette@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Information Technology — Security Operations Center (IT-SOC) Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider’s resources based on the functionality, processes, input and output screens, and documents that support the Service Provider’s business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
IT-SOC-01	Security Operations Center Support Services	Provide IT Security event monitoring and intrusion detection; and serves as a single point for information security related issues:	Analysis per Month	3	Cost plus 2% - 10%
		<ul style="list-style-type: none"> • Environmental Awareness — Service Provider will provide environmental awareness activities, including Risk/Threat Analysis 			
		<ul style="list-style-type: none"> • Management and Administration of Global IDS/IDP Security Devices — Service Provider will manage and administer Global IDS/IDP Security Devices. 	Modifications per Month		
		<ul style="list-style-type: none"> • Network Data Aggregation, Normalization, and Correlation —.Service Provider will provide network data aggregation, normalization, and correlation for the Service Receiver. Service Provider will provide centralized management of network and security event logs collected from multiple sources. Log and/or event monitoring sources will include, but not limited to, technologies such as: <ul style="list-style-type: none"> o Firewalls o VPN concentrators o Intrusion Detection/Prevention appliances o Content filters o As well as other approved and agreed upon controlled points that can provide insight and/or generate alerts that detect real time threats to the enterprise 	Security Events per Second		
		<p>Service Provider will also leverage multiple levels of alerting and threat identification to include:</p> <ul style="list-style-type: none"> o Predefined alerts o Network anomaly detection rules o Emerging cyber threat monitoring 			
		<p>Service Provider will ensure compliance with legal, regulatory, and internal policies regarding records management, incident documentation, and data retention requirements for data within Service Provider’s control.</p>			
		<ul style="list-style-type: none"> • Help Desk — Service Provider will make available the IT-SOC Help Desk, via phone or email, to provide assistance for security-related issues or concerns to the Service Receiver’s IT and/or Management staff. 	Contacts per Month		
		<ul style="list-style-type: none"> • Metrics/KPIs Reporting — Service Provider will provide metrics to communicate overall effectiveness of IT-SOC activities and investigations. Service Provider is able to organize, manage, and visualize data, as well as produce reports that identify baselines and projected targets; trending; and standardized key metrics tailored to Service Receiver’s business needs. 	Status Report per Week		

Service Provider will have the necessary United States Government security clearances to enable and leverage interaction with Federal/State/Local Government and Department of Defense Agencies in support of investigations, compliance issues, and/or threat related activity and information sharing at the request of Service Receiver. Such interaction can include, but not limited to, agencies such as:

- Federal/State/Local Law Enforcement (Investigations)
- Department of State / Department of Commerce (Compliance)
- Department of Defense
- The Defense Industrial Base (DIBNet-U and DIBNet-S) Interaction and Information Sharing

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications

increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-SOC-02	Security Operations Center Migration	Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state of the Security Operations Center 	Time and Materials Based on Additional Pricing Section
IT-SOC-03	Security Operations Center Knowledge Transfer	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Security Operations Center 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Information Technology — Security Operations Center by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period

requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Rome, NY, USA to global locations.

PREREQUISITES/DEPENDENCIES

- If Service Receiver provides inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must coordinate with Service Provider to ensure that either direct access to Receiver's network is available, or access to a data collector in Receiver's network is available for the period of this TSA.
- Service Receiver must configure its appliances in order to forward data logs to Service Provider.
- Service Receiver must provide appropriate global administrative credentials to Service Provider in order to manage intrusion prevention system.
- Service Receiver must provide a list of appropriate contacts and points of escalation.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment A. In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

The IT-SOC staff is accessible, based on need and criticality, 24 hours a day, 7 days a week, 365 days a year, through the usage of on-call staff to assist with any IT Security related incident.

The IT-SOC Help Desk can be reached by phone or email and is ready to provide assistance for any information security related and concerns. Depending on the urgency, severity, and scope of the problem, there are two recommended contact methods:

1. ITT IT Security Operations Center:
Phone: (Mondays — Fridays; 7 am—5 pm ET)
Email:
2. In instances where there is an emergency or suspected situation occurring, please contact the IT-SOC Director and/or Assistant Director directly, 24/7, utilizing the contact information below:
 - Director | ITT IT Security Operations Center
 - Assistant Director | ITT IT Security Operations Center

**SCHEDULE CA4
BUSINESS OBJECTS PROFESSIONAL
SERVICES**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Chris Westrick Exelis Inc.	Senior Systems Analyst		chris.westrick@itt.com
Mike Salvatore ITT Corporation	Global data and Reporting Services Manager		michael.salvatore@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Business Objects Professional Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens and documents that support Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
IT-BO-01	Business Objects Support Services	<p>Provide Business Objects Professional Services to support Business Intelligence and Extract Transform Load (ETL) toolset support:</p> <ul style="list-style-type: none"> • Universe Design & Architecture - The Service Provider, on receipt of a Universe Design & Architecture request initiated by phone or email from the Service Receiver, will record and track the request in the Service Provider’s ticketing (ISR) system. Included with a request, the Service Provider will provide to the Service Provider source database schema, end user participation input and other reporting requirements in order for the Service Provider to provide the Service Receiver with a document outlining best practices and recommendations for a universe design, given the provided criteria. The Service Receiver will implement any and all changes that they deem necessary. Note: Universe Design & Architecture service for one Universe may take between two weeks and three months of effort, depending on complexity. • Security Administration — The Service Provider, on receipt of a Security Administration request initiated by phone or email from the Service Receiver, will record and track the request in the Service Provider’s ticketing (ISR) system. The Service Receiver will provide to the Service Provider access to the CMC or a Service Receiver BOE Admin, with detailed knowledge of current security configuration. Using this access, resource and information, Service Provider will analyze and trouble shoot the Service Receiver’s issue, and provide a document with recommendations for security configurations to the Service Receiver. The Service Receiver will implement any and all changes that they deem necessary. 	<p>Unlimited</p> <p>10-15/month</p>	12	Time and Materials Based on Additional Pricing Section

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Database Utilization Analysis — The Service Provider, on receipt of a Database Analysis request initiated by phone or email from the Service Receiver, will record and track the request in the Service Provider’s ticketing (ISR) system. Service Receiver will provide source database schema, end user participation input and other reporting requirements with Source Database Administrator participation. Using this information, the Service Provider will provide the Service Receiver a document detailing possible adjustments to improve performance or accuracy if any are able to be determined. 	1/month		
		<ul style="list-style-type: none"> Connectivity Troubleshooting — The Service Provider, on receipt of a Connectivity Troubleshooting request initiated by phone or email from the Service Receiver, will record and track the request in the Service Provider’s ticketing (ISR) system. The Service Receiver will provide to the Service Provider access and use of Source Database Administrator, Service Receiver BOE Admin and possible Network Administrator participation to exhaust all known troubleshooting steps and document resolution of Service Receiver’s complaint. The Service Receiver will implement any and all changes that they deem necessary. 	1-3/month		
		<ul style="list-style-type: none"> Business Objects Administration — The Service Provider, on receipt of a Business Objects Administration request, initiated by phone or email from the Service Receiver, will record and track the request in the Service Provider’s ticketing (ISR) system. The Service Provider will work with any applicable policy or standard procedures and reporting expectations with Service Receiver BOE Admin or Server Admin participation, to provide the Service Receiver with a document detailing recommendations for settings, configurations and the set-up for Business Objects Enterprise. The Service Receiver will implement any and all changes that they deem necessary. 	1-5/month		

Service Volumes Greater Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented in this agreement
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-BO-02	Business Objects Knowledge Transfer	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none"> Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Business Objects 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Business Objects Professional services support by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently

engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA, to USA locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the Business Objects application.
- If Service Receiver provides inaccurate information to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Receiver must provide admin level rights to Service Provider as needed to Service Receiver's maintained Business Objects application server.
- Service Receiver must keep the TSA Gateway active and accessible to the Service Provider as needed for the period of this TSA.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

**SCHEDULE CA5
INFINIUM APPLICATION SERVICES**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Dan Johnston Exelis Inc.	Enterprise Applications Manager		dan.johnston@itt.com
Ron DeBoer ITT Corporation	Application Services Manager		ron.deboer@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will provide Infinium Application Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
IT-Infinium-01	Infinium Application HR, Payroll and related GL Support Services	<p>Provide Infinium Application HR, Payroll, and General Ledger Related Support Services:</p> <ul style="list-style-type: none"> Access to Infinium Application — Service Provider will provide access to application through form(s) signed off by the appropriate signing authority or designated Executive per the Master Services Agreement, and submitted through Remedy tickets. Service Provider will give access to the requested menu options. Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. Time required to provide access to the application will be within (5) five business days. Infinium Support & Maintenance — Service Provider will monitor incident resolution requests as reported via Remedy tickets, recommend and notify Service Receiver, and implement incident resolution or expected fix from vendor per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. Infinium Database Support — Service Provider will trouble shoot database related incidents as reported via Remedy tickets. These activities include maintaining database schemas if necessary, performing data cleanup activities as well as scheduled maintenance activities, requesting database/file restores, and providing support for all database issues in production and test/development 	65 calls/ month	18	Cost will be passed through as part of the HR/ Payroll/Benefits TSA
			6 calls/ month		

environments.

- Custom reports and data extracts will be provided as necessary to support legal, audit and

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
IT-Infinium-02	Infinium Application GL Services for Enterprise Accounting Function Support Services	<p>compliance tasks when requested by authorized individuals.</p> <ul style="list-style-type: none"> • Ad-Hoc development/services or processing of reports consistent with what was provided in the 12 months prior to the distribution date will be supported as part of this agreement. Any new Ad-Hoc reporting requirements will be considered out-of-scope and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. • Any modification of 3rd Party Interfaces consistent with support of BAU or seasonal business processes which were provided with existing internal resources in the 12 months prior to the distribution date will be supported as part of this agreement. Any changes to 3rd party relationships which require new interface modifications or re-writes are not included as part of the scope of this agreement and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. <p>Provide Infinium Application General Ledger Support for Enterprise Accounting Function:</p> <ul style="list-style-type: none"> • Access to Infinium Application — Service Provider will provide access to application through form(s) signed off by the appropriate signing authority or designated Executive per the Master Services Agreement, and submitted through Remedy tickets. Service Provider will give access to the requested menu options. Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. Time required to provide access to the application will be within (5) five 		18	Cost will be passed through as part of General Ledger Accounting — ITT HQ TSA

business days.

- Infinium Support & Maintenance —
Service Provider will monitor incident
resolution

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>requests as reported via Remedy tickets, recommend and notify Service Receiver, and implement incident resolution or expected fix from vendor per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application.</p> <ul style="list-style-type: none"> Infinium Database Support — Service Provider will trouble shoot database related incidents as reported via Remedy tickets. These activities include maintaining database schemas if necessary, performing data cleanup activities as well as scheduled maintenance activities, requesting database/file restores, and providing support for all database issues in production and test/development environments. Custom reports and data extracts will be provided as necessary to support legal, audit and compliance tasks when requested by authorized individuals. Ad-Hoc development/services or processing of reports consistent with what was provided in the 12 months prior to the distribution date will be supported as part of this agreement. Any new Ad-Hoc reporting requirements will be considered out-of-scope and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any modification of 3rd Party Interfaces consistent with support of BAU or seasonal business processes which were provided with existing internal resources in the 12 months prior to the distribution date will be supported as part of this agreement. Any changes to 3rd party relationships which require new interface modifications or re-writes are not included as part of the scope of this agreement and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. <p>Provide Infinium Accounts Payable and Currency Management Support for Enterprise Accounting Function:</p> <ul style="list-style-type: none"> Access to Infinium Application — Service Provider will provide access to application through form(s) signed off by the 	<p>65 calls/month</p> <p>6 calls/month</p>		
IT Infinium 02	Infinium Application AP and CM Support				Cost will be passed through as part of

through form(s) signed off by the appropriate signing authority or designated Executive per the Master Services Agreement, and submitted through Remedy tickets. Service Provider will give access to the requested menu options. Service Provider will provide access to

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. Time required to provide access to the application will be within (5) five business days.</p>			
		<ul style="list-style-type: none"> Infinium Support & Maintenance — Service Provider will monitor incident resolution requests as reported via Remedy tickets, recommend and notify Service Receiver, and implement incident resolution or expected fix from vendor per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. 	20 calls/ month		
		<ul style="list-style-type: none"> Infinium Database Support — Service Provider will trouble shoot database related incidents as reported via Remedy tickets. These activities include maintaining database schemas if necessary, performing data cleanup activities as well as scheduled maintenance activities, requesting database/file restores, and providing support for all database issues in production and test/development environments. 	6 calls/ month		

* BAU volumes will be calculated on a rolling 12-month average to account for seasonal fluctuations and any temporary spike in service volumes post-spin.

* For BAU volumes, one incident will be considered the equivalent of one call (regardless of the number of phone conversations related to the same issue).

Services that will not be provided as part of this agreement are:

- Employee Self Service Module (including Online Benefits Enrollment)

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-Infinium-04	Infinium Migration	Service Provider will make commercially reasonable best efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none">• Support of data extraction requests from the Service Receiver• Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details	Time and Materials Based on Additional Pricing Section
IT-Infinium-05	Infinium Knowledge Transfer	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none">• Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Infinium Application and related interfaces	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Infinium Application support services by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to Canada and USA locations for HR and payroll, and White Plains, NY for GL, AP, and CM.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the applications and interfaces documented in Attachment A.
- Any IT services required to support business services outlined in the HR/Payroll/Benefits TSA and which were provided in the 12 months prior to the distribution date will be supported as part of this agreement.
- If Service Receiver sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment B.

In the event incidents cannot be resolved in the time outlined in Attachment B, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

Program Name	Business Purpose	Vendor	Source System	Destination System
XYCISPACPU	AC ISP Rate change file	ACS	ACS	Infinium
XYCISPAC				
XPYCCT200	Load and List wage request file from Cartus	CARTUS	CARTUS	Infinium
XPYCCT200C	Load Cartus file and process-batch job	CARTUS	CARTUS	Infinium
XPYCCT200P	Bring in Cartus Wage Request file	CARTUS	CARTUS	Infinium
XPYCCT300C	Load Cartus Gross Ups	CARTUS	CARTUS	Infinium
XYGCONCUP	Re-Apply Concur (PYPME History) to Payroll	Concur	Concur	Infinium
XCHGLDEMP	Concur - Load Employees from INFIN	Concur	Concur	Infinium
FPYCEEMTIN	Expense transations	Concur	Concur	Infinium
XYCEEMTIN				
XCHCCRTPA				
XYCEEMTIN	CONCUR - travel process expense records	Concur	Concur	Infinium
FPYCACFTP	Labor feed 800	Infinium	Aerospace	Infinium
FPYCAMFTP	Labor feed 800	Infinium	Amory	Infinium
NPYCCNFTP	Labor feed 500	Infinium	Cannon	Infinium
NPRCNE	Cannon Salary Non-Exempt Employees	Infinium	Cannon	Infinium
FPYCCAPFTP	Load Labor to Daily Time (CAP)	Infinium	CAP	Infinium
FPYCBWSFTP	Lead Labor to Daily Time (CMC- BWS)	Infinium	CMC	Infinium
FPYCFT8FTP	Load Labor to Daily Time (CMC- Ft8)	Infinium	CMC	Infinium
FPYCEVFTP	Labor feed 800	Infinium	Engvl	Infinium
FPYVCENIFTP	Load Labor to Daily Time (ENI)	Infinium	ENI	Infinium
FPYCGPFTP3	Labor Feed to Infinium - Gould Pumps 3 -	Infinium	Gould	Infinium
FPYCGPFTP	Labor feed	Infinium	Gould	Infinium

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
FPYCGPFTP1	Labor feed 810	Infinium	Gould Pumps - 92S	Infinium
FPYCGPFTP2	Labor feed 810	Infinium	Gould Pumps - 9XL	Infinium
FPYCGPFTP3	Labor feed 810	Infinium	Gould Pumps - EVZ	Infinium
FPYCKBHFTP	KAL hourly payroll feed	Infinium	Kalburn	Infinium
?	Labor feed 905	Infinium	Koni Hr	Infinium
?	Labor feed 905	Infinium	Koni Sal	Infinium
XPEGPR	Promotions	Infinium	Excel	Infinium
CPYCB1WBW	Labor Load (BIWBW)	Infinium	BIWBW	Infinium
CPYCB1WHR	Labor Load (BIWHR)	Infinium	BIWHR	Infinium
XPEG5C3	Salary Changes	Infinium	Excel	Infinium
NEW Development	401K Hourly to JP Morgan	JP Morgan	JP Morgan	Infinium
XPYCHCK01	Receive Long Term Care file	John	John	Infinium
	Receive Long Term Care Billing file	Hancock	Hancock	
		John	John	Infinium
		Hancock	Hancock	
XPYCHJH01	Copy from Tape J&HKVI data to file XPYPJHI	John	John	Infinium
		Hancock	Hancock	
XPYCHJH07	Receive life plus file	John	John	Infinium
		Hancock	Hancock	
XECUBSI	Receive Life Plus Input File	Marsh	Marsh	Infinium

Interface Name	Program Name	Business Purpose	Vendor	Source System	Destination System
		Infinium HR Data to Payroll Vendor	Payroll Vendor	Infinium /SAP	Payroll Vendor
		Defense Labor feed to Payroll Vendor	Payroll Vendor	iSeries	Payroll Vendor
		ITT Labor Feed to Payroll Vendor	Payroll Vendor	iSeries	Payroll Vendor
		Water Labor Feed to Payroll Vendor	Payroll Vendor	iSeries	Payroll Vendor
	XYCRME	Receive and process autotime - car allowance	Runzheimer	Runzheimer	Infinium
	XYCRMEC	Receive and process Can AT- car allowance	Runzheimer	Runiheimer	Infinium
	XPYGRNZH MR	Re-Apply Runzheimer (PYPME History) to Payroll	Runzheimer	Runzheimer	Infinium
	XPYSBOPT1	Receive Smith Barney Options	Smith Barney	Smith Barney	Infinium
	XPYSBRES1	Receive Smith Barney Restricted	Smith Barney	Smith Barney	Infinium
	XPRGUNWA	United Way Upload to PYPDE	United Way	United Way	Infinium
	XPYCFWFREC	CLP to receive check recon file from Wells F	Wells Fargo	Wells Fargo	Infinium
	XFVCFWFREC	Receive Check recon	Wells Fargo	Wells Fargo	Infinium

ATTACHMENT B

Following are the incident priorities and expected resolution target times:

Priority	Accept	Resolve Incidents
Urgent	30 mins	1 hr
High	1 hr	4 hrs
Medium	2 hrs	8 hrs
Low	4 hrs	48 hrs

Priority of Incidents

Urgent: System/Component or Program is inoperable, Multiple users effected. No alternatives or backup is available.

High: Single user with a System/Component or Program that is inoperable. Component degraded with limited access or functionality. A Workaround is available.

Medium: Job functions can be performed with some restricted functionality. Training, questions or concerns need to be addressed but production is not affected.

Low: Attention is needed to assist in non-critical situations. A workaround is available.

Recovery Times

In the event of a hardware failure, the hardware vendor will be engaged for repair or replacement. The anticipated outage period for an event of this nature is 16 hours.

In the event of a failure which results in the database having to be restored, the anticipated outage would be 6+ hours.

SCHEDULE CA6

**ITT.COM EMAIL FORWARDING
INFRASTRUCTURE**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Suleiman Walker Exelis Inc.	Messaging Manager		sule.walker@itt.com
Larry Gremaux ITT Corporation	Senior Technical Support Specialist		larry.gremaux@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform ITT.com Email Forwarding Services for Service Receiver.

The primary service is to provide a computer processing platform that supports the business applications of the Business, which includes IT support for technology infrastructure.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Transaction Volume</u>	<u>Duration</u>	<u>Service Charge</u>
IT-Email Forwarding-01	Email Forwarding Support Services	Provide Email Forwarding services for email messages sent to ITT.com. Service Provider will forward messages to new Service Receiver domain addresses.	Unlimited number of emails forwarded	18	Cost plus 2% - 10%

Service Provider will maintain Exchange contact objects in their Active Directory for all legacy ITT.com SMTP addresses.

The Service Provider will add additional contact objects within 48 hours of receiving the request from the Service Receiver. Escalations for 4 hour turnaround will be allowed for high profile users and accounts. Each escalation will require Exelis and ITT Corp Messaging Manager agreement before the committed 4 hour turnaround can be processed.

Services that will not be provided as part of this agreement are:

- Filtering of spam beyond SenderBase reputation level
- Legal holds — Emails will not be saved as they will be forwarded to the Service Receiver, and it is the Service Receiver's obligation to save emails if required by their legal counsel
- Updating of Service Receiver's domain changes

Service Provider reserves the right to temporary halt the service, provided notification is given to Service Receiver using commercially reasonable efforts, due to:

- Unusual increase in volume of emails
- Threats to security
- Constraints to network resources

Should the Service Receiver require changes to the documented services, Parties agree to negotiate in good faith with regard to such modification.

Exit Services

No exit services will be provided under this agreement.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to global locations.

PREREQUISITES/DEPENDENCIES

- The Service Receiver will provide a list of obsolete contact objects that can be removed by the Service Provider on a monthly basis.
- Service Provider's Exchange Organization must be authoritative for the ITT.com (Simple Mail Transfer Protocol) SMTP address space and the Service Receiver's Exchange Organization must not add itt.com to its Email Address Policy for the period of time which this agreement is in effect.
- Service Receiver must continue to allow Service Provider to remain the mail exchanger (MX) and entry point for all ITT.com email for the period of time which this agreement is in effect.
- The Service Receiver will not use the domain email.itt.com for the period of time which this agreement is in effect
- The Service Receiver will coordinate all legacy messaging DNS record changes with the Service Provider.
- Service Receiver must have Cisco Iron Port hardware and software licenses active and maintained for the period of time in which this agreement is in effect.
- Service Receiver must have Transport Layer Security (TLS) enabled and maintained for the period of time in which this agreement is in effect.
- Service Receiver must have Microsoft Exchange active and maintained for the period of time in which this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Receiver must have a Technical Assistance Agreement in place with the U.S. Government for the period of time in which this TSA agreement is in effect for any non-US citizens who are Exchange Org Administrators and Enterprise Administrators administrating (or give themselves permission to) the Americas site from outside the US.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion and will make commercially reasonable efforts to resolve incidents with service delivery. In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

**SCHEDULE CA7
BASIC TIME AND MATERIALS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
Service Provider's Contact			
Exelis Inc. Joe Daniel	TSA Manager	office:	Joe.daniel@itt.com
Service Recipient's Contact			
ITT Corporation Daryl Bowker	TSA Manager	Office:	Daryl.bowker@ittcorp.com

PARTIES TO THE AGREEMENT

Service Receiver: Exelis Inc.

Service Receiver: ITT Corporation

TERM AND OPTION

The Term shall be 18 months commencing on the Distribution Date. There shall be no Minimum Service Period.

GENERAL SERVICE DESCRIPTION

Service Receiver may need assistance after the Distribution Date from the Service Provider for miscellaneous services, including but not limited to consulting, advisory, knowledge transfer and other similar services in various areas including, but not limited to finance, tax, accounting, insurance, treasury, human resources and communications, which are not already provided for under all of the other TSAs between ITT Corporation, Xylem Inc., and Exelis Inc.

The Service Provider hereby agrees to cause its and its affiliates employees (collectively, "Experts") to provide a reasonable amount of services, including specifically the services listed in Appendix A, upon reasonable notice and request from the Service Receiver on a time and materials basis from the Distribution Date through June 30, 2013 (the "Minimum Term" and the "Maximum Term").

To utilize this TSA Schedule, employees of Service Receiver should request such services via email or telephonically where both parties have a clear expectation of the estimated number of hours of assistance being requested. For projects that are expected to require more than 5 to 10 hours of assistance a one or two paragraph project plan should be agreed to in order to avoid misunderstandings. The project plan should be put together by the Service Provider's "Expert" with respect to the requested services.

Employees of Service Receiver should advise their TSA manager that a request for services has been made together with a description of such services requested and the estimated number of hours requested.

The "Expert" should advise their TSA manager that a request for services has been made and the estimated number of hours requested.

SCOPE OF SERVICES

The scope of services will depend on the needs of the Service Recipient and the capabilities and availability of the Experts.

LOCATIONS

All locations around the world

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer employed by Service Provider, Service Provider will, at the request of the Service Receiver, use commercially reasonable efforts to provide similar services. However, if Service Receivers or an affiliate employ any of the Experts, the specific service requested under this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver.

TAX STATUS

Sales tax will be charged as determined by the Service Provider and the Service Receiver shall pay such tax along with the payment for the service provided.

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below under Notice Requirements, except in cases where services are provided outside of the United States, in which case invoices will be created by the Service Provider's legal entity in the country where the services are being performed and invoiced to the Service Receiver's legal entity that requested the services in the Service Provider's local currency. The bill will cover all charges for services under this Schedule from Service Provider and, to the extent reasonably feasible, will be itemized among Service Receiver's legal entities if identified by the Service Receiver when requesting the service. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the US dollar amount per Expert.

The Experts shall track their time on either a time sheet or any other proper method such as the utilizing the time sheet attached hereto and Service Provider agrees that the time sheets will accompany the invoice that is sent to the Service Recipient for payment. In cases where the requested services are expected to take longer than 30 days to complete, the Service Provider will be allowed to invoice the Service Receiver once per month for all costs incurred to date.

NOTICE REQUIREMENTS

No notice of Termination is required under this Schedule and there shall be no make-whole fee under this Schedule

Notices and bills to the Service Provider should be sent to:

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attention: Joe Daniel

Notices and bills to the Service Provider should be sent to:

ITT Corporation
240 Fall Street
Seneca Falls, NY 13148
Attention: Daryl R. Bowker

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services in accordance with Service Providers documented travel policies and any incremental out of pocket costs incurred by the Service Provider in order to provide the requested services that are invoiced by unaffiliated 3rd parties. Service Provider agrees to provide vendor invoices as backup to the Service Receiver when invoicing the Service Receiver under the terms of this TSA.

The hourly rates below includes a 4.5% increase for inflation and the 2% profit margin and shall be applicable in 2011 and 2012. The rates shall increase by 4.5% in 2013.

Service	Hourly Rate*
Hourly Rate Administrative/Secretarial.	\$50 per hour
Hourly Rate for a Non Executive	\$100 per hour
Hourly Rate for an Executive	\$150 per hour

* Note: In cases where invoicing is done outside the United States, the above rates should be converted to local currency based on the exchange rate on the date the invoice is prepared.

The pricing for the services described in Annex A will be as set forth in Appendix A.



Due Diligence Manager Software Application

Draft Base Statement of Work

Version 1.0 Draft

September 20, 2011

Draft Base Statement of Work

Table of Contents

1	Scope	3
2	Technical Support Requirements	3
	<i>2.1 Routine Application Maintenance</i>	3
	2.1.1 Routine Tasks	3
	2.1.2 Outages	3
	<i>2.2 Change and Improvement Process</i>	4
	2.2.1 Change Request Analysis	4
	2.2.2 Change Request Processing	4
	<i>2.3 Testing</i>	4
3	Deliverables	4
4	Training and Support	4
5	Place of Performance	5
6	Period of Performance	5
7	Project Management	5
8	Labor Categories and Rates	5

Draft Base Statement of Work

1 Scope

The software application — Due Diligence Manager (DDM) — is a web-based, data-driven software application that provides the ITT Due Diligence staff with the capabilities that directly support the due diligence process. The SOW describes approach for identifying, scoping, estimating, developing, testing, deploying, and maintaining the software and application operation of the DDM application.

This document describes the requirements for maintaining and modifying the ITT Due Diligence Manager software application, including the underlying database.

2 Technical Support Requirements

2.1 Routine Application Maintenance

ITT AIS Development Staff will perform all routine application software maintenance tasks to ensure that the DDM software application is available to the user community on a continuous basis.

2.1.1 Routine Tasks

ITT AIS Development Staff will periodically identify and correct latent issues discovered during normal operations. These tasks include Application Server settings, configuration, software upgrades and patches. These tasks are typically background and housekeeping tasks that should not affect active users.

2.1.2 Outages

In the event of a failure (outage, defined as non-availability of DDM application software functionality), the develop staff will make every attempt to restore software availability.

For software-related outages, ITT AIS Development Staff will investigate the reported issue, determine the cause, correct the issue source, deploy a corrective update, verify the correction, and notify the issue initiator of the resolution.

Outages that are not immediately identifiable as due to a DDM software issue, must be directed to the ITT organization's IT data center help desk, who will initiate a support ticket and process that ticket to resolve the issue based on internal processes defined by that organization. ITT AIS Development Staff will support that effort to determine the source of the outage.

Draft Base Statement of Work

2.2 Change and Improvement Process

Requests for modifying the design, functionality or configuration of the DDM software application shall be presented to the development staff by the user community through a change request document.

2.2.1 Change Request Analysis

The ITT AIS development staff will review each request and develop an estimate for the level of effort required to implement the requested change. This activity may include dialogue with the initiating organization in order to ensure understanding of the objectives and outcomes of the requested change.

2.2.2 Change Request Processing

ITT AIS staff will process the final RFC proposal through internal contracting offices, ultimately to be released to the requesting activity as a proposal for implementing the final change request. Once the requesting organization approves a proposal and the requisite contractual documentation is finalized, ITT AIS development staff will schedule and execute the finalized change request. Once the change is completed, ITT AIS will deploy the change to the live DDM server for review by the requesting organization. After completing a comprehensive review of the deployed application software change, and after providing ITT AIS Development Staff with approval, ITT AIS Development Staff will close the change request by initiating a contract closure letter to the requesting organization.

2.3 Testing

Prior to deployment of all requested and approved changes, DDM software changes will be thoroughly tested using ITT AIS Development Staff's internal test process. The test objectives, steps, and results will be documented in an appropriate format to ensure that testing has been conducted and that any resultant software bugs have been resolved.

3 Deliverables

For Change Requests that impact the DDM User Guide or DDM Administrator Guide ITT AIS Development Staff will update the affected documentation and release to the requesting organization an update in pdf format.

4 Training and Support

For Change Requests that include signification changes where training on new features and functionality are requested as part of the Change Request, ITT AIS Development Staff will schedule and conduct an on-line training course to cover the

Draft Base Statement of Work

areas affected. Training will be addressed and included in the proposal for each Change Request as needed.

If requested, the ITT AIS Development Staff will provide technical training to ITT's IT staff for further support and build-out the DDM application source code and application web server. This support will be estimated and quoted through the same process described above for change requests.

5 Place of Performance

All development tasks will be performed at ITT AIS site in Chesapeake, VA.

6 Period of Performance

The proposed project schedule will be provided on a case by case basis. The final schedule will be updated once the project is accepted by the requesting organization.

7 Project Management

ITT AIS Development Staff will identify DDM project manager who will be responsible for ensuring that the agreed-upon tasks identified in the final accepted proposal are scheduled, tracked, and completed in accordance with the project schedule. Any issues affecting cost, schedule, or technical performance will be brought to the attention of the client as soon as possible for resolution.

8 Labor Categories and Rates

Labor categories to be applied to tasks under this SOW are listed below. These rates are estimates. Each task order will require a formal quote issued by ITT AIS Contracts Office based on the level of effort estimates as described in paragraph 2.2.

Labor Category	Estimated labor Rate
Project Manager	Cost plus 2% – 10%
Sr. Software Engineer	Cost plus 2% – 10%
Software Engineer	Cost plus 2% – 10%

**SCHEDULE CB1
HR/PAYROLL/BENEFITS**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, expect where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Joe Daniel Exelis Inc.	TSA Manager		joe.daniel@itt.com
John Connolly Xylem Inc.	Director, Technical Accounting		john.connolly@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Payroll, Payroll Tax, HR, Garnishment and Benefit Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens and documents that support Service Provider's business and business processes in the twelve months prior to the Distribution Date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
SS-Payroll-01	Payroll Services	<p>Provide payroll and tax configuration support required to support payroll services:</p> <ul style="list-style-type: none"> • Income Codes —Service Provider will use the Income Request Form from the Service Receiver to update tax, garnishment, eligibility, pension, and 401K with the provided income codes. 5 business days prior notice are required to make the income code changes. • Deduction Codes —Service Provider will use the Deduction Request Form from the Service Receiver to update tax, Group Term Life (GTL), and other accumulator requirements with the provided deduction codes. 5 business days prior notice are required to make the deduction code changes. • Paid Time Off (PTO) Accrual Controls —Service Provider will use the PTO Policy document from the Service Receiver to accrual code and schedule setups requested by the Service Receiver. 10 business days prior notice are required to make the requested PTO Accrual Controls changes. • Federal/State/Local Tax Table —Service Provider will use the Notification of Federal/State/Local Tax Change provided by the Service Receiver to update the local tax setup within systems managed by Service Provider within 5 business days of the request. • Federal/State/Local Tax —Service Provider will use the Request for Level Control provided by automated systems to update the level control setup within systems managed by Service Provider within 5 business days of the request. • Employer Codes — Service Provider will use the Request for New Employer Codes from the Service Receiver to update employer codes in systems managed by Service Provider within 5 business days of the request. • User Defined Field — Service Provider will use the Request for User Defined Field provided by the Service Receiver to update the necessary fields within 5 business days of the request. • Level Control — Service Provider will use the Request for Level Control provided by the Service Receiver to update the level control setup within systems managed by Service Provider within 5 business days of the request. • Pay Cycle — Service Provider will use the Request Pay Cycle from the Service Receiver to setup the pay cycle with the pay calendar where applicable. 5 business days are required to make the pay cycle changes. Pre-distribution date pay cycle configuration is defined in Attachment B. 	100/month for all SS-Payroll-01	18	TBD

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> • Employer Group — Service Provider will use the Request for Employer Group provided by the Service Receiver to update the Employer Group within systems managed by Service Provider within 5 business days of the request. • Cycle Group — Service Provider will use the Request for Cycle Group provided by the Service Receiver to update the cycle group setup within systems managed by Service Provider within 5 business days of the request. • Payroll Authorization Group — Service Provider will use the Request for Payroll Authorization Group provided by the Service Receiver to update the Payroll Authorization Group setup within systems managed by Service Provider within 5 business days of the request. • Income Authorization Group — Service Provider will use the Request for Income Authorization Group provided by the Service Receiver to update the income authorization group setup within systems managed by Service Provider within 5 business days of the request. • Deduction Authorization Group — Service Provider will use the Request for Deduction Authorization Group provided by the Service Receiver to update the deduction authorization group setup within systems managed by Service Provider within 5 business days of the request. • Auto Pay Groups — Service Provider will use the Request for Auto Pay Groups provided by the Service Receiver to update the auto pay groups setup within systems managed by Service Provider within 5 business days of the request. • Labor/Income Cross Reference Table — Service Provider will use the Request for Labor/Income Cross Reference Table Maintenance provided by the Service Receiver to update the Labor/Income Cross Reference Table setup within systems managed by Service Provider within 5 business days of the request. • General Ledger Cross Reference Table — Service Provider will use the Request for General Ledger Cross Reference Table maintenance provided by the Service Receiver to update the general ledger cross reference table setup within systems managed by Service Provider within 5 business days of the request. 			
		Provide garnishment, child support, tax levy, interrogatory correspondence, withholding and payments support required for payroll services:	New Transactions 200, Monthly Payments 700		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Garnishment Letter — Service Provider will use the Garnishment Notification to provide a garnishment letter to the garnishing agency during the latter of 7 days after notification and the next applicable payment cycle. Garnishment Withholding — Service Provider will use the Garnishment Notification to adjust the employee garnishment deduction setup during the latter of 7 days after notification and the next applicable payment cycle. Garnishment Payments — Service Provider will use the Garnishment Notification to update the garnishment payments to agency during the latter of 7 days after notification and the next applicable payment cycle.. Stop Garnishments — Service Provider will use the Garnishment Stop Notification to deactivate the employee garnishment deduction and process refund of any over-withholding during the latter of 7 days after notification and the next applicable payment cycle. 			
		Provide employee maintenance support where appropriate to support payroll processing	600/month		
		<ul style="list-style-type: none"> W-4 — Service Provider will use the W-4 Form from the Service Receiver to update employee W-4 information with the provided information. Service Receiver must provide such information at least 2 business days prior to processing of payroll to ensure inclusion in the current payroll run. Home/Work State Update — Service Provider will use the employee change request for home/work state maintenance from the Service Receiver to make requested updates. Service Receiver must provide such information at least 2 business days prior to processing of payroll to ensure inclusion in the current payroll run. Direct Deposit — Service Provider will use the Direct Deposit Form from the Service Receiver to update employee direct deposit information with the provided information. Service Receiver must provide such information at least 2 business days prior to processing of payroll to ensure inclusion in the next payroll run. 			
		Provide college fund employee direct deposit maintenance required to support payroll processing upon receipt of notification of enrollment or change via email. Request will be processed within 7 days of notification in the next applicable payment cycle.	30/month		
		Provide executive excess savings plan updates to employee deduction code maintenance required to support payroll processing upon receipt of Service Receiver notification of employee. Request will be processed within 7 days of notification in the next applicable payment cycle.	30/month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>Provide ACS 401k Interface Processing required to support payroll processing</p> <ul style="list-style-type: none"> • Saving Plan Deferral & Loan — Service Provider will use the ACS ISP Feedback File from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. • Saving Plan Deferral & Loan — Service Provider will use the ACS ISP Feedback File from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. • ACS Error Report Review — Service Provider will review the ACS ISP Feedback File from the Service Receivers 3rd party provider to review any fallout which may have occurred. Upon fallout Service Provider will notify ACS to conduct maintenance to rectify documented fallouts. • ACS New Hire — Service Provider will use a report created from the ACS Interface File from the Service Receiver's 3rd party to validate new hire processing. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested validation. • ACS ISEV — Service Provider will use the ACS ISEV Status Change from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. 	10 Monthly Interfaces Files & Reports		
		<p>Provide JPMorgan 401k Interface Processing required to support payroll processing</p> <ul style="list-style-type: none"> • Saving Plan Deferral & Loan — Service Provider will use the JP Morgan ISP Feedback File from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. • Saving Plan Deferral & Loan — Service Provider will use the JP Morgan ISP Feedback File from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. 	10 Monthly Interfaces Files & Reports		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> JP Morgan Error Report Review — Service Provider will review the JP Morgan ISP Feedback File from the Service Receivers 3rd party provider to review any errors which may have occurred. Upon fallout Service Provider will notify ACS to conduct maintenance to rectify documented fallouts. JP Morgan New Hire — Service Provider will use a report created from the JP Morgan Interface File from the Service Receiver's 3rd party to validate new hire processing. Service Receiver's 3rd party must provide such information by Friday 5 pm EST or Thursday 5 pm EST if Friday is not a business day the week prior to requested validation. JP Morgan ISEV — Service Provider will use the JP Morgan ISEV Status Change from the Service Receiver's 3rd party to update employee deduction code information with the provided information. Service Receiver's 3rd party must provide such information by Friday evening the week prior to requested update. 			
		Provide Principal Loan Processing required to support payroll processing upon receipt of notification by secured email and make the required employee deduction code changes	Weekly Interface Files		
		Provide Marsh Benefit Processing required to support payroll processing upon receipt of interface file and make deduction code changes. Files must be received by the 17 th of the month for processing by the end of the month.	Two Interface Files Per Month		
		Provide John Hancock LTC Processing required to support payroll processing upon receipt of interface file and make deduction code changes. Files must be received by the 17 th of the month for processing by the end of the month.	Two Interface Files Per Month		
		Provide Runzheimer Fix and Variable Auto Processing required to support payroll processing upon receipt of interface file and make employee negative deduction transactions for payroll Files must be received by the 9 th of the month.	One Interface File Per Month		
		Provide Concur Travel Expense Reimbursement required to support payroll processing upon receipt of interface file and make employee negative deduction transactions. Files must be received by Thursday morning at 6 am EST to be processed in the next applicable pay cycle.	Weekly Interface Files		
		Provide executive deferral payment upon receipt of notification from Service Receiver for payout and make employee deferral payment. Files must be received by the 9 th of the month.	One Monthly Deferral Processing		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Provide excess group term life calculations upon receipt of notification from Service Receiver for payout and make employee deferral payment. Files must be received by the 9 th of the month.	240 Batch Processing Runs		
		Complete nightly Infinium Benefit Deduction updates.	240 Batch Processing Runs		
		Provide payroll processing.	240 Pay Processing Cycles		
		<ul style="list-style-type: none"> • Automated Labor Upload — Service Provider will use the interface from the Service Receiver’s labor system and create the Infinium labor file for payroll processing. Labor Code to Infinium Income code cross reference file updated as required. • Labor Interface Validation — Service Provider will use the interface from the Service Receiver’s labor system to get totals. Service Provider will then match the Infinium and Service Receiver’s Labor System file. Should discrepancies exist, Service Provider will work with Service Receiver to resolve the issue. • Payroll Cycle Processing — Service Provider will then create Employee Processing Cycle File, listing of employees with pay, benefit, leave of absence and terminations. A review of employee changes will be conducted by Service Receiver and corrections made if applicable. Employee changes will be added to cycle validation routine for balancing. Delays in Service Receiver responsibilities will delay payroll processing. Service Provider will not be liable for such Service Receiver caused delays. • Close Upload Labor to Payroll Cycle — Service Provider will upload employee labor to payroll cycle. • Gross to Net Calculation — Once Infinium releases time sheet data Service Provider will produce the payroll trial balance. • Payroll Adjustments — Service Provider will update employee pay information and add adjustments to validation routine for balancing as required. • Print Trial Balance/Approve Payroll — Using the Infinium trial balance Service Provider will create a trial balance report to post payroll and print pay stubs. If Trial Balance does not balance or has errors it must be corrected via update checks and Trial Balance Reran until error free and balanced. 			
		Provide on-demand payroll processing of off-cycle check requests upon receipt of on-demand check request form from Service Provider. Form must be received by 5 pm for next day direct deposit or check delivery.	570 Transactions Annually		

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		Provide bonus cycle payroll processing of off-cycle bonus payments upon receipt of bonus specification from Service Recipient. Form must be received 5 business days prior to date of required bonus payment.	7000 Transactions Annually		
		Provide manual W-2 earnings and deductions updates upon receipt of written notice and tax detail from Service Provider	325 Transactions Annually		
		Provide stock option manual payroll upon receipt of Smith Barney stock transaction file using the daily interface from Service Provider	80 Transactions Annually		
		Provide restricted stock manual payroll upon receipt of Smith Barney restricted stock transaction file using the daily interface from Service Provider	110 Transactions Annually		
		Provide quarterly tax dividend payment upon receipt of Smith Barney dividend transaction file using the quarterly interface from Service Provider	440 Transactions Annually		
		Provide Cartus quarterly relocation manual payroll upon receipt of Cartus Relocation Transaction file using the quarterly interface from Service Provider	140 Transactions Annually		
		Process payment for unused PTO time upon receipt of notification from systems during year-end	1700 Transactions Annually		
		Void or re-issue employee checks upon receipt of notification from Service Receiver. May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received two business days prior to start of payroll processing. Five business days notice is required for issuing as separate payroll process. [Service Provider will not be liable if funds have been disbursed prior to voidance.]	850 Transactions Annually		
		Make adjustments to employee pay upon receipt of notification from Service Receiver. Notification must be received 2 business days prior to the next pay cycle.	325 Transactions Annually		
		Process retro-active payments for delayed merit increase processing after receipt of notification from Service Receiver. May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received Two business days prior to start of payroll processing. Five business day notice required for issuing as separate payroll process.	350 Transactions Annually		
		Process special employee payments upon receipt of notification from Service Receiver. May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received 2 days prior to start of payroll processing. Five day notice required for issuing as separate payroll process.	900 Transactions Annually		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		Process relocation payment from employee paycheck upon receipt of notification from Service Receiver Processed with normal payroll. May be repaid over multiple payrolls or from one payroll per specification of Service Receiver.	200 Transactions Annually		
		Provide executive excess savings plan distribution upon receipt of notification from Service Receiver May be processed with current payroll or via separate check processing. For inclusion with regular payroll request must be received 2 days prior to start of payroll processing. Five day notice required for issuing as separate payroll process.	50 Transactions Annually		
		Service Provider will use commercially reasonable efforts to provide post-payroll	250 Cycles Per Month		
		<ul style="list-style-type: none"> • Print/Distribute Check, Vouchers, & Reports — Printed Checks and Vouchers sealed and prepared for shipping distribution per business units instructions. • ACH Processing — ACH transmitted to clearing house using the Infinium ACH extraction process • Bank Funding — Wire Transfer to cover payroll using the bank funding report option • Credit Union Processing — File Transmission to Credit Union using the Infinium direct deposit extract • Union Reporting — Union report transmitted using the Union employees and Union dues report • Canadian Bond Processing — Transmission of Canadian Bond File to Royal Bank of Canada using the Canadian bond extract • Positive Pay — Positive pay file transmitted to Wells Fargo using the positive pay extract file • Direct Deposit Fund Pullback — Employee funds pulled back or error report with insufficient funds upon Service Receiver's request to pull back employee direct deposit. Service Provider will use the Shared Service form submission to Wells Fargo to pull back employee direct deposit. Insufficient funds notices are communicated to employees HR administrator for review of how to recover money 			
		Provide Infinium month end close once a month rolling month totals, update monthly benefits (Marsh & John Hancock), and update monthly limit processing. This service will be performed after final payroll for month and prior to first payroll of new month.	20 Companies Per Month		
		Process Infinium quarter end close once a quarter rolling quarter totals, update quarterly limit	20 Companies Per Month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>Provide Infinium year-end processing.</p> <ul style="list-style-type: none"> • Wage & Tax Balancing — Using the wage Base Report balance Employee Earnings and Taxes • United Way Deduction — Infinium United Way Deduction Change for deduction codes 00800 & 0805 clearing the United Way deduction for the new year • 401K Limit Update -Deduction limit updated with values for year • Year End Payroll Register — Use the Infinium Year End Payroll Register to archive historical payroll registers • Hartford-JP Morgan Year End — Use the Infinium Save File to archive Hartford-JP Morgan year end 401K values • ACS — Use the Infinium Save File to archive ACS year end 401K values • Infinium W2 Box Updates — Use the Infinium Income & Deduction Reporting Groups to make W2 Box Reporting Reports • Infinium ADP W2 Box Update — Use the ADP interface for W2 Reporting to create the ADP W2 Box Interface File • Local Tax Update — Use the notification from locality or Service Receiver to update the local tax table • Transfers — Clear Q1 Information captured for tax & 401K Limit processing for use in the W2 tax report • Vinny 1st day report — Use the Infinium Day 1 Report for forecasting • Payroll Calendar — Use the Infinium Cycle Maintenance to create Service Receiver Payroll Calendars • W2 — Pension for Group Term Life (GTL) — Service Receiver provides files from ACS & Hartford and Service Provider updates Pensioner's W2's • Highly Compensated Employee Listing — Using an AS400 Query, employees meeting IRS Highly Compensated Listing are found and 401K providers updated with list of highly compensated employees • Executive Excess Saving Plan Employee Update — Service Receiver provides list of eligible employees for executive excess saving plan which Service Provider uses to update the Executive Excess Saving Plan Employee List provided for roll over into Excess Savings Plan • New Jersey Disability Year End Update — Using the New Jersey Final Disability Report; Service Provider will update the New Jersey year end payroll entries to record New Jersey final disability entries. • Infinium Year End Close — Year end close rolls year to day information to previous year and clear year-to-date dollars 	20 Companies Per Month		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> ADP 4th Quarter & Year End Extract — Using the ADP Extract Program an ADP Year End Interface File is created ADP — Balance Year — Using the ADP Year End Reports Year End Statutory Reports & W2 are output W2C's — Using the value center post year-end close entries to update the W2C Amended Year End — Use the ADP Extract Program to amended statutory reporting 			
		Provide US Tax Processing.			
		<ul style="list-style-type: none"> ADP Company Profile Update — Use the ADP Tax Header Spreadsheet to update ADP tax reporting set up ADP Code Mapping — Use the ADP Mapping Document to map ADP Tax Code to Infinium Tax Code Infinium ADP Deduction Table Maintenance — Use the Infinium ADP Tax Code file to output ADP Interface File including the new tax code ADP Daily Interface File — Use the ADP Infinium Payroll Tax Extract to create the ADP Receipt of Tax Payment Detail Daily Tax Audit Report — Use the Query: ADP Tax Audit Report to validate ADP Daily Tax Interface File ADP Daily Tax Funding — Use the ADP Invoice to create ADP Wire Payment ADP Unemployment Rate Change — Use the ADP Tax Header Spreadsheet to calculate ADP — Unemployment Payments with New Rate ADP Monthly Charges — Use the ADP Invoice to process ADP Payment Barnett Monthly Charges — Use the Barnett Invoice to process Barnett Payment ADP Quarterly Communication — Use the ADP Quarterly Updates to update the Quarterly Calendar Close Schedule Cobra Quarterly Tax Credit Entry — Use the SHPS Cobra Detail summarized and entered into ADP Payroll Tax Input to update the 941 Cobra Credit Quarterly Interface File — Use the ADP Infinium Quarterly Tax Extract to create the ADP Quarterly Tax Reporting File ADP TAX Reconciliation — Use the Infinium Quarterly Tax Report to reconcile ADP Quarterly Tax Reports Quarter Close & Statutory Reporting — Use Service Receiver approval to ADP for Quarterly Processing to make quarterly statutory payments and reporting Quarterly Report Distribution ADP — Use the Quarterly Reports Posted to Web Site to distribute Statement of 	Registrations — 10 per month Interfaces — daily Tax Payments — Daily & Quarterly Per Requirements Cobra Reporting — Quarterly Quarterly Reporting Tracer Transactions 20 Monthly Amendments 10 Monthly		

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Quarterly Invoice Payments — Use ADP Invoice to make ADP Wire Payments Quarterly Federal & State Tax Amendments — Use Quarterly Amendment Filing to amended reporting Amendment Payment — Use the invoice to create ADP Wire Payment Tracers — Use agency notices to conduct ADP research Tracer Payments — ADP agency notice research to make payment of Agency Notices Close Tax ID — Use ADP header to close company so no future reporting in ADP Close Tax ID — Use the Agency notification of account closed to conduct final reconciliation 			
		Provide Canadian Tax Processing.	Weekly Tax Payments		
		<ul style="list-style-type: none"> Canadian Tax Withholding — Using Canadian Tax Deductions provided by Service Receiver input Service Provider will complete Employee/Employer Tax Withholding/Liability Canadian Tax Payments — Using Payroll Registers provided by Service Receiver, Service Provider will make Canadian Tax Payment Year End Pension Calculation — Using the Canadian Pension Plan Policy provided by Service Receiver, Service Provider will compute Pension Plan Calculation RL1 & T4 Reporting — Using the Infinium Canadian Year End Process, Service Provider will complete T4 & RL1 Forms & XML Reporting 	Annually T4, T4A & RL Reporting		
		Provide Puerto Rico Tax Processing.	Weekly Tax Payments		
		<ul style="list-style-type: none"> Puerto Rico Tax Withholding — Using Tax Deductions Service Provider will calculate tax withholding for Service Receiver Puerto Rico Tax Payments — Using Payroll Registers provided by Service Receiver, Service Provider will make Puerto Rico Tax Payments Puerto Rico Year End Reporting — Using W2 & W3 Reporting Service Provider will make Employee & Employer Year End Tax Reporting 	Annual W2P & W3P Reporting		
		Support the legal/regulatory audits documented below.	4 Audits/Month		
		<ul style="list-style-type: none"> ACE — Worker Compensation Audit Tax Audits D&T Benefit Audit SOX Audit 			

- Disaster Recovery
- ACS — 401K Compliance Testing
- JP Morgan — 401K Compliance Testing
- Data Mining — Payroll
- Service Provider will run the custom queries documented in Attachment C once a month Monthly

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<p>Provide Guam Tax Processing.</p> <ul style="list-style-type: none"> • GUAM Tax Withholding — Using Tax Deductions provided by Service Receiver, Service Provider will calculate Tax withholding • GUAM Tax Payments — Using the payroll registers Service Provider will make GUAM tax payments • GUAM Year End Reporting — Using W2 & W3 Reporting, Service Provider will make Employee & Employer Year End Tax Reporting 	Annual W2G & W3G Reporting		
		<p>Infinium and HRSS Support/Communication for handling of Service Receiver questions:</p>			
HR-Benefits-02	Human Resources, Benefits, Training, & Compliance Support	<ul style="list-style-type: none"> • Daily Service Receiver Issue Handling — Service Receiver users can make a phone call or send an email to ask questions related to employee data and/or transactional history stored in Infinium/HRSS; M-F 8-5pm EST except U.S. holidays; • Data Input Questions Covered in User Manual • System Requirements-Upgrades/System Changes Maintenance (Federal/State/Local) • Infinium Canned Reports are available for the service receiver to access and review. Service Provider will be responsible for ensuring that reports required for legal or regulatory requirements run. • Coordinate issue resolution as needed with IT, Payroll, SS Accounting, HQ Benefits and/or third party vendors. • Anything not covered above is considered a special request to be handled using on a Time & Materials basis as outlined in the Additional Pricing Section of this document. 	201/month	18	Cost plus 2% - 10%
		Benefit Administration and Reporting Internal/External:	327/month		
		<ul style="list-style-type: none"> • Weekly vendor file feed resolution to national carriers - Service Provider will accept phone or email from Service Receiver or external benefits provider and resubmit corrected file feed or corrected actual employee record based on request. • Salaried Pension Eligibility file feed questions from field Service Receiver HR staff will be triaged by Service Provider and assist Service Receiver in data correction. • Validation Reports from Health & Welfare and Pension - Service Provider will receive reports from 3rd party providers listing errors related to health & welfare data and Service Provider will assist Service Receiver HR field staff to make appropriate changes 			
		Services for Service Receiver supervisors on payrolls that are not administered via the Fort Wayne Infinium System:	50/month		
		<ul style="list-style-type: none"> • Service Provider will create and/or update Job/Position 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> • Service Provider will add an international supervisor as a new hire upon request from the Service Receiver • Service Provider will attach an international supervisor to an Infinium Employee record upon request from the Service Receiver • Service Provider will add an international supervisors' Concur ID to the appropriate record upon request from the Service Receiver 			
		<p>Services for Service Receiver Business Units and/or Infinium Companies that are not supported by local HR staff but administered by HRMS staff in Fort Wayne:</p> <ul style="list-style-type: none"> • Service Provider will create and or update Job/Position Code upon request from the Service Receiver • Service Provider will enter new hires on personnel side as well as on payroll side upon request from the Service Receiver • Service Provider will enter salary changes/address changes/title changes/transfers/terminations upon request from the Service Receiver • Service Provider will perform annual merit increase uploads upon request from the Service Receiver • Service Provider will communicate with Service Receiver HR contacts from other Service Receiver business units to coordinate both transferring in and out of employees upon request from the Service Receiver • Service Provider will enter payroll changes including withholding changes/benefit deductions and catch-ups upon request from the Service Receiver • Service Provider will enter benefit updates including urgent updates upon request from the Service Receiver <p>Service Provider will make Address & Phone number changes upon request from the Service Receiver</p> <ul style="list-style-type: none"> • Service Provider will make Benefit Changes due to qualifying event & Annual Open Enrollment upon request from the Service Receiver • Service Provider will make Annual Salary Merit Increases upon request from the Service Receiver • Service Provider will make Annual Reviews (if applicable) upon request from the Service Receiver • Service Provider will make inquiries relating to benefits and/or personnel information upon request from the Service Receiver • Service Provider will produce Infinium Canned Reports upon request from the Service Receiver 			

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Year-end Standard Benefit Enrollment Copy to New Plan Year Year-end Vendor Meetings for open enrollment file feeds Data Input Questions Covered in User Manual Support Special Year End File Feeds to National H&W Vendors Standard Communication regarding Annual Enrollment & Year End Dates Collaborate with Payroll, Finance and IT for Year End Closing Processes using all input from year's changes and develop project plan to prepare system for enrollment and year-end processing. Project will then be started in July, and meetings with vendors conducted as needed depending on data from customers. ** Changing benefits providers in 2011 will be a special project using Time & Materials rates with specific notification on change. 	Each item in this table will be completed once a year		
HR-Benefits-03	Training	Service Provider will take requests from Service Receiver HR manager to conduct periodic WebEx training of how to use Infinium systems and conduct the training for the Service Receiver.	1/month	18	Time and Materials
SS-PayrollAcct-04	Payroll Accounting	<p>Provide Payroll Accounting services.</p> <ul style="list-style-type: none"> Payroll Journals — Service Provider will use the payroll register summary from the Service Receiver to balance and post payroll journals for each payroll cycle for the Service Receiver Payroll Balance Sheet Accounts — Service Provider will use the payroll month end close document from the Service Receiver to reconcile the payroll balance sheet accounts for the Service Receiver Employee Deductions — Service Provider will use completed payroll cycles document from Service Receiver to remit employee deductions for the Service Receiver Employee Benefits for ISP,401 (K) and Insurances — Service Provider will use completed payroll cycles document and payroll queries from Service Receiver to validate, reconcile and remit employee benefits for ISP, 401(k) and insurances for the Service Receiver ADP Payroll Taxes — Service Provider will use completed payroll cycles, payroll queries, and ADP invoices from the Service Receiver to validate, reconcile, and remit all Payroll Taxes to ADP Interface File Transmission - Service Provider will use completed payroll cycles and payroll queries from the Service Receiver to transmit interface files to 3rd party vendors on behalf of the Service Receiver Benefits Reporting — Service Provider will use the year end close information from the Service Receiver to provide annual reporting of benefits to the Service Receiver 	1616 annually 3060 annually 220 annually 205 annually 240 annually 195 annually 10 annually	18	Cost plus 2% - 10%

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<ul style="list-style-type: none"> ADP Federal and State Taxes — Service Provider will use tax extract and file feed from ADP from Service Receiver to journalize ADP Federal and State Tax Activity for the Service Receiver ADP Mid Year Conversions — Service Provider will use YTD tax amounts information from Service Receiver to perform ADP midyear conversions for the Service Receiver Non-supported ADP — Service Provider will use completed payroll cycles information from Service Receiver to remit non-supported ADP taxes for the Service Receiver Control Files for 401(k) and ISP- Service Provider will use information from business units or HQs from the Service Receiver to maintain and control files for 401(k) and ISP for the Service Receiver Payroll Bank Account — Service Provider will use bank account statements from the Service Receiver to reconcile payroll bank accounts for the Service Receiver Unclaimed Payroll Property- Service Provider will use bank account statements from Service Receiver to manage unclaimed payroll property for the Service Receiver Automated Bank Functions- Service Provider will use cleared bank files from the Service Receiver to process post cleared checks in the Infinium payroll Year to Date Analysis for 401k— The Service Provider will use the Year End Payroll Close from an internal business unit within the Service Provider to calculate 401k Year to Date totals for employee, employer, and loans and provide report by vendor to the Service Receiver. 	<p>240 annually</p> <p>5 annually</p> <p>12 annually</p> <p>30 annually</p> <p>24 annually</p> <p>200 annually</p> <p>12 annually</p> <p>3 annually</p>		

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider's current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
SS-Payroll-05	HR/Payroll/Benefits Migration	Service Provider will make commercially reasonable best efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state business processes, functional data mapping, and impacts of design decisions 	Time and Materials Based on Additional Pricing Section
SS-Payroll-06	HR/Payroll/Benefits	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by Service Provider will be given to the Service Receiver as it relates to Payroll/HR/Benefit services 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to HR, Benefits and Payroll by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to Canada and USA locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver will provide accurate and timely employee maintenance, time and attendance data and payroll adjustments required to produce pay checks. In conjunction with the preceding, Service Receiver will maintain the applications and interfaces documented in Attachment A.
- Service Receiver will be responsible for providing new tax registration requirements to Service Provider. Applicable tax registration information will be provided to Service Provider as required to complete tax registration.
- Service Receiver will be responsible for providing configuration changes to Service Provider including taxes, income, deductions, banking and benefits using the change request process and forms provided by Service Provider.
- If Service Receiver sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.

- Service Receiver will setup and make available to Service Provider a disbursement account from which Service Provider utilizes draft authorization to process payroll. Service provider will request funding for payroll checks, payroll direct deposits, payroll taxes, and other benefit remittances from the Service Receiver Treasury Headquarter location. Service Provider will open and own payroll bank accounts for the payroll transactions. Funding is required in the bank account one day prior to the value date. Late funding of the payroll account by the Service Receiver may result in delay of payroll checks, applied 401(k) funds, and benefit payments. Any outstanding liabilities associated to payroll tax and benefits will remain on Service Provider's general ledger at month end. Service Provider will retain interest earned, if any, on residual account balances and will pay all standard account related service fees. Any service fee associated with Non Sufficient Funds due to the Service Receiver will be the responsibility of the Service Receiver. Service provider will remit employee deductions from the Service Provider Accounts Payable bank account. Service Provider will collect the funds from the Service Receiver thru a 3rd party invoice.

Dependencies

- Service Receiver must actively be engaged on the Infinium Application TSA and related Business Objects Universe for the duration this agreement is in effect.
- Service Receiver, in a separate and independent agreement, must have the ADP application and interface active for the period of time in which this agreement is in effect.
- Service receiver, in a separate and independent agreement, must have Concur and other Time and Attendance systems listed in Attachment A active and maintained with the correct interfaces and data feeds to Infinium by the Service Receiver for the period of time in which this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- The services documented within this agreement must be exited at the same time and as such cannot be exited in parts.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion which are received using High, Medium, or Low. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented below for SS-Payroll-01, HR-Benefits-02, and HR-Benefits-03:

SLA	Response Time	Resolution
High	Within 24 hours of receiving notification during normal business hours	Within 24 — 48 hours of response during normal business hours
Medium	Within 48 hours of receiving notification during normal business hours	Within 48 — 120 hours of response during normal business hours
Low	Within 120 or more hours of receiving notification or as scheduled during normal business hours	Within 120 hours of response during normal business hours

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

Premises at Fort Wayne

In addition to the services provided above, Service Provider will provide office space for two Service Receiver employees (“SREEs”) to its facilities at 1950 West Cook road, Fort Wayne, IN 46818 (the “Premises”). Access will include approximately 200 square feet of work space, and 2 desks located at the Premises and access to the internet, phone, and a printer. Included within the rental rate will be electrical, housekeeping, and pantry. Mail and reception service will not be provided.

General

- Fixed assets on the books of the Service Provider as of the date of the ITT separation will remain the property of the Service Provider during and at the end of the term.
- Fixed assets on the books of the Service Receiver as of the date of the ITT separation will remain the property of the Service Receiver during and at the end of the term.
- Service Receiver shall have the reasonable right to use, and Service Provider shall at all times have exclusive control of, and operate and maintain, the common areas including the pantry in the manner Service Provider may reasonably determine to be appropriate.
- SREEs will be permitted in the common areas and the specific location assigned to them. They will be provided with ID badges which they must wear at all times.

Prohibitions

Service Receiver is prohibited from the following without the Service Provider's consent:

- Making any changes to the physical layout of the Premises or any capital improvements
- Inviting or permitting any other employee or agent or guest of Service Recipient to enter the Premises, other than employees who were former ITT Corporation employees. Service Receiver assumes all responsibility for actions of its employees, agents and guests on the Premises. SREEs and their visitors must adhere to the facility's access requirements at all times.
- Service Receiver will not be allowed to access Service Provider's computer network. The SREEs will be allowed to access Service Receiver's own computer network via wireless or landline data connections on the Premises.
- Service Receiver has no right to sublease, assign or transfer their space, except upon a change of control of Service Receiver in which case only former ITT Corporation employees will be permitted access to the Premises. Assignment of this agreement requires landlord approval in writing.
- Service Receiver agrees not to put up any external or internal signs during the term of the agreement.

Service Receiver's Responsibilities

- Service Receiver will be required to provide and pay for all support and services required to move out of the facility at the end of the term. If Service Receiver requires contractors to assist them in moving out of the facility, Service Receiver agrees to provide Service Provider with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
- Service Receiver agrees to remove all of their personal property from the Premises at the end of the term. Tenant must return rented space to pre move in condition, with the exception of the offices, which should be left in an "as is" condition.
- Service Receiver agrees to abide by all rules and regulations set by the landlord including but not limited to those included in the lease between the landlord of the Premises and the Service Provider
- Service Receiver agrees that all cabling that is used to attached Service Receiver's PC's to the IT infrastructure will remain the property of the Service Provider and will not be removed by the Service Receiver at the end of the term.

- The SREEs will be required to show proper identification to enter the Premises as determined by the Service Provider

Term

- The TSA for the Premises shall automatically expire 3 months after this TSA for Payroll Services, unless terminated earlier by notice to the Service Provider at least 90 days in advance of the date Service Receiver desires to terminate this portion of the TSA for space at the Premises. There shall be no make-whole or other fee due to Service Provider for early termination.

Pricing for Space at the Premises

During 2011	Cost plus 2% - 10%
From January 1, 2012 through December 31, 2012	Cost plus 2% - 10%
From January 1, 2013 through the end of the Term	Cost plus 2% - 10%

The prices set forth above solely with respect to space at the Premises include the 2% or 10% increase for profit and the 4.5% annual increase for inflation. Sales and use or other taxes are not included in the above mentioned pricing.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

Inbound Interfaces:

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XRCISDPD	Dependents	ACS	Infinium	ACS
XYCISP XYCISP2	ACS Salary ISP and Pension	ACS	Infinium	ACS
XPRCADPCHK	Create ADP Tax Journal	ADP	Infinium	ADP
XPRGMADPC	Maintain ADP Tax Controls	ADP	Infinium	ADP
XPYCADPDWN	ADP Periodic & Qtrly File Downld	ADP	Infinium	ADP
XPYGADPBAL	ADP Balance Report	ADP	Infinium	ADP
XPYGADPCHG	Refresh ADP Employee Number	ADP	Infinium	ADP
XECBRUC	Unemployment emps	Barnett	Infinium	Barnett
	US RELOWAGE UPDATE.CARTUS	CARTUS	Infinium	CARTUS
XPYPCTWRC	Send Cartus Receipt of gr	CARTUS	Infinium	CARTUS
XPYCEEMT	Concur - Employee Master File Feed	Concur	Infinium	Concur
TEG002C	Employee information	Concur	Infinium	Concur E-Xpense
XPYCEEMT	FTP Employee information	Concur	Infinium	Concur
XCHCEXTEMP	Export Employees to Concur	Concur	Infinium	Concur
	US Bank - ConcurTravel	Concur	Infinium	Concur
	Garnishments	County Government	Infinium	County Government
XECEMED	Empire Eligibility and HDHP Mellon pass thru	Empire/Blue	Infinium	Empire/Blue
XPYGKRONOS	800 EVHR employee Infinium Data feed to (800) (Kronos) System	ITT	Infinium	Kronos
NPYPCIMA	Employee feed 500	ITT	Infinium	Cannon
NPYCCIM1ST	Cannon's Full Employee Master Update To Cim	ITT	Infinium	Cannon
XYCEEMIPG	Download Employee Date to IPG - Daily (ER 810 92SHR)	ITT	Infinium	Goulds

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XPYG880D	Prudential Demographics 880	Prudential	Infinium	Prudential
XPYG881D	Prudential Demographics 331	Prudential	Infinium	Prudential
XPYPRUDEM	Send Prudential Demographics Systems	Prudential	Infinium	Prudential
XPYP880D, 881D, 882D,883D	Prudential Systems Demographics (ENI, CAP, CMC, ECI)	Prudential	Infinium	Prudential
XECNHC	Cobra - New Hire	SHPS	Infinium	SHPS
XRCFSA	FSA - Deduction feed to SHPS	SHPS	Infinium	SHPS
XPYCSBBLD	Stock Options Eligibility	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney CODES FILE	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney EMAIL ADDRESSES	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney PARTICIPANTS	Smith Barney	Infinium	Smith Barney
XPEGNH	New Hire	State of Indiana	Infinium	State of Indiana
XPEGWEBMD	WebMD ELIGIBILITY	WebMD	Infinium	WebMD
CCHCPWFTP	FTP CCUSECHD2-Well Fargo password change	Wells Fargo	Infinium	Wells Fargo
XPYCWFPAY	CLP to send payroll ACH file to Wells Fargo	Wells Fargo	Infinium	Wells Fargo
XPYCWFOPOS	CLP to run entire Wells Fargo pos pay process	Wells Fargo	Infinium	Wells Fargo
XYGEXTCA	modified International ACH file for ALL of CANADA	Wells Fargo	Infinium	Wells Fargo
NWBPAYTRN	Direct deposit transmission	Wells Fargo	Infinium	Wells Fargo
NWBCHK01	Send Check Recon to bank	Wells Fargo	Infinium	Wells Fargo
CCUCPWDR	Re-send check recon to bank	Wells Fargo	Infinium	Wells Fargo
XPYCCTACH	Payroll ACH	Wells Fargo	Infinium	Wells Fargo

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XRCECEMP1	Active Directory	ITT	Infinium	ITT
XEMGP2E	HM Update Health Mast - Defense Companies	ITT - HM	Infinium	HM
XPEGHYPR	Hyperion Planning - Build Transmission file	ITT Hyperion	Infinium	Hyperion
XPYGMXLP	SAP AUTO PAY Benefit Deductions sent to Seneca Fall SAP system	ITT SAP	Infinium	SAP P2P
XPECJHUP	Send file to Hancock	John Hancock	Infinium	John Hancock
XECJHLT NEW Development	John Hancock Eligibility 401K Feedback file from JP Morgan	John Hancock JP Morgan	Infinium Infinium	John Hancock JP Morgan
XECKMED	KAISER ELIGIBILITY	Kaiser Permanete	Infinium	Kaiser Permanete
XECUBSOUT	Transmit file to Life Plus for Marsh	Marsh	Infinium	Marsh
XPYCJH08	Upload Life Plus file	Marsh	Infinium	Marsh
XECLP	LifePlus Eligibility	Marsh	Infinium	Marsh
XPYCHSA2	HSA Send Extract File From Robot Job	Mellon	Infinium	Mellon
XPYCM	Medco Prescription	Merck Medco	Infinium	Merck Medco
XPRCMLE	Metlife ltd/std mth - GL Advices	Metlife Advices	Infinium	Metlife
XPRCML5SGL	Metlife LTD/STD (Menu option)	Metlife Advices	Infinium	Metlife
XRCMETDTF	Metlife Dental	Metlife Dental	Infinium	Metlife Dental
XRGVA1 XRGVA3 XRGVA4	Print Voluntary Accident Monthly report data	National Union Fire	Infinum	National Union Fire
XECPMED	PACIFICARE ELIG	PACIFICARE	Infinium	PACIFICARE
XPYPRURL1	Prudential Loans Systems	Prudential	Infinium	Prudential
XPYC8800	ENI Prudential Dollar Send - 800	Prudential	Infinium	Prudential
XPYC8810	CAP Prudential Dollar Send - 881	Prudential	Infinium	Prudential
XPYC8830	ECI Prudential Dollar Send - 883	Prudential	Infinium	Prudential

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XYCISPACPU XYCISPAC	AC ISP Rate change file	ACS	ACS	Infinium
XRCISDPD	Dependents	ACS	Infinium	ACS
XYCISP XYCISP2	ACS Salary ISP and Pension	ACS	Infinium	ACS
XPRCADPCHK	Create ADP Tax Journal	ADP	Infinium	ADP
XPRGADPQ1	ADP Qtrly Unempl Process	ADP	ADP	Infinium GL
XPRGMADPC	Maintain ADP Tax Controls	ADP	Infinium	ADP
XPYCADPDWN	ADP Periodic & Qtrly File Downld	ADP	Infinium	ADP
XPYGADPBAL	ADP Balance Report	ADP	Infinium	ADP
XPYGADPCHG	Refresh ADP Employee Number	ADP	Infinium	ADP
XPYCCBSND	SAVINGS BOND CONT FL	BANK OF CANADA	Infinium	BANK OF CANADA
XECBRUC	Unemployment emps	Barnett	Infinium	Barnett
CPEGHERH CPEGHERU	To update Infinium HR; contains pension data	Buck	Buck	Infinium
XPYCCT200	Load and List wage request file from Cartus	CARTUS	CARTUS	Infinium
XPYCCT200C	Load Cartus file and process-batch job	CARTUS	CARTUS	Infinium
XPYCCT200P	Bring in Cartus Wage Request file	CARTUS	CARTUS	Infinium
XPYCCT300C	Load Cartus Gross Ups	CARTUS	CARTUS	Infinium
	US_RELOWAGE - UPDATE.CARTUS	CARTUS	Infinium	CARTUS
XPYPCTWRC	Send Cartus Receipt of gr	CARTUS	Infinium	CARTUS

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XYGCONCUR	Re-Apply Concur (PYPME History) to Payroll	Concur	Concur	Infinium
XCHGLDEMP	Concur - Load Employees from INFIN	Concur	Concur	Infinium
FPYCEEMTIN XYCEEMTIN XCHCCRTPAY	Expense transations	Concur	Concur	Infinium
XYCEEMTIN	CONCUR - travel process expense records	Concur	Concur	Infinium
XPYCEEMT	Concur - Employee Master File Feed	Concur	Infinium	Concur
TEG002C	Employee information	Concur	Infinium	Concur EXpense
XPYCEEMT	FTP Employee information	Concur	Infinium	Concur
XCHCEXTEMP	Export Employees to Concur	Concur	Infinium	Concur
	US Bank - Concur Travel	Concur	Infinium	Concur
	Garnishments	County Government	Infinium	County Government
XECEMED	Empire Eligibility and HDHP Mellon pass thru	Empire/Blue	Infinium	Empire/Blue
FPYCBGFTP	Labor feed 800	Infinium	B&G	Infinium
NPYCCAFTP	Labor feed CQC	Infinium	Canada	Infinium
FPYCKINT	Canadian Kronos Labor interface to Infinium	Infinium	Canada Krono	Infinium
FPYCCPSFTP	Labor To Daily Time (CPSAL)	Infinium	CPSAL	Infinium
FPYCFFSFTP	Labor Load (FFSAL)	Infinium	FFSAL	Infinium
FPYCFISFTP	Labor Load(FISAL)	Infinium	FISAL	Infinium
FPYCFTFTP	Labor feed 831	Infinium	FLOBW	Infinium
FPYCJOFTP	Labor feed 800	Infinium	Flojet	Infinium
FPYCFLSFTP	labor laod(FLSAL)	Infinium	FLSAL	Infinium
FPYCGPFTP6	Labor Load (GPH9V)	Infinium	G9H	Infinium
FPYCGPFTP7	Labor load (GPH9W)	Infinium	G9H	Infinium
FPYCGPFTP8	Labor feed 835	Infinium	Gould Pumps - WTG	Infinium
FPYCHTFTP	Labor feed 800	Infinium	Heat	Infinium
XPYCGUN	After Posting CL-Create GL Interface Files	Infinium	Infinium	Infinium
FPYCLESFTP	Time(LEOSAL)	Infinium	LEOSAL	Infinium
FPYCPISFTP	Time(PISAL)	Infinium	PISAL	Infinium

Program Name	Business Purpose	Vendor	Source System	Destination System
FPYCRUHR	Labor feed 860	Infinium	Rule Hr	Infinium
FPYCRUSAL	Labor feed 860	Infinium	Rule Sal	Infinium
FPYCWPCFTP	Time(WPC)	Infinium	WCP	Infinium
FPYCWBFWFTP	Time(WEDBW)	Infinium	WEDBW	Infinium
XPEGPR	Promotions	Infinium	Excel	Infinium
XPEGSC3	Salary Changes	Infinium	Excel	Infinium
FPYCEEMDLY	FTC Employee Master to be FTP	ITT	Infinium	Infinium
FPYCGID	FTC GL to be sent out to FTC	ITT	Infinium	Infinium
FPYCGLIG	Goulds GL to be FTP	ITT	Infinium	Infinium
FPYCGLIGFL	Goulds Flowtronex GL to be FTP	ITT	Infinium	Infinium
SPYCGID	Creates and Builds GL recs for a Cycle code	ITT	Infinium	Infinium
XPYC800WK	Employee information 800	ITT	Infinium	B&G
FRPECSV	Kronos employee download CQC	ITT	Infinium	Canadian companies
XPYCGLIG	Generic GL Interface File	ITT	Infinium	Infinium
XRCECEMP1	Active Directory	ITT	Infinium	ITT
	FLYGT EMP FEED	ITT — FLYGT	Infinium	FLYGT
XEMGP2E	HM Update Health Mast - Defense Companies	ITT — HM	Infinium	HM
XPEGHYPR	Hyperion Planning - Build Transmission file	ITT Hyperion	Infinium	Hyperion
XPYGMXLP	SAP AUTO PAY Benefit Deductions sent to Seneca Fall SAP system	ITT SAP	Infinium	SAP P2P
XPECJHUP	Send file to Hancock	John Hancock	Infinium	John Hancock
XECJHLT	John Hancock Eligibility	John Hancock	Infinium	John Hancock
XPYCHCK01	Receive Long Term Care file	John Hancock	John Hancock	Infinium
	Receive Long Term Care Billing file	John Hancock	John Hancock	Infinium
XPYCJH01	Copy from Tape J&HKVI data to file XPYPJHI	John Hancock	John Hancock	Infinium
XPYCJH07	Receive life plus file	John Hancock	John Hancock	Infinium
NEW Development	401K Feedback file from JP Morgan	JP Morgan	Infinum	JP Morgan
NEW Development	401K Hourly to JP Morgan	JP Morgan	JP Morgan	Infinium
XECKMED	KAISER ELIGIBILITY	Kaiser Permanete	Infinium	Kaiser

				Permanete
XECUBSOUT	Transmit file to Life Plus for Marsh	Marsh	Infinium	Marsh
XPYCJH08	Upload Life Plus file	Marsh	Infinium	Marsh
XECLP	LifePlus Eligibility	Marsh	Infinium	Marsh
XECUBSI	Receive Life Plus Input File	Marsh	Marsh	Infinium

Program Name	Business Purpose	Vendor	Source System	Destination System
XPYCM	Medco Prescription	Merck Medco	Infinium	Merck Medco
XPRCME	Metlife ltd/std mth - GL Advices	Metlife Advices	Infinium	Metlife
XPRCML5SGL	Metlife LTD/STD (Menu option)	Metlife Advices	Infinium	Metlife
XRCMETDTF	Metlife Dental	Metlife Dental	Infinium	Metlife Dental
XRGVA1 XRGVA3 XRGVA4	Print Voluntary Accident Monthly report data	National Union Fire	Infinium	National Union Fire
XECPMED	PACIFICARE ELIG	PACIFICARE	Infinium	PACIFICARE
XYCRM	Receive and process autotime - car allowance	Runzheimer	Runzheimer	Infinium
XYCRMEC	Receive and process Can AT - car allowance	Runzheimer	Runzheimer	Infinium
XPYGRNZHMR	Re-Apply Runzheimer (PYPME History) to Payroll	Runzheimer	Runzheimer	Infinium
XECNHC	Cobra - New Hire	SHPS	Infinium	SHPS
XRCFSA	FSA - Deduction feed to SHPS	SHPS	Infinium	SHPS
XPYCSBBLD	Stock Options Eligibility	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney CODES FILE	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney EMAIL ADDRESSES	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney PARTICIPANTS	Smith Barney	Infinium	Smith Barney
XPYSBOPT1	Receive Smith Barney Options	Smith Barney	Smith Barney	Infinium
XPYSBRES1	Receive Smith Barney Restricted	Smith Barney	Smith Barney	Infinium
XPEGNH	New Hire	State of Indiana	Infinium	State of Indiana
XPRGUNWA XPYGUNF	United Way Upload to PYPDE	United Way	United Way	Infinium
XPEGWEBMD	WebMD ELIGIBILITY	WebMD	Infinium	WebMD
CCHCPWFTP	FTP CCUSECHD2 - Well Fargo password change	Wells Fargo	Infinium	Wells Fargo
XPYCWFPAY	CLP to send payroll ACH file to Wells Fargo	Wells Fargo	Infinium	Wells Fargo
XPYCWFPPOS	CLP to run entire Wells Fargo pos pay process	Wells Fargo	Infinium	Wells Fargo
XYGEXTCA	modified International ACH file for ALL of CANADA	Wells Fargo	Infinium	Wells Fargo
NWBPAYTRN	Direct deposit transmission	Wells Fargo	Infinium	Wells Fargo
NWBCHK01	Send Check Recon to bank	Wells Fargo	Infinium	Wells Fargo

CCUCPWDR	Re-send check recon to bank	Wells Fargo	Infinium	Wells Fargo
XPYCCTACH	Payroll ACH	Wells Fargo	Infinium	Wells Fargo
XPYCFWREC	CLP to receive check recon file from Wells Fargo	Wells Fargo	Wells Fargo	Infinium
XPYCFWREC	Receive Check recon	Wells Fargo	Wells Fargo	Infinium

ATTACHMENT B

The following table documents the process day for the in-scope pay cycles:

<u>EMPLOYER</u>	<u>CYCLE CODE</u>	<u>NAME</u>	<u>FREQ</u>	<u>Paid Lag</u>	<u>Paid Current</u>	<u>Process Day</u>	<u>NEWCO</u>	<u>Required By</u>
GOULDS PUMPS CANADA (IPG)	CGOBW	BI WEEKLY CGO	B		X	Pay Week -Monday	ITTCO	Mon - 2pm
ONTARIO PRO SERVICES CENTER	CONBW	BI WEEKLY CON	B	X		Pay Week -Monday	ITTCO	Mon - 2pm
ITT CANNON	BIWBW	BIW BI WEEKLY	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT CANNON	BIWHR	BIW HOURLY	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT CANNON	BWCAN	BI WEEKLY CANNON	B	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT CANNON	HRCAN	CANNON HOURLY EMPLOYEES	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT VEAM, LLC	BWVEA	VEAM SALARY	B	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT VEAM, LLC	HRVEA	HOURLY VEAM	B	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT CORPORATION	BWIND	ITT INDUSTRIES BI-WEEKLY	B	X		Pay Week -Tuesday	Unknown	Tues - 2pm
COMPUTERS, EQUIP LEASING CORP	CELBW	COMPUTER & EQUIP LEASING	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT TRANSPORTATION DIST SVCS	BWGRP	TDS BW	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	AERHR	AEROSPACE HOURLY AH	W	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	AESAL	AEROSPACE SALARY AP	B	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	AMOHR	AMORY HOURLY FH	W	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	AMSAL	AMORY SALARY FS	B		X	Pay Week -Tuesday	ITTCO	Tues - 2pm

<u>EMPLOYER</u>	<u>CYCLE CODE</u>	<u>NAME</u>	<u>FREQ</u>	<u>Paid Lag</u>	<u>Paid Current</u>	<u>Process Day</u>	<u>NEWCO</u>	<u>Required By</u>
ITT R&CW CANADA	FPCAS	FLUID PRODUCTS	B		X	Pay Week -Monday	WaterCO	Mon - 2pm
ITT WATER & WASTEWATE	FLCAN	BI WEEKLY FLYGT	B		X	Non Pay Week -	WaterCO	Mon - 2pm
ITT CORPORATI	BWIND	ITT INDUSTRIES	B	X		Pay Week - Tuesday	Unknown	Tues - 2pm
COMPUTER & EQUIP	CELBW	COMPUTER & EQUIP	B		X	Non Pay Week -	Unknown	Tues - 2pm
ITT	BWGRP	TDS BW	B		X	Non Pay	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	BGSAL	BELL & GOSSETT	B		X	Pay Week -Tuesday	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	BGUN	BBLL & GOSSETT	B	X		Pay Week -Tuesday	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	CONHR	CONOFLOW HOURLY CH	W	X		Pay Week -Monday	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	COSAL	CONOFLOW SALARY CN	B		X	Non Pay Week - Friday	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	CPSAL	CUSTOM PUMPS SALARY	B		X	Non Pay Week - Thursday	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	FLOBW	FLOJET BI WEEKLY	B		X	Non Pay Week -	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	FTCBW	FTC BI WEEKLY	B		X	Pay Week -Tuesday	WaterCO	Tues - 2pm
ITT FLUID TECHNOLOGY	GRSAL	GRINDEX SALARY GR	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	HTUN	HEAT TRANSFER	W	X		Pay Week -Monday	WaterCO	Tues - 2pm
ITT FLUID	RCSAL	R&CW HQ	B		X	Pay Week -	WaterCO	Tues - 2pm
ITT FLUID	SHBW	SHEROTEC	B		X	Non Pay	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	SHHR	SHEROTEC HOURLY ST	W	X		Pay Week -Monday	Unknown	Tues - 2pm
ITT FLUID	WTBW	WET	B	X		Pay Week -	Unknown	Tues - 2pm
LAING	LTSAL	LAING	B		X	Pay Week -	WaterCO	Tues - 2pm
ITT CORPORATI	FRCSA	GOULD SHARED	B		X	Non Pay Week -	Unknown	Tues - 2pm
ITT GOULDS PUMPS PA	H9XSA	ASHLAND SALARY	B		X	Non Pay Week -	Unknown	Tues - 2pm
ITT GOULDS PUMPS TEXAS	H9WSA	TX TURBINE & PRO SHOP SALARY	B		X	Non Pay Week - Thursday	WaterCO	Tues - 2pm
FLOWTRONEX PSI INC	FLOBW	FLOWTRONEX PSI BW	B	X		Non Pay Week -	WaterCO	Tues - 2pm
ITT WATER	9XLWS	WATER TEC	B		X	Non Pay	WaterCO	Tues - 2pm

<u>EMPLOYER</u>	<u>CYCLE CODE</u>	<u>NAME</u>	<u>FREQ</u>	<u>Paid Lag</u>	<u>Paid Current</u>	<u>Process Day</u>	<u>NEWCO</u>	<u>Required By</u>
ITT WATER TECHNOLOG	92WTG	WATER TECH WEEKLY	W	X		Pay Week -Monday	WaterCO	Tues - 2pm
GODWIN PUMPS OF	WKGWP	GODWIN PUMP	W	X		Pay Week -Tuesday	WaterCO	Tues - 2pm
GODWIN PUMPS OF	BWGWP	GODWIN PUMP BI -	B	X		Pay Week -Tuesday	WaterCO	Tues - 2pm
ITT WATER & WASTE WATERIN LLC	FISAL	MINERVA SALARY BI-WEEKLY	B		X	Non Pay Week - Friday	WaterCO	Tues - 2pm
ITT WATER & WASTEWATE	FFSAL	FLYGT FLORDA SAL	B		X	Non Pay Week -	WaterCO	Tues - 2pm
ITT RULE	RUSAL	RULE SALARY	B		X	Pay Week -	WaterCO	Tues - 2pm
ADVANCED WATER	WPC	WATER POLUTION	B		X	Pay Week -Monday	WaterCO	Tues - 2pm
SRP ACQUISITION CORP	ROYCE	SRP ACQUISITON CORP	B		X	Pay Week -Monday	WaterCO	Tues - 2pm
WEDECO INC	WEDBW	WEDECO BW	B	X		Pay Week -	WaterCO	Tues - 2pm
THE FB LEOPOLD	LEOSA	LEOPOLD BW	B		X	Pay Week -Monday	WaterCO	Tues - 2pm
NOVA ANALYTICS	BWEXE	Bi-Weekly Executive	B	X		Pay Week -Tuesday	WaterCO	Tues - 2pm
NOVA ANALYTICS EUROPE LLC	BWNAE	BW NOVA ANALYTICS EUROPE LLC	B	X		Pay Week -Tuesday	WaterCO	Tues - 2pm
GLOBAL WATER INSTRUMENTATION	BWGWI	BW GLOBAL WATER INSTRUMENTATION	B	X		Non Pay Week Tuesday	WaterCO	Tues - 2pm
BELLINGHA M &	BWBSI	BELLINGHA M &	B		X	Pay Week -Tuesday	WaterCO	Tues - 2pm
AANDERAA DATA INSTRUMEN	BWADI	BW AANDERAA DATA	B		X	Pay Week -Tuesday	WaterCO	Tues - 2pm

<u>EMPLOYER</u>	<u>CYCLE CODE</u>	<u>NAME</u>	<u>FREQ</u>	<u>Paid Lag</u>	<u>Paid Current</u>	<u>Process Day</u>	<u>NEWCO</u>	<u>Required By</u>
ITT FLUID TECHNOLOGY	CTBW	C' TREAT BW	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	EVHR	ENG VALVES HOURLY	W	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	EVSAL	ENG VALVES SALARY EV	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	GRSAL	GRINDEX SALARY GR	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	MFCBW	MOTION FLOW CONTROL SALARY	B		X	Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT FLUID TECHNOLOGY	SHBW	sherotec BW	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	SHHR	SHEROTEC HOURLY ST	W	X		Pay Week -Monday	Unknown	Tues - 2pm
ITT FLUID TECHNOLOGY	WTBW	WET	B	X		Pay Week -Monday	Unknown	Tues - 2pm
ITT GOULDS PUMPS	CARBN	CARBON INDUSTRIES	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	EVZHR	DIV-IPG, UNITS VU,PJ,QU WEEKLY	W	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	H9WPS	PRO SHOP SALARY TX-BI-WEEKLY	B		X	Pay Week -Monday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	PROBW	BI WEEKLY CYCLE	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	9XLCS	CITY OF INDUSTRY SALARY	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	9XLSA	GOULD'S IPGBI-WEEKLY SALARY	B		X	Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT GOULDS PUMPS	92SHR	SF UNION -IPG-SU, CPG WU WKLY	W	X		Pay Week -Monday	ITTCO	Tues - 2pm

<u>EMPLOYER</u>	<u>CYCLE CODE</u>	<u>NAME</u>	<u>FREQ</u>	<u>Paid Lag</u>	<u>Paid Current</u>	<u>Process Day</u>	<u>NEWCO</u>	<u>Required By</u>
ITT CORPORATION(FRC)	FRCSA	GOULD SHARED SERVICES	B		X	Non Pay Week - Thursday	Unknown	Tues - 2pm
ITT GOULDS PUMPS PA	H9XSA	ASHLAND SALARY	B		X	Non Pay Week - Friday	Unknown	Tues - 2pm
ITT GOULDS PUMPS IPG	H9YSA	IPG SALARY	B		X	Non Pay Week - Thursday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION(ENIDINE)	EAHR	ENIDINE WEEKLY HOURLY EA	W	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION(ENIDINE)	EASAL	ENIDINE BI-WEEKLYSALARY EA	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION (CAP)	CAHR	CAP WEEKLY HOURLY CA	W	X		Pay Week -Monday	ITTCO	Tues - 2pm
ITT ENERGY ABSORPTION (CAP)	CASAL	CAP BI-WEEKLY SALARY CA	B	X		Non Pay Week - Friday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	BIHR	BILLERICA HOURLY CM	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	BISAL	BILLERICA BI-WEEKLY SALARY CM	B		X	Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	CMHR	CMC BI-WEEKLY HOURLY CM	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT CONTROLS (CMC)	CMSAL	CMC BI-WEEKLY SALARY CM	B		X	Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT-KALIBURN INC.	KBHR	KALIBURN HOURLY(BI-WEEKLY)	B	X		Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT-KALIBURN INC.	KBSAL	KALIBURN SALARY(BI-WEEKLY)	B		X	Pay Week -Tuesday	ITTCO	Tues - 2pm
ITT KONI	BWFRI	KONI FRICTION SALARIED	B		X	Non Pay Week - Thursday	ITTCO	Tues - 2pm
ITT KONI	BWKON	BI WEEKLY KONI	B		X	Non Pay Week - Thursday	ITTCO	Tues - 2pm

ATTACHMENT C

Custom Queries to be run once a month by service provider:

<u>Query/Report Name</u>	<u>Application Used to Produce Information</u>	<u>Provider</u>	<u>Information Supplied</u>	<u>Frequency of Request</u>
DWA87200__MonthYear	Infinium Query	Debbie Weeks	Salaries Information of employees on Severance (Income Codes 00140 and 00270)	Monthly
Payroll by Individual	Business Objects	Carol Whisler	Payroll information of HQ Employees with names and cost centers	Monthly
Headcount	Business Objects	Idania Miro	Payroll information of HQ Employees with names and cost centers	Monthly

**SCHEDULE CB2
SECURITY OPERATIONS CENTER**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Phil Zaleski Exelis Inc.	Business Area Manager, Cyber Security Programs		phil.zaleski@itt.com
John J. Germain Xylem Inc.	Director, Information Security Architecture, Engineering & Operations		john.germain@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform Information Technology — Security Operations Center (IT-SOC) Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider’s resources based on the functionality, processes, input and output screens, and documents that support the Service Provider’s business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the “Services”).

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
IT-SOC-01	Security Operations Center Support Services	<p>Provide IT Security event monitoring and intrusion detection; and serves as a single point for information security related issues:</p> <ul style="list-style-type: none"> • Environmental Awareness — Service Provider will provide environmental awareness activities, including Risk/Threat Analysis • Management and Administration of Global IDS/IDP Security Devices — Service Provider will manage and administer Global IDS/IDP Security Devices. • Network Data Aggregation, Normalization, and Correlation — Service Provider will provide network data aggregation, normalization, and correlation for the Service Receiver. Service Provider will provide centralized management of network and security event logs collected from multiple sources. Log and/or event monitoring sources will include, but not limited to, technologies such as: <ul style="list-style-type: none"> o Firewalls o VPN concentrators o Intrusion Detection/Prevention appliances o Content filters o As well as other approved and agreed upon controlled points that can provide insight and/or generate alerts that detect real time threats to the enterprise <p>Service Provider will also leverage multiple levels of alerting and threat identification to include:</p> <ul style="list-style-type: none"> o Predefined alerts o Network anomaly detection rules o Emerging cyber threat monitoring <p>Service Provider will ensure compliance with legal, regulatory, and internal policies regarding records management, incident documentation, and data retention requirements for data within Service Provider's control.</p> <ul style="list-style-type: none"> • Help Desk — Service Provider will make available the IT-SOC Help Desk, via phone or email, to provide assistance for security-related issues or concerns to the Service Receiver's IT and/or Management staff. • Metrics/KPIs Reporting — Service Provider will provide metrics to communicate overall effectiveness of IT-SOC activities and investigations. Service Provider is able to organize, manage, and visualize data, as well as produce reports that identify baselines and projected targets; trending; and standardized key metrics tailored to Service Receiver's business needs. 	<p>1 Analysis per Month</p> <p>40 Modifications per Month</p> <p>1500 Security Events per Second</p> <p>30 Contacts per Month</p> <p>1 Status Report per Week</p>	3	Cost plus 2% - 10%

Service Provider will have the necessary United States Government security clearances to enable and leverage interaction with Federal/State/Local Government and Department of Defense Agencies in support of investigations, compliance issues, and/or threat related activity and information sharing at the request of Service Receiver. Such interaction can include, but not limited to, agencies such as:

- Federal/State/Local Law Enforcement (Investigations)
- Department of State / Department of Commerce (Compliance)
- Department of Defense
- The Defense Industrial Base (DIBNet-U and DIBNet-S) Interaction and Information Sharing

Service Volumes Greater or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider’s current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications

increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
IT-SOC-02	Security Operations Center Migration	Service Provider will make commercially reasonable efforts to assist Service Receiver in exiting of this agreement. These efforts include: <ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state of the Security Operations Center 	Time and Materials Based on Additional Pricing Section
IT-SOC-03	Security Operations Center Knowledge Transfer	Service Provider will provide the following knowledge transfer services: <ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Security Operations Center 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Information Technology — Security Operations Center by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period

requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Rome, NY, USA to global locations.

PREREQUISITES/DEPENDENCIES

- If Service Receiver provides inaccurate information to Service Provider, it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Service Receiver must coordinate with Service Provider to ensure that either direct access to Receiver's network is available, or access to a data collector in Receiver's network is available for the period of this TSA.
- Service Receiver must configure its appliances in order to forward data logs to Service Provider.
- Service Receiver must provide appropriate global administrative credentials to Service Provider in order to manage intrusion prevention system.
- Service Receiver must provide a list of appropriate contacts and points of escalation.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment A.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider’s discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

Location	Low	Medium	High
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

ATTACHMENT A

The IT-SOC staff is accessible, based on need and criticality, 24 hours a day, 7 days a week, 365 days a year, through the usage of on-call staff to assist with any IT Security related incident.

The IT-SOC Help Desk can be reached by phone or email and is ready to provide assistance for any information security related and concerns. Depending on the urgency, severity, and scope of the problem, there are two recommended contact methods:

1. ITT IT Security Operations Center:
Phone: 800 (Mondays — Fridays; 7 am—5 pm ET)
Email:
2. In instances where there is an emergency or suspected situation occurring, please contact the IT-SOC Director and/or Assistant Director directly, 24/7, utilizing the contact information below:

Director | ITT IT Security Operations Center

Assistant Director | ITT IT Security Operations Center

**SCHEDULE CB3
INFINIUM APPLICATION SERVICES**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

Name	Title	Phone	e-mail
Dan Johnston Exelis Inc.	Enterprise Applications Manager		dan.johnston@itt.com
Donna Sanabria Xylem Inc.	IT Director, Corporate Functions and PMO		donna.sanabria@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will provide Infinium Application Support Services for Service Receiver.

Service Receiver and its Subsidiaries will utilize Service Provider's resources based on the functionality, processes, input and output screens, and documents that support the Service Provider's business and business processes in the twelve months prior to the Distribution date.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
IT- Infinium- 01	Infinium Application HR, Payroll and related GL Support Services	<p>Provide Infinium Application HR, Payroll, and General Ledger Related Support Services:</p> <ul style="list-style-type: none"> • Access to Infinium Application — Service Provider will provide access to application through form(s) signed off by the appropriate signing authority or designated Executive per the Master Services Agreement, and submitted through Remedy tickets. Service Provider will give access to the requested menu options. Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. Time required to provide access to the application will be within (5) five business days. • Infinium Support & Maintenance — Service Provider will monitor incident resolution requests as reported via Remedy tickets, recommend and notify Service Receiver, and implement incident resolution or expected fix from vendor per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. • Infinium Database Support — Service Provider will trouble shoot database related incidents as reported via Remedy tickets. These activities include maintaining database schemas if necessary, performing data cleanup activities as well as scheduled maintenance activities, requesting database/file restores, and providing support for all database issues in production and test/development environments. • Custom reports and data extracts will be provided as necessary to support legal, audit and compliance tasks when requested by authorized individuals. 	65 calls/ month 6 calls/ month	18	Costs will be passed through as part of the HR/Payroll/Benefits TSA

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
IT- Infinium- 02	Infinium Application GL Services for Enterprise Accounting Function Support Services	<ul style="list-style-type: none"> Ad-Hoc development/services or processing of reports consistent with what was provided in the 12 months prior to the distribution date will be supported as part of this agreement. Any new Ad-Hoc reporting requirements will be considered out-of-scope and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any modification of 3rd Party Interfaces consistent with support of BAU or seasonal business processes which were provided with existing internal resources in the 12 months prior to the distribution date will be supported as part of this agreement. Any changes to 3rd party relationships which require new interface modifications or re-writes are not included as part of the scope of this agreement and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. <p>Provide Infinium Application General Ledger Support for Enterprise Accounting Function:</p> <ul style="list-style-type: none"> Access to Infinium Application — Service Provider will provide access to application through form(s) signed off by the appropriate signing authority or designated Executive per the Master Services Agreement, and submitted through Remedy tickets. Service Provider will give access to the requested menu options. Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. Time required to provide access to the application will be within (5) five business days. Infinium Support & Maintenance — Service Provider will monitor incident resolution requests as reported via Remedy tickets, recommend and notify Service Receiver, and implement incident resolution or expected fix from vendor per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. 	65 calls/ month 6 calls/ month	18	Costs will be passed through as part of General Ledger Accounting — ITT HQ TSA

Service #	Service Name	Description of Service	BAU Transaction Volume	Minimum Service Period (in mo.)	Service Charge
		<ul style="list-style-type: none"> Infinium Database Support — Service Provider will trouble shoot database related incidents as reported via Remedy tickets. These activities include maintaining database schemas if necessary, performing data cleanup activities as well as scheduled maintenance activities, requesting database/file restores, and providing support for all database issues in production and test/development environments. Custom reports and data extracts will be provided as necessary to support legal, audit and compliance tasks when requested by authorized individuals. Ad-Hoc development/services or processing of reports consistent with what was provided in the 12 months prior to the distribution date will be supported as part of this agreement. Any new Ad-Hoc reporting requirements will be considered out-of-scope and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any modification of 3rd Party Interfaces consistent with support of BAU or seasonal business processes which were provided with existing internal resources in the 12 months prior to the distribution date will be supported as part of this agreement. Any changes to 3rd party relationships which require new interface modifications or re-writes are not included as part of the scope of this agreement and will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. 			
		<p>Provide Infinium Accounts Payable and Currency Management Support for Enterprise Accounting Function:</p>			
IT- Infinium- 03	Infinium Application AP and CM Support Services	<ul style="list-style-type: none"> Access to Infinium Application — Service Provider will provide access to application through form(s) signed off by the appropriate signing authority or designated Executive per the Master Services Agreement, and submitted through Remedy tickets. Service Provider will give access to the requested menu options. Service Provider will provide access to application for authorized service receiver users per the security guidelines outlined in the Master Services Agreement. Service Provider will create new application and database users pre-approved by Service Recipient, maintain application and database passwords, maintain application and database security to meet security and controls guidelines identified in Master Services Agreement, as well as monitor and restrict unauthorized access to source code and data. Service Provider will maintain production batch schedule, execute batch jobs, assess impact of failed batch jobs, and adjust 		18	Costs will be passed through as part of General Ledger Accounting — ITT HQ TSA

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>BAU Transaction Volume</u>	<u>Minimum Service Period (in mo.)</u>	<u>Service Charge</u>
		<p>schedule to account for batch job failures and delays. Service Provider will execute web server and application server configuration changes, monitor and maintain application administration Cron jobs and shell scripts. Time required to provide access to the application will be within (5) five business days.</p> <ul style="list-style-type: none"> • Infinium Support & Maintenance — Service Provider will monitor incident resolution requests as reported via Remedy tickets, recommend and notify Service Receiver, and implement incident resolution or expected fix from vendor per the SLA outlined in the Service Level section of this agreement. Service Provider will identify and communicate breaks in application discovered by automated or monitoring system, develop solution and approach to address break in application, and implement fixes to resolve break in application. • Infinium Database Support — Service Provider will trouble shoot database related incidents as reported via Remedy tickets. These activities include maintaining database schemas if necessary, performing data cleanup activities as well as scheduled maintenance activities, requesting database/file restores, and providing support for all database issues in production and test/development environments. 	20 calls/month		
			6 calls/month		

* BAU volumes will be calculated on a rolling 12-month average to account for seasonal fluctuations and any temporary spike in service volumes post-spin.

* For BAU volumes, one incident will be considered the equivalent of one call (regardless of the number of phone conversations related to the same issue).

Services that will not be provided as part of this agreement are:

- Employee Self Service Module (including Online Benefits Enrollment)

Service Volumes Greater Than or Less Than Observed Pre-Distribution Date

Service Provider will deliver the same volume of Services as delivered in the 12 months prior to the Distribution Date, plus or minus 10% (such activity, including any such 10% deviation, “Business as Usual activities” or “BAU”) at no additional cost per unit. Service Provider will accommodate Service Receiver’s inorganic (Mergers, Acquisitions, and Divestitures) activities on a time and materials basis with respect to the one-time set-up fees. The table below will then apply following the completion of the one-time set-up activities.

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume within BAU [Note: BAU already includes +/- 10% of pre-distribution date volumes]	No incremental one-time fees when Service Receiver utilizes services and structure as-is with no changes under this agreement	Steady-State fee structure for requisite service as documented below

<u>Scenario</u>	<u>One-Time Setup Fees</u>	<u>Monthly Fees</u>
Service Volume greater or less than BAU	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver provided the Service Receiver utilizes services and structure as-is with no significant changes under this agreement	Service Provider will develop a commercially reasonable quote for acceptance by the Service Receiver incremental to the base service costs documented below for the requisite service.

Ad-Hoc development/services or processing of reports consistent with what was provided prior to the distribution date will be supported as part of this agreement. Service Provider will use commercially reasonable efforts based on provider's current abilities to accommodate regulatory or legal ad-hoc requests. Ad-hoc requests which may need to be performed to assist Service Receiver in meeting new legal obligations will be provided on a time and materials basis as described in the Additional Pricing section of this agreement. Any changes to 3rd party relationships which require interface modifications or re-writes are not included as part of the scope of this agreement. Should the Service Receiver require such changes, Parties agree to negotiate in good faith with regard to such modification. In the event modifications to the services provided are required by law for only the Service Recipient and such modifications increase the cost for Service Provider, Service Recipient that requires the modifications shall pay all the additional costs including the costs for the other Service Recipients.

Exit Services

The following services will be provided upon receipt of a Termination Notice to exit from this Service.

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Service Charge (\$/hour)</u>
		Service Provider will make commercially reasonable best efforts to assist Service Receiver in exiting of this agreement. These efforts include:	
IT-Infinium-04	Infinium Migration	<ul style="list-style-type: none"> • Support of data extraction requests from the Service Receiver • Providing Subject Matter Expertise in helping the Service Receiver understand current state data schema and configuration details 	Time and Materials Based on Additional Pricing Section
		Service Provider will provide the following knowledge transfer services:	
IT-Infinium-05	Infinium Knowledge Transfer	<ul style="list-style-type: none"> • Existing non-sensitive documentation maintained by the Service Provider will be given to the Service Receiver as it relates to the Infinium Application and related interfaces 	Time and Materials Based on Additional Pricing Section

Supplemental Services

For requests for supplemental services relating to Infinium Application support services by Service Receiver not mentioned in this Schedule or not included within the costs documented in this agreement, Service Receiver will provide a discreet project request and submit such request to Service Provider using the formalized Change Request attached as Annex A for consideration by Service Provider.

Where notice is required a number of business days prior to some required action by Service Provider, notice must be received by 12 noon Eastern Time to be counted as received during such business day. Service Provider shall, within a commercially reasonable period, provide a price quote to be commercially reasonable based on the current cost of the Services to Service Receiver taking into account, such items as the specific time the request was made, service delivery volumes, exit planning activities, and other activities Service Provider is currently engaged in at the time of the request, but not later than 30 days after the request was made. If Service Provider, in its sole discretion determines (i) such request would increase the ongoing operating costs for Service Provider (as a service recipient) or any other service receiver or (ii) that it is not capable of making such changes with its current staff during the time period requested without interrupting the Services provided to itself or any other service receiver. Service Provider need not provide a price quote or perform the services. Where a price quote is provided, Service Provider shall provide the service requested upon acceptance of the price.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to Canada and USA locations for HR and payroll, and White Plains, NY for GL, AP, and CM.

PREREQUISITES/DEPENDENCIES

- Service Receiver will maintain the applications and interfaces documented in Attachment A.
- Any IT services required to support business services outlined in the HR/Payroll/Benefits TSA and which were provided in the 12 months prior to the distribution date will be supported as part of this agreement.
- If Service Receiver sends inaccurate data to Service Provider it will be the responsibility of the Service Receiver to rectify any problems and bear any costs incurred to rectify the issue.
- Security and access controls will be maintained as set forth in the Master Services Agreement.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion. Such classifications shall be consistent with the priorities Service Provider set for itself as a recipient of services. Incidents classified using this methodology will be triaged as documented in Attachment B. In the event incidents cannot be resolved in the time outlined in Attachment B, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$ 75	\$ 100	\$ 125
Greece	\$ 35	\$ 46	\$ 58
Mexico	\$ 19	\$ 25	\$ 31
Sweden	\$ 75	\$ 100	\$ 125

ATTACHMENT A

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XYCISPACPU XYCISPAC	AC ISP Rate change file	ACS	ACS	Infinium
CPEGHERH CPEGHERU CPEGSERA	To update Infinium HR; contains pension data	Buck	Buck	Infinium
XPYCCT200	Load and List wage request file from Cartus	CARTUS	CARTUS	Infinium
XPYCCT200C	Load Cartus file and process-batch job	CARTUS	CARTUS	Infinium
XPYCCT200P	Bring in Cartus Wage Request file	CARTUS	CARTUS	Infinium
XPYCCT300C	Load Cartus Gross Ups	CARTUS	CARTUS	Infinium
XYGCONCUR	Re-Apply Concur (PYPME History) to Payroll	Concur	Concur	Infinium
XCHGLDEMP	Concur — Load Employees from INFIN	Concur	Concur	Infinium
FPYCEEMTIN XYCEEMTIN XCHCCRTPAY	Expense transactions	Concur	Concur	Infinium
XYCEEMTIN	CONCUR — travel process expense records	Concur	Concur	Infinium
FPYCBGFTP	Labor feed 800	Infinium	B&G	Infinium
NPYCCAFTP	Labor feed CQC	Infinium	Canada	Infinium
FPYCKINT	Canadian Kronos Labor interface to Infinium	Infinium	Canada Krono	Infinium
FPYCCPSFTP	Labor To Daily Time (CPSAL)	Infinium	CPSAL	Infinium
FPYCFFSFTP	Labor Load (FFSAL)	Infinium	FFSAL	Infinium
FPYCFISFTP	Labor Load(FISAL)	Infinium	FISAL	Infinium

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
FPYCFTFTP	Labor feed 831	Infinium	FLOBW	Infinium
FPYCJOFTP	Labor feed 800	Infinium	Flojet	Infinium
FPYCFLSFTP	labor laod(FLSAL)	Infinium	FLSAL	Infinium
FPYCGPFTP6	Labor Load (GPH9V)	Infinium	G9H	Infinium
FPYCGPFTP3	Labor feed 810	Infinium	Gould Pumps - EVZ	Infinium
FPYCGPFTP A	Labor feed 835	Infinium	Gould Pumps - WTG	Infinium
FPYCHTFTP	Labor feed 800	Infinium	Heat	Infinium
?	Labor feed 905	Infinium	Koni Sal	Infinium
FPYCKBSFTP	Labor feed for Olympic	Infinium	Olympic	Infinium
FPYCPISFTP	Time(PISAL)	Infinium	PISAL	Infinium
FPYCRUHR	Labor feed 860	Infinium	Rule Hr	Infinium
FPYCRUSAL	Labor feed 860	Infinium	Rule Sal	Infinium
FPYCWPCFTP	Time(WPC)	Infinium	WCP	Infinium
CPYCBIWHR	Labor Load (BIWHR)	Infinium	BIWHR	Infinium

<u>Program Name</u>	<u>Business Purpose</u>	<u>Vendor</u>	<u>Source System</u>	<u>Destination System</u>
XPEGPR	Promotions	Infinium	Excel	Infinium
XPEGSC3	Salary Changes	Infinium	Excel	Infinium
FPYCEEMDLY	FTC Employee Master to be FTP	ITT	Infinium	Infinium
FPYCGLID	FTC GL to be sent out to FTC	ITT	Infinium	Infinium
FPYCGLIG	Goulds GL to be FTP	ITT	Infinium	Infinium
NPYCCIM1ST	Cannon's Full Employee Master Update To Cim	ITT	Infinium	Cannon
XPECJHUP	Send file to Hancock	John Hancock	Infinium	John Hancock
XECJHLT	John Hancock Eligibility	John Hancock	Infinium	John Hancock
XPYCHCK01	Receive Long Term Care file	John Hancock	John Hancock	Infinium
	Receive Long Term Care Billing file	John Hancock	John Hancock	Infinium
XPYCJKH07	Receive life plus file	John Hancock	John Hancock	Infinium
XPYCJKH08	Upload Life Plus file	Marsh	Infinium	Marsh
XPYPRUDEM	Send Prudential Demographics Systems	Prudential	Infinium	Prudential
XPYP880D, 881D, 882D, 883D	Prudential Systems Demographics(ENI, CAP, CMC, ECI)	Prudential	Infinium	Prudential
XYCRME	Receive and process autotime — car allowance	Runzheimer	Runzheimer	Infinium
XRCSBP	Smith Barney EMAIL ADDRESSES	Smith Barney	Infinium	Smith Barney
XRCSBP	Smith Barney PARTICIPANTS	Smith Barney	Infinium	Smith Barney
XPYSBRES1	Receive Smith Barney Restricted	Smith Barney	Smith Barney	Infinium
CCUCPWDR	Re-send check recon to bank	Wells Fargo	Infinium	Wells Fargo
XPYCCTACH	Payroll ACH	Wells Fargo	Infinium	Wells Fargo
XPYCWFFREC	CLP to receive check recon file from Wells Fargo	Wells Fargo	Wells Fargo	Infinium
XPYCWFFREC	Receive Check recon	Wells Fargo	Wells Fargo	Infinium

ATTACHMENT B

Following are the incident priorities and expected resolution target times:

Priority	Accept	Resolve Incidents
Urgent	30 mins	1 hr
High	1 hr	4 hrs
Medium	2 hrs	8 hrs
Low	4 hrs	48 hrs

Priority of Incidents

Urgent: System/Component or Program is inoperable, Multiple users effected. No alternatives or backup is available.

High: Single user with a System/Component or Program that is inoperable. Component degraded with limited access or functionality. A Workaround is available.

Medium: Job functions can be performed with some restricted functionality. Training, questions or concerns need to be addressed but production is not affected.

Low: Attention is needed to assist in non-critical situations. A workaround is available.

Recovery Times

In the event of a hardware failure, the hardware vendor will be engaged for repair or replacement. The anticipated outage period for an event of this nature is 16 hours.

In the event of a failure which results in the database having to be restored, the anticipated outage would be 6+ hours.

SCHEDULE CB4

**ITT.COM EMAIL FORWARDING
INFRASTRUCTURE**

Capitalized terms used herein and not otherwise defined shall have the meaning assign such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this service should be directed to:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>e-mail</u>
Suleiman Walker Exelis Inc.	Messaging Manager		sule.walker@itt.com
Jakob Jakobsson Xylem Inc	Manager Directory Services & Messaging		jakob.jakobsson@itt.com

GENERAL SERVICE DESCRIPTION

Service Provider will perform ITT.com Email Forwarding Services for Service Receiver.

The primary service is to provide a computer processing platform that supports the business applications of the Business, which includes IT support for technology infrastructure.

SCOPE OF SERVICES

Upon the terms and subject to the conditions of this Services Schedule and the Agreement, the Service Provider shall provide to Service Recipient the services identified below (collectively, the "Services").

<u>Service #</u>	<u>Service Name</u>	<u>Description of Service</u>	<u>Transaction Volume</u>	<u>Duration</u>	<u>Service Charge</u>
IT-Email Forwarding-01	Email Forwarding Support Services	Provide Email Forwarding services for email messages sent to ITT.com. Service Provider will forward messages to new Service Receiver domain addresses.	Unlimited number of emails forwarded	18	Cost plus 2% - 10%

Services that will not be provided as part of this agreement are:

- Filtering of spam beyond SenderBase reputation level
- Legal holds — Emails will not be saved as they will be forwarded to the Service Receiver, and it is the Service Receiver's obligation to save emails if required by their legal counsel
- Updating of Service Receiver's domain changes

Service Provider reserves the right to temporary halt the service, provided notification is given to Service Receiver using commercially reasonable efforts, due to:

- Unusual increase in volume of emails
- Threats to security
- Constraints to network resources

Should the Service Receiver require changes to the documented services, Parties agree to negotiate in good faith with regard to such modification.

Exit Services

No exit services will be provided under this agreement.

LOCATIONS

Services are initially provided from Fort Wayne, IN, USA to global locations.

PREREQUISITES/DEPENDENCIES

- Service Receiver cannot create additional ITT.com email addresses
- Service Receiver must have Cisco Iron Port hardware and software licenses active and maintained for the period of time in which this agreement is in effect.
- Service Receiver must have Transport Layer Security (TLS) enabled and maintained for the period of time in which this agreement is in effect.
- Service Receiver must have Microsoft Exchange active and maintained for the period of time in which this agreement is in effect.
- Security and access controls will be maintained as set forth in the Master Services Agreement.
- Service Receiver must have a Technical Assistance Agreement in place with the U.S. Government for the period of time in which this TSA agreement is in effect for any non-US citizens who are Exchange Org Administrators and Enterprise Administrators administrating (or give themselves permission to) the Americas site from outside the US.

SERVICE LEVEL

Service Provider will classify incidents at its own discretion and will make commercially reasonable efforts to resolve incidents with service delivery.

In the event incidents cannot be resolved, Service Provider shall promptly notify Service Receiver and work together to try and resolve such incidents.

ADDITIONAL PRICING

Hourly Rate for Services Not Specified but Provided by Service Provider Employees (including but not limited to modifications, consulting, exit strategy development, transition, etc.) are documented below. Such services will be provided solely at the Service Provider's discretion. Service Provider is not obligated to provide additional services not specified in this agreement. The employee category is defined by the Service Provider. The rates documented below shall be commercially reasonable and designated by the Service Provider, closest to its current cost to provide the service. The hourly rates below include the 4.5% amount for inflation each year. These rates apply to internal Service Provider employees only, and should external resources be required, the costs for those external resources will be reviewed with the Service Receiver prior to execution of the project.

Additional Pricing Rates (All in USD)

<u>Location</u>	<u>Low</u>	<u>Medium</u>	<u>High</u>
USA	\$75	\$ 100	\$125
Greece	\$35	\$ 46	\$ 58
Mexico	\$19	\$ 25	\$ 31
Sweden	\$75	\$ 100	\$125

**SCHEDULE CB5
BASIC TIME AND MATERIALS SUPPORT**

Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Agreement. The Services provided hereunder are subject in all respects to the terms and conditions of the Agreement, except where expressly noted.

SERVICE OWNER

All service matters and general inquiries regarding this Service should be directed to:

Name	Title	Phone	e-mail
Service Provider's Contact			
Exelis Inc. Joe Daniel	TSA Manager		Joe.daniel@itt.com
Service Recipient's Contact			
Xylem Inc. Tim Coogan	TSA Manager		Tim.Coogan@itt.com

PARTIES TO THE AGREEMENT

Service Receiver: Exelis Inc.

Service Receiver: Xylem Inc.

GENERAL SERVICE DESCRIPTION

Service Receiver may need assistance after the Distribution Date from the Service Provider for miscellaneous services, including but not limited to consulting, advisory, knowledge transfer and other similar services in various areas including, but not limited to finance, tax, accounting, insurance, treasury, human resources and communications, which are not already provided for under all of the other TSAs between ITT Corporation, Xylem Inc., and Exelis Inc.

The Service Provider hereby agrees to cause its and its affiliates employees (collectively, "Experts") to provide a reasonable amount of services, including specifically the services listed in Appendix A, upon reasonable notice and request from the Service Receiver on a time and materials basis from the Distribution Date through June 30, 2013 (the "Minimum Term" and the "Maximum Term").

To utilize this TSA Schedule, employees of Service Receiver should request such services via email or telephonically where both parties have a clear expectation of the estimated number of hours of assistance being requested. For projects that are expected to require more than 5 to 10 hours of assistance a one or two paragraph project plan should be agreed to in order to avoid misunderstandings. The project plan should be put together by the Service Provider's "Expert" with respect to the requested services.

Employees of Service Receiver should advise their TSA manager that a request for services has been made together with a description of such services requested and the estimated number of hours requested.

The "Expert" should advise their TSA manager that a request for services has been made and the estimated number of hours requested.

SCOPE OF SERVICES

The scope of services will depend on the needs of the Service Recipient and the capabilities and availability of the Experts.

LOCATIONS

All locations around the world.

PREREQUISITES/DEPENDENCIES

The Experts remain employees of Service Provider. Service Receivers acknowledge and agree that Service Provider has discretion to terminate the Experts and the Experts have the ability to terminate their employment with Service Provider. In the event the Experts are no longer employed by Service Provider, Service Provider will, at the request of the Service Receiver, use commercially reasonable efforts to provide similar services. However, if Service Receivers or an affiliate employ any of the Experts, the specific service requested under this Schedule can be terminated by the Service Provider, at the Service Provider's sole discretion on 5 business days notice to the Service Receiver.

TAX STATUS

Sales tax will be charged as determined by the Service Provider and the Service Receiver shall pay such tax along with the payment for the service provided.

BILLING LOCATION

Service Provider will provide Service Receiver with an invoice to its address set forth below under Notice Requirements, except in cases where services are provided outside of the United States, in which case invoices will be created by the Service Provider's legal entity in the country where the services are being performed and invoiced to the Service Receiver's legal entity that requested the services in the Service Provider's local currency. The bill will cover all charges for services under this Schedule from Service Provider and, to the extent reasonably feasible, will be itemized among Service Receiver's legal entities if identified by the Service Receiver when requesting the service. The invoice will contain the number of hours each Expert worked, a short paragraph describing the services and the US dollar amount per Expert.

The Experts shall track their time on either a time sheet or any other proper method such as the utilizing the time sheet attached hereto and Service Provider agrees that the time sheets will accompany the invoice that is sent to the Service Recipient for payment. In cases where the requested services are expected to take longer than 30 days to complete, the Service Provider will be allowed to invoice the Service Receiver once per month for all costs incurred to date.

NOTICE REQUIREMENTS

No notice of Termination is required under this Schedule and there shall be no make-whole fee under this Schedule

Notices and bills to the Service Provider should be sent to:

Exelis Inc.
1650 Tysons Boulevard
Suite 1700
McLean, VA 22102
Attention: Joe Daniel

Notices and bills to the Service Receiver should be sent to:

Xylem Inc.
1133 Westchester Avenue
Suite 2000
White Plains, NY 10604
Attention: Tim Coogan

PRICING

In addition to the costs specifically set forth below, Service Receivers shall also pay all business travel expenses relating to the Services in accordance with Service Providers documented travel policies and any incremental out of pocket costs incurred by the Service Provider in order to provide the requested services that are invoiced by unaffiliated 3rd parties. Service Provider agrees to provide vendor invoices as backup to the Service Receiver when invoicing the Service Receiver under the terms of this TSA.

The hourly rates below includes a 4.5% increase for inflation and the 2% profit margin and shall be applicable in 2011 and 2012. The rates shall increase by 4.5% in 2013.

Service	Hourly Rate*
Hourly Rate Administrative/Secretarial	\$50 per hour
Hourly Rate for a Non Executive	\$100 per hour
Hourly Rate for an Executive	\$150 per hour

* Note: In cases where invoicing is done outside the United States, the above rates should be converted to local currency based on the exchange rate on the date the invoice is prepared.

The pricing for the services described in Annex A will be as set forth in Appendix A.



Due Diligence Manager Software Application

Draft Base Statement of Work

Version 1.0 Draft

September 20, 2011

Draft Base Statement of Work

Table of Contents

1 Scope	3
2 Technical Support Requirements	3
<i>2.1 Routine Application Maintenance</i>	3
2.1.1 Routine Tasks	3
2.1.2 Outages	3
<i>2.2 Change and Improvement Process</i>	4
2.2.1 Change Request Analysis	4
2.2.2 Change Request Processing	4
<i>2.3 Testing</i>	4
3 Deliverables	4
4 Training and Support	4
5 Place of Performance	5
6 Period of Performance	5
7 Project Management	5
8 Labor Categories and Rates	5

Draft Base Statement of Work

1 Scope

The software application — Due Diligence Manager (DDM) — is a web-based, data-driven software application that provides the ITT Due Diligence staff with the capabilities that directly support the due diligence process. The SOW describes approach for identifying, scoping, estimating, developing, testing, deploying, and maintaining the software and application operation of the DDM application.

This document describes the requirements for maintaining and modifying the ITT Due Diligence Manager software application, including the underlying database.

2 Technical Support Requirements

2.1 Routine Application Maintenance

ITT AIS Development Staff will perform all routine application software maintenance tasks to ensure that the DDM software application is available to the user community on a continuous basis.

2.1.1 Routine Tasks

ITT AIS Development Staff will periodically identify and correct latent issues discovered during normal operations. These tasks include Application Server settings, configuration, software upgrades and patches. These tasks are typically background and housekeeping tasks that should not affect active users.

2.1.2 Outages

In the event of a failure (outage, defined as non-availability of DDM application software functionality), the develop staff will make every attempt to restore software availability.

For software-related outages, ITT AIS Development Staff will investigate the reported issue, determine the cause, correct the issue source, deploy a corrective update, verify the correction, and notify the issue initiator of the resolution.

Outages that are not immediately identifiable as due to a DDM software issue, must be directed to the ITT organization's IT data center help desk, who will initiate a support ticket and process that ticket to resolve the issue based on internal processes defined by that organization. ITT AIS Development Staff will support that effort to determine the source of the outage.

Draft Base Statement of Work

2.2 Change and Improvement Process

Requests for modifying the design, functionality or configuration of the DDM software application shall be presented to the development staff by the user community through a change request document.

2.2.1 Change Request Analysis

The ITT AIS development staff will review each request and develop an estimate for the level of effort required to implement the requested change. This activity may include dialogue with the initiating organization in order to ensure understanding of the objectives and outcomes of the requested change.

2.2.2 Change Request Processing

ITT AIS staff will process the final RFC proposal through internal contracting offices, ultimately to be released to the requesting activity as a proposal for implementing the final change request. Once the requesting organization approves a proposal and the requisite contractual documentation is finalized, ITT AIS development staff will schedule and execute the finalized change request. Once the change is completed, ITT AIS will deploy the change to the live DDM server for review by the requesting organization. After completing a comprehensive review of the deployed application software change, and after providing ITT AIS Development Staff with approval ITT AIS Development Staff will close the change request by initiating a contract closure letter to the requesting organization.

2.3 Testing

Prior to deployment of all requested and approved changes, DDM software changes will be thoroughly tested using ITT AIS Development Staff's internal test process. The test objectives, steps, and results will be documented in an appropriate format to ensure that testing has been conducted and that any resultant software bugs have been resolved.

3 Deliverables

For Change Requests that impact the DDM User Guide or DDM Administrator Guide ITT AIS Development Staff will update the affected documentation and release to the requesting organization an update in pdf format.

4 Training and Support

For Change Requests that include signification changes where training on new features and functionality are requested as part of the Change Request, ITT AIS Development Staff will schedule and conduct an on-line training course to cover the

Draft Base Statement of Work

areas affected. Training will be addressed and included in the proposal for each Change Request as needed.

If requested, the ITT AIS Development Staff will provide technical training to ITT's IT staff for further support and build-out the DDM application source code and application web server. This support will be estimated and quoted through the same process described above for change requests.

5 Place of Performance

All development tasks will be performed at ITT AIS site in Chesapeake, VA.

6 Period of Performance

The proposed project schedule will be provided on a case by case basis. The final schedule will be updated once the project is accepted by the requesting organization.

7 Project Management

ITT AIS Development Staff will identify DDM project manager who will be responsible for ensuring that the agreed-upon tasks identified in the final accepted proposal are scheduled, tracked, and completed in accordance with the project schedule. Any issues affecting cost, schedule, or technical performance will be brought to the attention of the client as soon as possible for resolution.

8 Labor Categories and Rates

Labor categories to be applied to tasks under this SOW are listed below. These rates are estimates. Each task order will require a formal quote issued by ITT AIS Contracts Office based on the level of effort estimates as described in paragraph 2.2.

Labor Category	Estimated Labor Rate
Project Manager	Cost Plus 2% -10%
Sr. Software Engineer	Cost Plus 2% -10%
Software Engineer	Cost Plus 2% -10%

SCHEDULE D

Fiscal Calendar

2011

JANUARY							APRIL							JULY							OCTOBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1																					
2	3	4	5	6	7	8	3	4	5	6	7	8	9	3	4	5	6	7	8	9	3	4	5	6	7	8	9
9	10	11	12	13	14	15	10	11	12	13	14	15	16	10	11	12	13	14	15	16	10	11	12	13	14	15	16
16	17	18	19	20	21	22	17	18	19	20	21	22	23	17	18	19	20	21	22	23	17	18	19	20	21	22	23
23	24	25	26	27	28	29	24	25	26	27	28	29	30	24	25	26	27	28	29	30	23	24	25	26	27	28	29

FEBRUARY							MAY							AUGUST							NOVEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
30	31	1	2	3	4	5	1	2	3	4	5	6	7	31	1	2	3	4	5	6	30	31	1	2	3	4	5
6	7	8	9	10	11	12	8	9	10	11	12	13	14	7	8	9	10	11	12	13	6	7	8	9	10	11	12
13	14	15	16	17	18	19	15	16	17	18	19	20	21	14	15	16	17	18	19	20	13	14	15	16	17	18	19
20	21	22	23	24	25	26	22	23	24	25	26	27	28	21	22	23	24	25	26	27	20	21	22	23	24	25	26

MARCH							JUNE							SEPTEMBER							DECEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
27	28	1	2	3	4	5	29	30	31	1	2	3	4	28	29	30	31	1	2	3	27	28	29	30	1	2	3
6	7	8	9	10	11	12	5	6	7	8	9	10	11	4	5	6	7	8	9	10	4	5	6	7	8	9	10
13	14	15	16	17	18	19	12	13	14	15	16	17	18	11	12	13	14	15	16	17	11	12	13	14	15	16	17
20	21	22	23	24	25	26	19	20	21	22	23	24	25	18	19	20	21	22	23	24	18	19	20	21	22	23	24
27	28	29	30	31	1	2	26	27	28	29	30	1	2	25	26	27	28	29	30	1	25	26	27	28	29	30	31

2012

JANUARY							APRIL							JULY							OCTOBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	1	2	3	4	5	6	7	1	2	3	4	5	6	7	30	1	2	3	4	5	6
8	9	10	11	12	13	14	8	9	10	11	12	13	14	8	9	10	11	12	13	14	7	8	9	10	11	12	13
15	16	17	18	19	20	21	15	16	17	18	19	20	21	15	16	17	18	19	20	21	14	15	16	17	18	19	20
22	23	24	25	26	27	28	22	23	24	25	26	27	28	22	23	24	25	26	27	28	21	22	23	24	25	26	27

FEBRUARY							MAY							AUGUST							NOVEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
29	30	31	1	2	3	4	29	30	1	2	3	4	5	29	30	31	1	2	3	4	28	29	30	31	1	2	3
5	6	7	8	9	10	11	6	7	8	9	10	11	12	5	6	7	8	9	10	11	4	5	6	7	8	9	10
12	13	14	15	16	17	18	13	14	15	16	17	18	19	12	13	14	15	16	17	18	11	12	13	14	15	16	17
19	20	21	22	23	24	25	20	21	22	23	24	25	26	19	20	21	22	23	24	25	18	19	20	21	22	23	24

MARCH							JUNE							SEPTEMBER							DECEMBER						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
26	27	28	29	1	2	3	27	28	29	30	31	1	2	26	27	28	29	30	31	1	25	26	27	28	29	30	1
4	5	6	7	8	9	10	3	4	5	6	7	8	9	2	3	4	5	6	7	8	2	3	4	5	6	7	8
11	12	13	14	15	16	17	10	11	12	13	14	15	16	9	10	11	12	13	14	15	9	10	11	12	13	14	15
18	19	20	21	22	23	24	17	18	19	20	21	22	23	16	17	18	19	20	21	22	16	17	18	19	20	21	22
25	26	27	28	29	30	31	24	25	26	27	28	29	30	23	24	25	26	27	28	29	23	24	25	26	27	28	29

2013

JANUARY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26

APRIL						
S	M	T	W	T	F	S
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27

JULY						
S	M	T	W	T	F	S
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27

OCTOBER						
S	M	T	W	T	F	S
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26

FEBRUARY						
S	M	T	W	T	F	S
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23

MAY						
S	M	T	W	T	F	S
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25

AUGUST						
S	M	T	W	T	F	S
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24

NOVEMBER						
S	M	T	W	T	F	S
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23

MARCH						
S	M	T	W	T	F	S
24	25	26	27	28	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

JUNE						
S	M	T	W	T	F	S
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

SEPTEMBER						
S	M	T	W	T	F	S
25	26	27	28	29	30	31
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

DECEMBER						
S	M	T	W	T	F	S
24	25	26	27	28	29	30
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

SCHEDULE E

The initial TSA Managers for ITT Corporation, Exelis Inc. and Xylem Inc. shall be Daryl Bowker, Joseph Daniel and Tim Coogan, respectively.

Annex A
Severance and Retention Schedule

1. Payroll TSA = Payroll Processor, Cost, ITT 33.3%, Exelis 33.3%, Xylem 33.3%.
2. Payroll TSA = Payroll Processor, Cost, ITT 33.3%, Exelis 33.3%, Xylem 33.3%.
3. AP TSA = AP Processor, Cost, 100% Exelis.
4. AP TSA, PRMS TSA, PAYROLL TSA, eBUYITT TSA, TELECOM TSA, PCARD TSA = Project Manager, Cost, ITT 33.3%, Exelis 33.3%, Xylem 33.3%.
5. DATA CUSTODIAN TSA = Data Custodial Analyst, Cost, 100% Exelis.
6. DATA CUSTODIAN TSA = Data Custodial Lead, Cost, 100% Exelis.
7. AP TSA, PRMS TSA, PAYROLL TSA, eBUYITT TSA, TELECOM TSA, PCARD TSA = Business Analyst, Cost, ITT 33.3%, Exelis 33.3%, Xylem 33.3%.
8. AP TSA, PRMS TSA, PAYROLL TSA, eBUYITT TSA, TELECOM TSA, PCARD TSA = Business Analyst, Cost, ITT 33.3%, Exelis 33.3%, Xylem 33.3%.
9. Nogales Services TSA = General Accounting Manager Cost, Xylem 100%
10. Nogales Services TSA = Payroll Accountant, Cost, Xylem 100%

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT (this "Lease"), made as of the ____ day of ____, 2011, between each of the landlords (each a "Landlord") identified on Schedule I attached hereto and made a part hereof and each of the tenants (each a "Tenant") identified on Schedule I.

W I T N E S S E T H:

WHEREAS, ITT Corporation ("ITT") and certain of its subsidiaries have entered into a Distribution Agreement dated on or about the date hereof (the "Distribution Agreement");

WHEREAS, the board of directors of ITT has determined that it is appropriate, desirable and in the best interests of ITT, ITT's stockholders and its other constituents to separate the Water Business (as defined in the Distribution Agreement) and the Defense Business (as defined in the Distribution Agreement) from ITT pursuant to and in accordance with the Distribution Agreement;

WHEREAS, in connection with the separation of the Water Business and the Defense Business from ITT, ITT desires to transfer, and to cause certain of its subsidiaries to transfer, (i) certain Assets and Liabilities (as defined in the Distribution Agreement) associated with the Water Businesses, to the Water Group (as defined in the Distribution Agreement), and (ii) certain Assets and Liabilities associated with the Defense Businesses, to the Defense Group (as defined in the Distribution Agreement); and

WHEREAS, in connection therewith, each of ITT and Xylem Inc. desire that certain members of the ITT Group (as defined in the Distribution Agreement) and Water Group (as defined in the Distribution Agreement), as applicable, lease certain real property to certain other members of such Groups, as more fully set forth herein.

NOW, THEREFORE, the parties hereto, for themselves, their heirs, distributees, executors, administrators, legal representatives, successors and assigns, hereby covenant as follows:

1. PREMISES

1.1 Each Landlord, in consideration of the rents herein reserved and of the terms, provisions, covenants and agreements on the part of each Tenant to be kept, observed and performed, does hereby lease and demise unto each Tenant, and each Tenant does hereby hire and take from each Landlord, the premises ("Premises") more particularly described in Exhibit L attached hereto and made a part hereof located in the building ("Building") identified on Schedule I described opposite the applicable Landlord's and Tenant's name.

1.2 All references herein to "Landlord" and "Tenant" shall apply to each Landlord and Tenant identified on Schedule I and all references herein to "Premises", "Term", "Expiration Date", and "Rent", shall apply to each Landlord and Tenant in accordance with the

corresponding material terms set forth in Exhibit L applicable to such parties' Premises. In the event of any inconsistencies or conflicts between the terms of provisions of this Lease and the material terms set forth in Exhibit L, the material terms set forth in Exhibit L shall control.

TO HAVE AND TO HOLD the Premises for the term, at the rent and upon the conditions hereinafter provided.

2. TERM AND POSSESSION

The term of this Lease shall commence on the date identified on Exhibit L (the "Commencement Date") and shall be for the period set forth on Exhibit L (the "Term"), unless renewed or sooner terminated pursuant to any provision set forth herein (the "Expiration Date"), unless terminated earlier as provided in this Lease.

3. RENT

3.1 Tenant shall pay to Landlord as rent (the "Rent") for the Premises during Term the Rent identified on Exhibit L.

3.2 The Rent shall be payable in equal monthly installments within five (5) days of the first day of each and every month during the Term, without previous demand therefor and without offset or deduction of any kind whatsoever, except as herein specifically set forth. Notwithstanding the foregoing, Tenant shall pay the first month's installment of Rent within five (5) days of the execution of this Lease and, if the Commencement Date occurs on other than the first day of a calendar month, Tenant shall pay its pro rata share of Rent for such calendar month.

3.3 All Rent payable hereunder shall be made payable to Landlord and sent to Landlord's address set forth on the corresponding Exhibit L, or to such other person or persons or at such other place as may be designated by written notice from Landlord to Tenant, from time to time, and shall be made in local currency in which the Premises is located (or as otherwise agreed to by Landlord and Tenant in writing) which shall be legal tender for all debts, public and private. At Tenant's option, Rent may be payable when due by wire transfer or other payment of immediately available funds to an account designated from time to time by Landlord. Landlord shall be deemed to receive such payments when Landlord's bank actually receives the wire transfer from Tenant's bank for the account of Landlord.

3.4 Tenant shall remain obligated under this Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Lease except as expressly permitted in this Lease, notwithstanding any action for bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Landlord or any assignee of Landlord or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court. Except as expressly set forth herein, Tenant hereby waives all right (i) to terminate this Lease, or (ii) to surrender this Lease, or (iii) to any abatement, deferment, reduction, set-off, counterclaim or defense with respect to any Rent payable hereunder. Except as expressly set forth herein, Tenant shall remain obligated under this Lease in accordance with its terms and Tenant hereby waives any and all rights now or hereafter conferred by statute or otherwise to modify or to avoid strict compliance with its obligations under this Lease. Notwithstanding any such statute or otherwise, Tenant shall be bound by all the terms and provisions contained in this Lease.

4. INTENTIONALLY OMITTED

5. USE OF PREMISES

5.1 Tenant shall use and occupy the Premises for the same purposes and in the same manner as used immediately prior to the Commencement Date. Any proposed change of use of the Premises by Tenant must be approved by Landlord in writing, which may be granted or denied, in Landlord's sole discretion.

6. CONDITION OF PREMISES, ALTERATIONS AND REPAIRS

6.1 Except as otherwise set forth herein, Tenant agrees to accept the Premises in its present "as is" condition, and Landlord makes no representation as to the condition of the Premises, except as otherwise set forth herein. Landlord represents and warrants to Tenant that: (i) Landlord is the owner of fee simple title to the Premises and all improvements located thereon, (ii) the certificate of occupancy for the Premises permits the uses conducted at the Premises as of the Commencement Date; and (iii) to Landlord's knowledge, as of the Commencement Date, the Premises are in compliance with all applicable laws, statutes, ordinances, regulations, orders, and requirements, including without limitation, the Americans with Disabilities Act (as amended). If during the course of any Alterations done by Tenant, Tenant discovers any structural defects or conditions that will prevent Tenant from performing Tenant's Alterations pursuant to Tenant's approved plans or if Tenant discovers any condition which is a breach of any representation of Landlord set forth in this Lease that will prevent Tenant from performing Tenant's Alterations pursuant to Tenant's approved plans (if any), Tenant shall give Landlord notice of the same. Landlord at its option, may choose to cure the same within thirty (30) days after notice from Tenant. In the event that Landlord does not cure or commence to cure and is diligently prosecuting such cure, within such thirty (30) day period, Tenant may cure such condition at Landlord's cost and expense. Landlord shall reimburse Tenant for Tenant's actual out-of-pocket expenses incurred in curing any such defective condition within thirty (30) days following Landlord's receipt of Tenant's demand therefore. Notwithstanding anything set forth herein to the contrary, in no event shall Tenant be deemed to be prevented from performing any approved Alterations if there is a commercially reasonable alternative that will not be prevented by any structural defect.

6.2 Landlord, at its sole cost and expense, shall make any Landlord Repairs. When used in this Section, the term "Landlord Repairs" shall mean capital repairs and replacements to the Premises, including, without limitation, repairs and replacements to the roof, floors, foundation, exterior walls, structural components, existing parking lots, adjoining sidewalks and curbs, if any, and shall perform all maintenance, necessary to maintain the Premises and any sidewalks and curbs in substantially the same condition and repair as existed as of the date hereof, ordinary wear and tear excepted or existing walkways of the Premises, and HVAC, plumbing and electrical systems or other mechanical systems of the Building. Notwithstanding anything set forth herein to the contrary, any Landlord Repairs required by the negligence or misconduct of Tenant and/or its employees, agents or invitees shall be performed by Landlord at Tenant's sole cost and expense, less any insurance proceeds actually received by Landlord, net all of Landlord's costs and expenses associated with any such insurance claims.

6.3 Except as expressly set forth herein, Tenant shall have no right to make any changes, alterations, additions, improvements or repairs in or to the interior of the Premises

without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion.

6.4 Landlord and Tenant shall cooperate and mutually agree upon any Separation Work (as herein defined) as may be reasonably necessary to lease the Premises to Tenant. Subject to any required Landlord approvals, Tenant shall use commercially reasonable efforts to physically demise and separate the Premises, but only to the extent Landlord and Tenant have mutually agreed upon any required Separation Work, from the remaining portion of Premises (the "Remaining Portion") at Tenant's sole cost and expense. Such demising and separation work is referred to herein as the "Separation Work." The Separation Work shall include the following, as required and applicable: (i) installation of one or more code-compliant sheetrock demising walls between the Remaining Portion and the Premises or such other demising and partition materials as shall be reasonably sufficient to separate the Premises from the Remaining Portion, finished to match the wall finishes on the Premises to the extent practicable; and (ii) any reconfiguration of HVAC distribution, sprinkler system distribution, electrical outlets, and lighting necessary as a consequence of installation of such demising wall(s). All Separation Work must comply with all applicable fire, safety, health, and building codes provided, however, it shall not be a default hereunder if Tenant does not commence or complete the Separation Work on or before the Commencement Date.

7. INSURANCE

7.1 Throughout the Term, Tenant shall, at its own cost and expense, provide and keep in force, for the benefit of Landlord, Tenant and any mortgagee or lessor of a Superior Lease, (a) general public liability insurance protecting and indemnifying Landlord, Tenant and any mortgagee and lessor of a Superior Lease against all third party claims for damages to person or property or for loss of life or of property occurring upon, in, or about the Premises, if any, in limits of at least \$2,000,000 combined single limit per occurrence for bodily injury, death and property damage, \$5,000,000 in the aggregate per policy year or such greater limits as may be required from time to time by any mortgagee or lessor of a Superior Lease or as may be reasonably required from time to time by Landlord consistent with insurance coverage on properties similarly constructed, occupied and maintained, and (b) Worker's Compensation insurance (including Employers' Liability Insurance) covering all employees of the Tenant employed at the Premises to the extent required by the laws and statutes of the State in which the Premises are located, including, without limitation, during the course of work to the Premises so as to protect Landlord, Tenant and the Premises against all worker's compensation claims (collectively, "Tenant's Required Insurance"). Throughout the Term, Landlord, at Tenant's sole cost and expense, shall provide and keep in force for the benefit of Landlord and Tenant and any mortgagee or lessor of a Superior Lease (a) property/fire, and casualty insurance in respect of the Premises and all installations, additions and improvements which may now or hereafter be erected thereon, insuring against loss or damage by fire, water, lightning and such other risks as are now or hereafter embraced by "all-risk", in an amount sufficient to prevent Landlord and Tenant from becoming coinsurers and in any event in an amount not less than one hundred percent (100%) of the actual replacement value thereof (i.e., including the cost of debris removal but excluding foundations and excavations) as reasonably determined by Landlord from time to time; and (b) boiler insurance, if applicable, in an amount not less than one hundred percent (100%) of the actual replacement value thereof (including the cost of debris removal but

excluding foundations and excavations) as reasonably determined by Landlord from time to time (collectively, “Landlord’s Required Insurance”).

7.2 Landlord shall be an additional insured in all Tenant’s Required Insurance (other than Workers’ Compensation insurance) and Tenant shall be an additional insured in all Landlord’s Required Insurance. In the event that the Premises shall be subject to any mortgage or Superior Lease, the public liability insurance shall, if required by such mortgage or Superior Lease, name the mortgagee and lessor of a Superior Lease as additional named insureds and all other insurance provided hereunder shall name the mortgagee as an additional named insured under a standard “noncontributory mortgagee” endorsement or its equivalent. Tenant shall provide Landlord copies of any policies or certificates evidencing the Tenant’s Required Insurance. Landlord shall provide Tenant copies of any policies or certificates evidencing the Landlord’s Required Insurance. Both Tenant’s Required Insurance and Landlord’s Required Insurance shall contain endorsements to the effect that such policies will not be materially changed, modified, altered or cancelled without at least thirty (30) days’ prior written notice to other party.

7.3 All of the above-mentioned insurance policies and/or certificates shall be written by insurance companies of recognized responsibility, licensed to do business in the state or jurisdiction where the Premises are located, which are reasonably satisfactory to Landlord or Tenant, as applicable, and well rated by national rating organizations.

7.4 At least thirty (30) days prior to the expiration of any policy or policies of such insurance, the responsible party shall renew such insurance, and shall deliver to the other party within the said period of time, copies of such policies or certificates of insurance, together with proof of payment of all premiums therefor. If Tenant fails to renew such insurance at least three (3) days prior to the expiration of any policy or policies of such insurance, Landlord shall have the right, but not the obligation, without waiving or releasing Tenant from any obligation, to procure Tenant’s Required Insurance at Tenant’s cost and expense and the cost thereof shall be payable on demand as Rent, together with interest thereon at the rate equal to lesser of ten percent (10%) per annum and the highest rate permitted by law (the “Applicable Rate”).

7.5 Neither party shall violate, or permit to be violated, any of the conditions of any of the said policies of insurance, and each party shall perform and satisfy the requirements of the companies writing such policies so that companies of good standing, reasonably satisfactory to the other party, shall be willing to write and/or continue such insurance.

7.6 At the option of either party, the Tenant’s Required Insurance or the Landlord’s Required Insurance, as applicable, may be effected by blanket and/or umbrella policies covering the Premises and other properties owned or leased by Tenant or owned by Landlord, respectively, provided that the policies otherwise comply with the provisions of this Lease and allocate to the Premises the specified coverage, without coinsurance by reason of, or damage to, any other property named therein, and if the insurance required by this Lease shall be effected by any such blanket or umbrella policies, each party shall furnish to the other party certified copies or duplicate originals of such policies in place of the originals, with schedules thereto attached showing the amount of insurance afforded by such policies applicable to the Premises, but not necessarily reflect the entire limit for the Tenant, but only for the portion applicable to the Premises.

7.7 Tenant hereby releases Landlord with respect to any claim (including a claim for negligence) which it might otherwise have against Landlord for loss, damages or destruction with respect to its property by fire or other peril (including rental value or business interest, as the case may be) occurring during the Term. This waiver of subrogation and release shall extend to the agents of Landlord and its employees.

8. DAMAGE OR DESTRUCTION

8.1 Insured Casualty. If, at any time after the execution of this Lease, the Premises, or any portion thereof, should be damaged or destroyed by any casualty insured or required to be insured hereunder by Landlord's Required Insurance, the following provisions shall govern the rights and obligations of Landlord and Tenant:

i. If such damage or destruction occurs and is to the extent of twenty-five percent (25%) or more of the then current replacement cost of the Improvements, Landlord or Tenant may elect to terminate this Lease by giving at least fifteen (15) days written notice of its said election to the other party, such notice to be given within thirty (30) days after the date of such damage or destruction. If neither Landlord nor Tenant shall elect to terminate this Lease, Landlord shall repair, reconstruct or restore the Demised Premises in accordance with the provisions of subparagraph ii, below.

ii. Except as provided in subparagraph (i) above, in the event the Demised Premises, or any portion thereof, should be damaged or destroyed by any casualty insured or required to be insured hereunder by Landlord's Required Insurance, this Lease shall nevertheless continue in full force and effect (except as otherwise herein provided) and Landlord shall promptly commence and with due diligence complete the repair, reconstruction or restoration of the Demised Premises so far as practicable to the condition in which the Premises were immediately prior to such damage or destruction.

8.2 Uninsured Casualty. If at any time after the execution of this Lease, the Demised Premises, or any portion thereof, should be damaged or destroyed by any casualty not required on the part of the Landlord to be insured against hereunder and such damage or destruction is to the extent of twenty-five percent (25%) or more of the then current replacement cost of the Improvements, Landlord or Tenant may elect to terminate this Lease by giving at least fifteen (15) days written notice of its said election to the other party, such notice to be given within thirty (30) days after the date of such damage or destruction. If at any time after the execution of this Lease the improvements on the Demised Premises or any portion thereof should be damaged or destroyed by any casualty not required on the part of the Landlord to be insured against hereunder and Landlord or Tenant has not elected to terminate this Lease as provided herein, then Landlord shall repair, reconstruct or restore the Demised Premises. If Landlord elects to repair, reconstruct or restore the Demised Premises after such damage or destruction thereto, this Lease shall continue in full force and effect (except as otherwise herein provided) and Landlord shall promptly commence and with due diligence complete the repair, reconstruction or restoration of the Demised Premises so far as practicable to the condition to which the Demised Premises were immediately prior to such damage or destruction. If Landlord fails to make such election, then this Lease shall be deemed terminated as of the date of such damage or destruction,

and all amounts paid or payable by Tenant to Landlord shall, where applicable, be prorated between Landlord and Tenant.

8.3 Abatement of Rent. Tenant agrees at all times after any damage to or destruction of the improvement on the Demised Premises, or any portion thereof, to continue the operation of its business therein to the extent practicable from the standpoint of good business, and in the event Landlord is required or elects to make any repairs, reconstruction or restoration of any damage or destruction to the Demised Premises under any of the provisions of this Paragraph, Tenant shall not be entitled to any damages by reason of any inconvenience or loss sustained by Tenant as a result thereof. Provided that the damage or destruction was not caused in whole or in part by the negligence or misconduct of Tenant and/or its employees, agents or invitees, during the period commencing with the date of any such damage or destruction which Landlord is required or elects hereunder to repair, reconstruct or restore, and ending with the completion of such repairs, reconstruction or restoration, the Rent shall be proportionately abated in an amount equal to the proportion thereof which the number of square feet of gross floor area in the Demised Premises rendered untenable by Tenant (and is actually not used or occupied by Tenant) thereby bears to the total number of square feet of gross floor area in the Demised Premises immediately prior to such damage or destruction. Payment of the full amount of Rent and all other charges shall resume upon the completion of such work of repair, reconstruction or restoration.

8.4 Effect of Termination. In the event this Lease is terminated under any of the provisions of this Paragraph, such termination shall become effective at the time and in accordance with the respective provisions herein contained for the termination of this Lease; provided, however, that all rentals and other charges on the part of Tenant to be paid hereunder shall be prorated and paid either as of the date of such damage or destruction, or as of the date Tenant ceases doing any business in, upon or from the Demised Premises, whichever last occurs.

8.5 Anything contained herein to the contrary notwithstanding, any different procedure for the Restoration of the Premises or disbursement of insurance proceeds which may be required under any mortgage or Superior Lease (defined below) shall take precedence over and be in addition to any contrary procedure provided for in this Lease.

9. CONDEMNATION

9.1 If (a) the whole of the Premises shall be lawfully taken by condemnation or other eminent domain proceedings pursuant to any law, general or special, or (b) substantially all of the Premises (hereinafter defined) shall be taken in or by such proceedings, and within thirty (30) days after receipt from Landlord of a notice of a pending condemnation Tenant shall have given notice to Landlord of its intention to terminate this Lease if such taking is effected, this Lease shall terminate, in the case of a taking of the whole of the Premises, on the date of such taking, and, in the case of the taking of substantially all of the Premises on the first Rent payment date occurring not less than thirty (30) days after such taking. All Rent required to be paid by Tenant under this Lease shall be paid up to the date of such termination and upon such termination this Lease shall be of no further force and effect, except that any obligation or liability of either party, actual or contingent, under this Lease which has accrued on or prior to such termination date shall survive and any prepayment of Rent shall be prorated between the parties. For purposes of this Article "substantially all of the Premises" shall be deemed to mean such portion of the

Premises as, when so taken, would leave remaining a balance of the Premises which, due either to the area so taken or the location of the part so taken in relation to the part not so taken, would not under economic conditions, applicable zoning laws, building regulations then existing or prevailing, readily accommodate a new building or buildings of a nature similar to the Building existing at the date of such taking and after performance of all covenants, agreements, terms and provisions herein and by law provided to be performed and paid by Tenant. Tenant, in cooperation with Landlord, shall have the right to participate in any condemnation proceedings and be represented by counsel, at Tenant's sole cost, for the purpose of protecting its interests hereunder. Landlord agrees that it will not enter into any agreement with any condemning authority in settlement of or on the threat of any condemnation or other eminent domain proceeding affecting the Premises without the consent of Tenant, which consent shall not be unreasonably withheld or delayed.

9.2 If only a portion of the Premises shall be so taken and Section 9.1 does not apply, this Lease shall be unaffected by such taking, except that Rent payable by Tenant pursuant to the provisions of this Lease shall be equitably reduced to a just and appropriate amount according to the nature and extent of the taking.

9.3 Landlord shall be entitled to receive the entire award in any proceeding with respect to any taking provided for in this Article without deduction therefrom for any estate vested in Tenant by this Lease and Tenant shall receive no part of such award, except that, in the case of a partial taking which does not result in a termination of this Lease. Tenant hereby assigns to Landlord all of its right, title and interest in or to every such award. Nothing herein contained shall be deemed to prohibit Tenant from making a separate claim, to the extent permitted by law, for the value of Tenant's inventory, movable trade fixtures, machinery and moving expenses, provided that the making of such claim does not adversely affect or diminish Landlord's award.

9.4 In the event of any taking of the Premises which does not result in a termination of this Lease, Landlord at Landlord's expense, subject to the provisions of Articles 6 and 8 and whether or not any award or awards shall be sufficient for the purpose, shall proceed with reasonable diligence to repair, alter and restore the remaining parts of the Premises to substantially the condition existing immediately prior to the date of taking to the extent that the same may be feasible and so as to constitute a complete and tenantable Premises. If the proceeds of such award or awards are not sufficient to pay the full cost thereof, Landlord shall pay such deficit.

9.5 Anything contained herein to the contrary notwithstanding, any different procedure for the Restoration of the Premises or disbursement of proceeds which may be required under any mortgage or Superior Lease shall take precedence over and be in addition to any contrary procedure provided for in this Lease.

9.6 In case of any governmental action, not resulting in the taking or condemnation of any portion of the Premises but creating a right to compensation therefor, such as the changing of the grade of any street upon which the Premises abut, this Lease shall continue in full force and effect without reduction or abatement of Rent and the award shall be paid to Landlord, provided such action does not have a material adverse effect on Tenant's use and occupancy of the Premises.

10. ASSIGNMENT AND SUBLETTING

10.1 Tenant shall not, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, assign, mortgage, pledge or encumber this Lease, or underlet or suffer or permit all or any part of the Premises to be used or occupied by others, without the prior written consent of Landlord, such consent not to be unreasonably withheld, conditioned or delayed, in each instance. Neither party shall sublease, license or otherwise permit the occupancy of any portion of the Building or Premises to a competitor of the other party. Notwithstanding any of the foregoing, without the consent of Landlord, Tenant may assign or sublease this Lease to any "Affiliate," as defined herein; provided, however, that (i) Tenant provides Landlord at least thirty (30) days prior written notice of such assignment or sublease and (ii) Tenant and any such Affiliate both remain jointly and severally liable for all obligations and liabilities under this Lease. "Affiliate" shall mean (i) Tenant's parent or any other entity that is wholly owned by Tenant, or under common control with Tenant; (ii) any entity acquiring all or substantially all of the Tenant's assets or stock; or (iii) any successor entity to Tenant following a merger, provided, in each instance, such assignee or sublessee is not a competitor of Landlord, as determined by Landlord in Landlord's reasonable judgment.

11. SUBORDINATION

11.1 Subject to the provisions of Section 11.3 below, all rights and interests of Tenant under this Lease are subject, subordinate and inferior to all existing and future superior ground or underlying leases (a "Superior Lease") and mortgages encumbering the Premises or any part thereof, and to all renewals, modifications, consolidations, replacements and extensions of any such Superior Leases and mortgages. The right of the holder of any such Superior Lease or mortgage shall at all times be and remain prior and superior to all rights and interest of Tenant. This provision shall constitute a self-operative subordination agreement with respect to all such Superior Leases and mortgages and all renewals, modifications, consolidations, replacements and extensions thereof. If the holder of any such Superior Lease or mortgage shall require confirmation of any subordination or a separate subordination agreement, Tenant shall execute such confirmation or subordination agreement, within ten (10) days of Landlord's request, in the form required by the lessor under such Superior Lease or holder of such mortgage, as applicable, and reasonably satisfactory to Tenant; provided, however, such subordination shall be upon the express condition that the validity of the Lease shall be recognized by the mortgagee, and that, notwithstanding any default by the mortgagor with respect to said mortgage or any foreclosure thereof, Tenant's possession and right of use under this Lease in and to the Premises shall not be disturbed by such mortgagee unless and until Tenant shall breach any of the provisions hereof and this Lease or Tenant's right to possession hereunder shall have been terminated in accordance with the provisions of this Lease.

11.2 In the event any proceedings are brought for the foreclosure of, or in the event of exercise of power of sale under, any first mortgage covering Landlord's interest in the Premises, and such holder takes possession of the Premises, either as the result of foreclosure of such mortgage or by accepting a deed to the Premises in lieu of foreclosure, or the Premises shall be purchased at such a foreclosure by a third party, and such holder or third party shall furnish Tenant satisfactory evidence that it has acquired title to the Premises subject to no liens or encumbrances superior to this Lease, other than taxes not yet due and payable, Tenant shall attorn to such holder or third party and recognize it as its landlord under this Lease, and such

holder or third party will in such event recognize and accept Tenant as its tenant hereunder, whereupon this Lease shall continue in full force and effect as a direct lease between such holder or third party and Tenant for the term of this Lease and such holder or third party shall, henceforth, be subject to all of the terms of this Lease and perform all of the obligations of Landlord hereunder with the same force and effect as if it were originally named as Landlord hereunder; provided, however, that if conflicting claims should be made to the rent payable hereunder, Tenant shall have the right to institute an interpleader suit for the purpose of determining who is entitled to payment of such rent and to pay the rent in accordance with the judicial determination rendered in such proceeding.

11.3 At Tenant's request, Landlord further agrees that, it shall obtain a written non-disturbance and attornment agreement from any current or future mortgagee, lienholder, trustee or encumbrancer whose interest shall be prior to this Lease as of the Commencement Date and Landlord shall furnish Tenant with a copy of such agreement. Said non-disturbance agreement shall expressly provide, inter alia, that (i) the parties thereto are executing such agreement for the benefit of Tenant herein; and (ii) so long as Tenant shall be not then in default under this Lease, no action or proceeding shall be taken at any time during the lease term or any extension thereof, which shall disturb Tenant's possession, quiet enjoyment, or any other beneficial use of the demised premises as provided for in this Lease. The subordination of Tenant's interest hereunder to any mortgage or Superior Lease shall be expressly conditioned upon Tenant's receipt of such non-disturbance agreement.

11.4 Landlord represents and warrants to Tenant that there is no mortgage or Superior Lease affecting the Premises as of the date hereof.

12. OBLIGATIONS OF TENANT

12.1 Tenant shall promptly comply, in all material respects, with all laws, ordinances, orders, rules, regulations, and requirements or requests of all Federal, state, municipal or other governmental or quasi-governmental authorities or bodies then having jurisdiction over the Premises (or any part thereof) applicable to the use and occupation thereof by Tenant, of every nature and kind (each, a "Requirement"), and Tenant shall so perform and comply, whether or not such laws, ordinances, orders, rules, regulations or requirements shall now exist or shall hereafter be enacted or promulgated and whether or not the same may be said to be within the present contemplation of the parties hereto; provided, however, that Tenant is under no obligation to remedy or to render compliant any violations of applicable laws or Requirements, now existing or hereafter promulgated, applicable to the Premises, unless and to the extent such violation or non-compliance is a result of Tenant's particular use of the Premises. Except to the extent the same is Tenant's responsibility hereunder, Landlord shall comply in all material respects with all Requirements applicable to the ownership of the Premises.

12.2 Tenant agrees to give Landlord notice of any law, ordinance, rule, regulation or requirement enacted, passed, promulgated, made, issued or adopted after the Commencement Date by any of the governmental departments or agencies or authorities hereinbefore mentioned affecting the Premises or Tenant's use thereof, a copy of which is served upon or received by Tenant, or a copy of which is posted on, or fastened or attached to the Premises, or otherwise brought to the attention of Tenant, by mailing within five (5) business days after such service, receipt, posting, fastening or attaching or after the same otherwise comes to the attention of

Tenant, a copy of each and every one thereof to Landlord. At the same time, Tenant will inform Landlord as to the Work which Landlord is required to do or take in order to comply therewith, provided, however if such Work is necessitated by Tenant's particular use of the Premises, Tenant shall notify Landlord as to the Work which Tenant proposes to do or take in order to comply therewith, subject to Landlord's reasonable approval. Notwithstanding the foregoing, however, if such Work would require any Alterations which would, in Landlord's opinion, reduce the value of the Premises or change the general character, design or use of the Building or other improvements thereon, and if Tenant does not desire to contest the same, Tenant shall, if Landlord so requests, defer compliance therewith in order that Landlord may, if Landlord wishes, contest or seek modification of or other relief with respect to such Requirements, but nothing herein shall relieve Tenant of the duty and obligation, at Tenant's expense, to comply with such Requirements, or such Requirements as modified, whenever Landlord shall so direct, provided, however, if Landlord's decision to defer such compliance materially disrupts Tenant's ability to operate its business in the manner historically operated, Tenant shall have the right to terminate this Lease upon ninety (90) days written notice to Landlord.

12.3 Landlord and Tenant shall defend, indemnify and save harmless each other, any partners or members of each other, any partners or members of any partners or members of each other and any officers, stockholders, directors or employees of any of the foregoing (collectively, "Indemnified Parties"), on an after-tax basis from (a) any and all liabilities, claims, causes of actions, suits, damages and expenses (collectively, "Claims") arising from (i) any work or thing whatsoever done, or any condition created in or about the Premises during the Term, (ii) any use, non-use, possession, occupation, Alteration, repair, condition, operation, management or maintenance of the Premises or any part thereof; (iii) any negligent or otherwise wrongful act or omission of Landlord or Tenant or any of their employees, agents, contractors or subcontractors, (iv) any accident, injury (including death) or damage to any person or property occurring in, on or about the Premises or any part thereof or in, on or about any street, alley, sidewalk, curb, vault, passageway, common area or space comprising a part thereof or adjacent thereto, and (v) any breach, violation or non-performance of any covenant, condition or agreement in this Lease to be fulfilled, kept, observed or performed by Landlord or Tenant; and (b) all costs, expenses and liabilities incurred, including, without limitation, reasonable attorney's fees and disbursements through and including appellate proceedings, in or in connection with any of such Claims. If any action or proceeding shall be brought against any of the Indemnified Parties by reason of any such Claims, Landlord or Tenant, as applicable, upon notice from any of the Indemnified Parties, shall resist and defend such action or proceeding, at its sole cost and expense by counsel chosen by the indemnifying party who shall be satisfactory to such Indemnified Party. The indemnifying party or its counsel shall keep each Indemnified Party fully apprised at all times of the status of such defense. Notwithstanding the foregoing, an Indemnified Party may retain its own attorneys to defend or assist in defending any claim, action or proceeding involving potential liability in excess of One Hundred Thousand Dollars (\$100,000), and the indemnifying party shall pay the reasonable fees and disbursements of such attorneys. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

12.4 If at any time prior to, or during the Term (or within the statutory period thereafter if attributable to Tenant), any mechanic's or other lien or order for payment of money, which shall have been either created by, caused (directly or indirectly) by, or suffered against Tenant, shall be filed against the Premises or any part thereof, Tenant, at its sole cost and expense, shall

cause the same to be discharged by payment, bonding or otherwise, as provided by law, within ten (10) business days after the filing thereof. Tenant shall, upon notice and request in writing by Landlord, defend for Landlord, at Tenant's sole cost and expense, any action or proceeding which may be brought on or for the enforcement of any such lien or order for payment of money, and will pay any damages and satisfy and discharge any judgment entered in such action or proceeding and save, indemnify and hold harmless Landlord, on an after tax basis from any liability, claim or damage resulting therefrom. In default of Tenant's procuring the discharge of any such lien as aforesaid Landlord may, without notice, and without prejudice to its other remedies hereunder, procure the discharge thereof by bonding or payment or otherwise, and all cost and expense which Landlord shall incur shall be paid by Tenant to Landlord as Rent forthwith.

12.5 LANDLORD SHALL NOT UNDER ANY CIRCUMSTANCES BE LIABLE TO PAY FOR ANY WORK, LABOR OR SERVICES RENDERED OR MATERIALS FURNISHED TO OR FOR THE ACCOUNT OF TENANT UPON OR IN CONNECTION WITH THE PREMISES, AND NO MECHANIC'S OR OTHER LIEN FOR SUCH WORK, LABOR OR SERVICES OR MATERIAL FURNISHED SHALL, UNDER ANY CIRCUMSTANCES, ATTACH TO OR AFFECT THE REVERSIONARY INTEREST OF LANDLORD IN AND TO THE PREMISES OR ANY ALTERATIONS, REPAIRS, OR IMPROVEMENTS TO BE ERECTED OR MADE THEREON. NOTHING CONTAINED IN THIS LEASE SHALL BE DEEMED OR CONSTRUED IN ANY WAY AS CONSTITUTING THE REQUEST OR CONSENT OF LANDLORD, EITHER EXPRESS OR IMPLIED, TO ANY CONTRACTOR, SUBCONTRACTOR, LABORER OR MATERIALMAN FOR THE PERFORMANCE OF ANY LABOR OR THE FURNISHING OF ANY MATERIALS FOR ANY SPECIFIC IMPROVEMENT, ALTERATION TO OR REPAIR OF THE PREMISES OR ANY PART THEREOF, NOR AS GIVING TENANT ANY RIGHT POWER OR AUTHORITY TO CONTRACT FOR OR PERMIT THE RENDERING OF ANY SERVICES OR THE FURNISHING OF ANY MATERIALS ON BEHALF OF LANDLORD THAT WOULD GIVE RISE TO THE FILING OF ANY LIEN AGAINST THE PREMISES.

12.6 Neither Landlord nor its agents shall be liable for any loss of or damage to the Premises of Tenant or others by reason of casualty, theft or otherwise, or for any injury or damage to persons or property resulting from any cause of whatsoever nature, unless caused by or due to the negligence or willful misconduct of Landlord, its agents, servants or employees.

12.7 Except as otherwise set forth on Exhibit L attached hereto, Landlord shall continue to deliver the same customary real estate related services to Tenant as Tenant had previously and customarily enjoyed prior to Commencement Date at levels substantially comparable to the level of services enjoyed by Tenant during the twelve (12) month period immediately preceding the Commencement Date.

13. DEFAULT BY TENANT

13.1 Each of the following shall be deemed an event of default (an "Event of Default") and a breach of this Lease by Tenant:

A. If Tenant shall fail to pay the Rent to be paid by Tenant hereunder for a period of five (5) business days after written notice of such default by Landlord to Tenant.

B. If Tenant shall default in the performance or observance of any of the other agreements, conditions, covenants or terms herein contained, and such default shall continue for thirty (30) days after written notice by Landlord to Tenant, or if such default is of such a nature that it cannot be completely remedied with said thirty (30) day period and Tenant shall not commence within said thirty (30) day period to remedy such default and thereafter diligently prosecute the same to completion.

C. If Tenant abandons the Premises, except as may be permitted in the case of any casualty, damage or condemnation.

D. If this Lease or the estate of Tenant hereunder shall be assigned, sublet, transferred, mortgaged or encumbered without compliance with the provisions of this Lease applicable thereto.

E. If (i) Tenant shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to Tenant, or seeking to adjudicate Tenant a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, composition or other relief with respect to Tenant or Tenant's debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for Tenant or for all or any substantial part of Tenant's property; or (ii) Tenant shall make a general assignment for the benefit of Tenant's creditors; or (iii) there shall be commenced against Tenant any case, proceeding or other action of a nature referred to in clause (i) above or seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of Tenant's property, which case, proceeding or other action (x) results in the entry of an order for relief or (y) remains undismissed, undischarged or unbonded for a period of thirty (30) days; or (iv) Tenant shall take any action consenting to or approving of any of the acts set forth in clause (i) or (ii) above; or (v) Tenant shall generally not, or shall be unable to, pay Tenant's debts as they become due or shall admit in writing Tenant's inability to pay Tenant's debts.

13.2 To the extent permitted by applicable law, if an Event of Default shall occur, Landlord may elect to declare all Rent for the remainder of the Term due and payable and, if Landlord shall make such an election, the present value of the Rent shall be due and payable ten (10) days after notice by Landlord to Tenant of such election. The aforesaid present value shall be determined by discounting each monthly installment of Rent for the remainder of the Term from the date such installment would have been due and payable to the date of Landlord's election to accelerate, by a rate of one (1%) percent per annum less than the interest rate paid under a United States Treasury Bill of comparable duration. Landlord also may elect to proceed by appropriate judicial proceedings, either at law or in equity, to enforce performance or observance by Tenant of the applicable provisions of this Lease and/or to recover damages for breach thereof.

13.3

A. If an Event of Default shall occur and Landlord, at any time thereafter, at its option, gives written notice to Tenant stating that this Lease and the Term shall expire and terminate on the date specified in such notice, which date shall be not less than three (3) days after the giving of such notice, and if, on the date specified in such notice, Tenant shall have

failed to cure the default which was the basis for the Event of Default, then, all rights of Tenant under this Lease and to the Term herein demised shall expire and terminate as if the date specified in the notice given were the date herein definitely fixed for the expiration of the Term and Tenant immediately shall quit and surrender the Premises, which termination shall not relieve Tenant from any liability then or thereafter accruing hereunder.

B. If an Event of Default described in Sections 13.1(A) or (B) hereof shall occur, or this Lease shall be terminated as provided in Section 13.3(A) hereof, Landlord, without notice, and with or without court proceedings, (i) may re-enter and repossess the Premises using such force for that purpose as may be necessary without being liable to indictment, prosecution or damages therefor or (ii) may dispossess Tenant by summary proceedings or otherwise, which reentry and repossession by Landlord shall not relieve Tenant from any liability then or thereafter accruing hereunder.

13.4 If this Lease shall be terminated as provided in Section 13.3(A) hereof and/or Tenant shall be dispossessed by summary proceedings or otherwise as provided in Section 13.3(B) hereof,

A. Tenant shall pay to Landlord all Rent payable under this Lease by Tenant to Landlord to the date upon which this Lease and the Term shall have expired and come to an end or to the date of re-entry upon the Premises by Landlord, as the case may be;

B. Landlord may repair and alter the Premises in such manner as Landlord may deem necessary or advisable without relieving Tenant of any liability under this Lease or otherwise affecting any such liability, and/or let or re-let the Premises or any parts thereof for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name or as agent of Tenant, and out of any rent and other sums collected or received as a result of such re-letting Landlord shall: (i) first, pay to itself the cost and expense of terminating this Lease, re-entering, retaking, repossessing, repairing and/or altering the Premises, or any part thereof, and the cost and expense of removing all persons and property therefrom, including in such costs brokerage commissions, legal expenses and attorneys' fees and disbursements, (ii) second, pay to itself the cost and expense sustained in securing any new tenants and other occupants, including in such costs brokerage commissions, legal expenses and attorneys' fees and disbursements and other expenses of preparing the Premises for re-letting, and, if Landlord shall maintain and operate the Premises, the cost and expense of operating and maintaining the Premises, and (iii) third, pay to itself any balance remaining on account of the liability of Tenant to Landlord. Landlord in no way shall be responsible or liable for any failure to re-let the Premises or any part thereof, or for any failure to collect any rent due on any such re-letting, and no such failure to re-let or to collect rent shall operate to relieve Tenant of any liability under this Lease or to otherwise affect any such liability;

C. Tenant shall be liable for and shall pay to Landlord, as damages, any deficiency (referred to as "Deficiency") between the Rent reserved in this Lease for the period which otherwise would have constituted the unexpired portion of the Term and the net amount, if any, of rents collected under any re-letting effected pursuant to the provisions of Section 13.4(B) hereof for any part of such period (first deducting from the rents collected under any such re-letting all of the payments to Landlord described in Section 13.4(B) hereof); any such Deficiency shall be paid in installments by Tenant on the days specified in this Lease for payment of

installments of Rent, and Landlord shall be entitled to recover from Tenant each Deficiency installment as the same shall arise, and no suit to collect the amount of the Deficiency for any installment period shall prejudice Landlord's right to collect the Deficiency for any subsequent installment period by a similar proceeding; and

D. Whether or not Landlord shall have collected any Deficiency installments as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, in lieu of any further Deficiencies, as and for liquidated and agreed final damages (it being agreed that it would be impracticable or extremely difficult to fix the actual damage), a sum equal to the amount by which the Rent reserved in this Lease for the period which otherwise would have constituted the unexpired portion of the Term exceeds the then fair and reasonable rent value of the Premises for the same period, both discounted to present worth at the rate of one percent (1%) per annum less than the interest rate paid under a United States Treasury Bill of comparable duration less the aggregate amount of Deficiencies theretofore collected by Landlord pursuant to the provisions of Section 13.4(C) hereof for the same period; it being agreed that before presentation of proof of such liquidated damages to any court, commission or tribunal, if the Premises, or any part thereof, shall have been re-let by Landlord for the period which otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent reserved upon such re-letting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Premises so re-let during the term of the re-letting.

13.5 No termination of this Lease pursuant to Section 13.3(A) hereof, and no taking possession of and/or re-letting the property, or any part thereof, pursuant to Sections 13.3(B) and 13.4(B) hereof, shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or re-letting.

13.6 To the extent not prohibited by law, Tenant hereby waives and releases all rights now or hereafter conferred by statute or otherwise which would have the effect of limiting or modifying any of the provisions of this Article. Tenant shall execute, acknowledge and deliver any instruments which Landlord may request, whether before or after the occurrence of an Event of Default, evidencing such waiver or release.

13.7 The Rent payable by Tenant hereunder and each and every installment thereof, and all costs, attorneys' fees and disbursements and other expenses which may be incurred by Landlord in enforcing the provisions of this Lease or on account of any delinquency of Tenant in carrying out the provisions of this Lease shall be and they hereby are declared to constitute a valid perfected lien upon the interest of Tenant in this Lease and in the Premises, and the rents, issues and profits therefrom.

13.8 Suit or suits for the recovery of damages, or for a sum equal to any installment or installments of Rent payable hereunder or any Deficiencies or other sums payable by Tenant to Landlord pursuant to this Article, may be brought by Landlord from time to time at Landlord's election, and nothing herein contained shall be deemed to require Landlord to await the date whereon this Lease or Term would have expired by limitation had there been no Event of Default by Tenant and termination.

13.9 Nothing contained in this Article shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership,

reorganization or dissolution proceeding an amount equal to the maximum allowed by a statute or rule of law governing such proceeding and in effect at the time when such damages are to be proved, whether or not such amount shall be greater than, equal to or less than the amount of the damages referred to in any of the preceding Sections of this Article.

13.10 No receipt of moneys by Landlord from Tenant after the termination of this Lease, or after the giving of any notice of the termination of this Lease shall reinstate, continue or extend the Term or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of Rent payable by Tenant hereunder or thereafter falling due, or operate as a waiver of the right of Landlord to recover possession of the Premises by proper remedy, except as herein otherwise expressly provided, it being agreed that after the service of notice to terminate this Lease or the commencement of any suit or summary proceedings, or after a final order or judgment for the possession of the Premises, Landlord may demand, receive and collect any moneys due or thereafter falling due without in any manner affecting such notice, proceeding, order, suit or judgment, all such moneys collected being deemed payments on account of the use and occupation of the Premises or, at the election of Landlord, on account of Tenant's liability hereunder.

13.11 Except as otherwise expressly provided herein or as prohibited by applicable law, Tenant hereby expressly waives the service of any notice to quit or notice of Landlord's intention to re-enter provided for in any statute, or of the institution of legal proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all right of redemption provided by any law or statute now in force or hereafter enacted or otherwise, or re-entry or repossession or to restore the operation of this Lease in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge or in case of re-entry or repossession by Landlord or in case of any expiration or termination of this Lease, and Landlord and Tenant waive and shall waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, or any claim of injury or damage. The terms "enter", "re-enter", "entry" or "re-entry", as used in this Lease are not restricted to their technical legal meaning.

13.12 No failure by Landlord to insist upon the strict performance of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with by Tenant, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by Landlord. No waiver of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

13.13 Tenant shall pay to Landlord an amount net to Landlord on an after-tax basis equal to all costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements, incurred by Landlord in any action or proceeding to which Landlord may be made a party by reason of any act or omission of Tenant. Tenant also shall pay to Landlord all costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements, incurred by Landlord in enforcing any of the covenants and provisions of this Lease and incurred

in any action brought by Landlord against Tenant on account of the provisions hereof, and all such costs, expenses, and attorneys' fees and disbursements may be included in and form a part of any judgment entered in any proceeding brought by Landlord against Tenant on or under this Lease. All of the sums paid or obligations incurred by Landlord as aforesaid, with interest and costs, shall be paid by Tenant to Landlord on demand.

13.14 If an Event of Default shall occur under this Lease or Tenant shall fail to comply with its obligations under this Lease, Landlord may (a) perform the same for the account of Tenant if the same arises out of any obligation owed by Tenant to a third party or (b) make any expenditure or incur any obligation for the payment of money in connection with any obligation owed to Landlord, including, but not limited to reasonable attorneys' fees and disbursements in instituting, prosecuting or defending any action or proceeding, with interest thereon at Applicable Rate and such amounts shall be deemed to be Rent hereunder and shall be paid by Tenant to Landlord immediately upon demand therefor.

13.15 In the event that Tenant shall fail to pay Rent within five (5) days after its due date, then from and after the sixth (6th) day until the date Tenant finally pays the Rent, Tenant shall pay Landlord a late charge at the rate of ten (10%) percent per annum with respect to the delinquent amount, provided, however, no late charges shall be assessed against Tenant prior to January 1, 2012.

14. NO WAIVER

The failure of Landlord or Tenant to enforce any agreement, condition, covenant or term, by reason of its breach by Tenant or Landlord, as the case may be, shall not be deemed to void, waive or affect the right of Landlord or Tenant to enforce the same agreement, condition, covenant or term on the occasion of a subsequent default or breach. The specific remedies to which Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Landlord may be lawfully entitled in case of any breach or threatened breach by Tenant of any of the terms, covenants and conditions of this Lease. The failure of Landlord or Tenant to insist in any one or more cases upon the strict performance of any of the terms, covenants and conditions of this Lease, or to exercise any right or remedy herein contained, shall not be construed as a waiver or relinquishment for the future of such terms, covenants and conditions. The receipt by Landlord, or payment by Tenant, of Rent with knowledge of the breach of any of such terms, covenants and conditions shall not be deemed a waiver of such breach. The acceptance of any check or payment bearing or accompanied by any endorsement, legend or statements shall not, of itself, constitute any change in or termination of this Lease. No surrender of the Premises by Tenant (prior to any termination of this Lease) shall be valid unless consented to in writing by Landlord or in accordance with the express terms of this Lease. In addition to the other remedies in this Lease provided, Landlord shall be entitled to the restraint by injunction of the violation or attempted or threatened violation of any of the terms, covenants and conditions of this Lease or to a decree compelling performance of any of such terms, covenants and conditions.

15. ESTOPPEL CERTIFICATE

Landlord and Tenant agree that they shall, at any time and from time to time, within twenty (20) days of request by the other party execute, acknowledge and deliver to the requesting party a statement in writing certifying: (i) that this Lease is unmodified and in full

force and effect (or if there have been any modifications, that the Lease is in full force and effect as modified and stating the modifications), (ii) the dates to which the Rent has been paid, (iii) the address to which notices to Landlord or Tenant, as applicable, should be sent, (iv) stating whether or not either party is in default in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease and, if in default, specifying each such default, (v) whether or not there are any offsets or defenses against the enforcement of any provisions of the Lease by either party and if so, specifying the same, (vi) the Commencement Date and the date of expiration for the current term of the Lease, (vii) that Tenant is in possession of the Premises and (viii) any other matters reasonably requested by the other party; it being intended that any such statement delivered pursuant to this Article may be relied upon by the requesting party or any prospective purchaser of the Premises or any mortgagee thereof or any assignee of any mortgage upon the Premises.

16. QUIET ENJOYMENT

Tenant, upon payment of the Rent herein reserved and upon the due performance and observance of all the covenants, conditions and agreements herein contained on Tenant's part to be performed and observed, shall and may at all times during the Term peaceably and quietly have, hold and enjoy the Premises in the same manner in which Tenant enjoyed the Premises immediately prior to the Commencement Date without any manner of suit, trouble or hindrance of and from any person claiming by, through or under Landlord, subject, however, to the terms and provisions of this Lease.

17. SURRENDER

17.1 Tenant shall, on the last day of the Term, or upon the sooner termination of the Term, quit and surrender to Landlord the Premises vacant, free of all equipment, furniture and other personal property, and in good order and condition, reasonable wear and tear excepted, and Tenant shall remove or demolish all of the fixtures, structures and other improvements which Landlord shall elect pursuant to and in accordance with Section 6.4 hereof. Any property not so removed shall become the property of Landlord, and Landlord may cause such property to be removed from the Premises and disposed of, but the cost of any such removal and disposition and of repairing any damage caused by such removal shall be borne by Tenant. Tenant's obligation to observe and perform this covenant shall survive the expiration or earlier termination of the Term.

17.2 Tenant acknowledges that possession of the Premises must be surrendered to Landlord at the expiration or sooner termination of the term of this Lease. Tenant agrees to indemnify Landlord against and save Landlord harmless from all costs, claims, loss or liability resulting from the failure or delay by Tenant in so surrendering the Premises, including, without limitation, any claims made by any succeeding tenant founded on such failure or delay. Tenant therefore agrees that if possession of the Premises is not surrendered to Landlord upon the expiration or sooner termination of the term of this Lease, then Tenant shall pay to Landlord, as liquidated damages for each month and for each portion of any month during which Tenant holds over in the Premises after the expiration or sooner termination of the term of this Lease, in addition to any sums payable pursuant to the foregoing indemnity, a sum equal to one hundred-fifty percent (150%) the aggregate of the Rent which was payable under this Lease with respect to the last month of the term hereof. Nothing herein contained shall be deemed to permit Tenant

to retain possession of the Premises after the expiration or sooner termination of the term of this Lease. If Tenant holds over in possession after the expiration or termination of the term of the Lease, such holding over shall not be deemed to extend the term or renew this Lease, but the tenancy thereafter shall continue as a tenancy from month to month upon the terms and conditions of this Lease at the Rent as herein increased. This provision shall survive the expiration or earlier termination of this Lease.

18. ACCESS

Landlord shall have the right and privilege at all times during the last six (6) months of the Term to display a customary (as would be customary for similar buildings in the surrounding area) "For Sale" sign on the Building and during the last six (6) months of the Term, Landlord shall have the right and privilege to enter the Premises at reasonable times upon prior reasonable notice during business hours for the purpose of exhibiting the same to prospective new tenants, but no more than once a month, and to display the customary "To Let" signs on the Building. Landlord shall also, at all reasonable times upon prior reasonable notice during the Term (the parties acknowledge and agree that no prior notice shall be required in the event of an emergency), have the right to enter the Premises or any part thereof for the purpose of making such repairs or Alterations therein as Landlord is required to make under the terms of this Lease. Throughout the Initial Term and any Extend Term of this Lease, Tenant shall have access to the Premises 24 hours a day, seven days a week.

19. ENVIRONMENTAL MATTERS

19.1 Tenant covenants that (i) Tenant shall not cause or contribute to, and shall not permit or direct any other Person to cause or contribute to, any contamination from any Hazardous Substances (hereinafter defined) at, on, under or emanating from the Premises (ii) Tenant shall not, and, (subject to Tenant's contractual obligations to permit Landlord and its Affiliates or the predecessors thereof, if applicable, to perform any necessary investigation, remediation or corrective action regarding environmental matters), shall not cause or permit any other Person to, use manufacture, store, generate, treat or Release any Hazardous Substances at, on, under or from the Premises, except where such use, manufacture, storage, generation, treatment or Release or threatened release is in material compliance with applicable Environmental Law (as defined below) and is reasonably related to the conduct of Tenant's business, (iii) in the event that Tenant's (or its subtenants' or assignees') operations at or near the Premises result in the imposition of a Lien on the Premises under any Environmental Law resulting from a matter for which Tenant would be obliged to indemnify Landlord pursuant to Section 19.2 hereof, Tenant shall promptly and expeditiously take all necessary steps to have such Lien removed, and (iv) Tenant shall not, and shall not cause or permit any other Person to, install or operate any underground tanks for the storage of any Hazardous Substances, including fuel oil, gasoline, waste oils, and/or other petroleum products or by-products.

19.2 Tenant hereby agrees to indemnify Landlord, any mortgagee and any lessor under a Superior Lease and hold Landlord, any mortgagee and any lessor of a Superior Lease harmless from and against any and all losses, liabilities (including strict liability), damages, injuries, expenses (including reasonable attorneys' and consulting fees), costs of any settlement or judgment and claims of any and every kind whatsoever (collectively "Losses") paid, incurred or suffered by, or asserted against Landlord, any mortgagee and any lessor of a Superior Lease

by any person or governmental authority for, with respect to, or as a direct or indirect result of, either (i) the presence or Release or threatened release at, on or under, or from the Premises of any Hazardous Substance (including, without limitation, any such Losses or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, any so-called federal, state or local "Superfund" or "Superlien" laws) or (ii) the violation of any applicable Environmental Law, to the extent such presence or Release or threatened release or violation is caused by Tenant's or any subtenant's or assignee's (or any of their representatives') use of the Premises.

19.3 Notwithstanding any other provision of this Lease regarding indemnification of Landlord by Tenant (other than Tenant's obligations to indemnify Landlord pursuant to Section 19.6), Landlord hereby agrees to indemnify Tenant and hold Tenant harmless from and against any and all Losses paid, incurred or suffered by, or asserted against Tenant for, with respect to, or as a direct or indirect result of, either (i) the presence or Release or threatened release at, on or under, or from the Premises of any Hazardous Substance (including, without limitation, any such Losses or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, any so-called federal, state or local "Superfund" or "Superlien" laws) or (ii) the violation of any applicable Environmental Law, to the extent such presence or Release or threatened release or violation is caused by: (x) Landlord's or any of its Affiliates' or assignee's (or any of their representatives') use or ownership of the Premises; or (y) any environmental condition or contamination that existed on or prior to the commencement of this Lease at, on or under, or from the Premises, except to the extent exacerbated by Tenant's, any subtenant's, assignee's or representative's negligence. With respect to asbestos containing building materials, Landlord acknowledges and agrees that Tenant shall have no liability or obligations concerning the removal or replacement thereof on the Premises, which are the sole responsibility of the Landlord, provided, however, that Tenant shall be responsible for all costs of any removal, replacement or abatement of asbestos containing building materials on the Premises to the extent required pursuant to applicable Environmental Law as a result of Tenant's (or any of its subtenant's or assignee's) negligence or undertaking any modifications, maintenance, repairs, or other activities on the Premises that results in any disturbance of asbestos containing building materials, but only if the location of such materials have been previously identified with reasonable specificity in writing by Landlord to Tenant.

19.4 In the event that an obligation to investigate or remediate the Premises arises under any and all applicable environmental transaction trigger statutes or otherwise as a result of the termination of the Lease or the cessation of operations at the subject Premises, Tenant shall be primarily responsible for the completion of such investigation or remediation, unless such termination or cessation is in connection with a sale or other transfer of the Premises or of the Landlord or any other entity that directly or indirectly owns or controls the Premises, in which case the transferor shall have such primary responsibility; provided, however, that the foregoing shall in no way alter the allocation of liability for any such investigation or remediation provided for under Sections 19.2 and 19.3 of this Lease. Each of Landlord and Tenant agree to cooperate in good faith with each other to facilitate the completion of any obligations under this Section 19.4, including, but not limited to: (i) promptly executing any applications, filings, certifications, or other documents reasonably requested by the other party; (ii) providing reasonable access to the other party (including representatives, consultants or agents) during normal business hours to the Premises and relevant information and personnel; (iii) taking commercially reasonable efforts at its own cost and expense to reasonably mitigate interference with the conduct of any such

investigation or remediation or with the current operation or use of the Premises; (iv) accepting the use of cost-efficient remediation strategies (as reasonably determined by party principally liable for the remediation under Sections 19.3 and 19.4), including the use of risk-based remediation standards based on continued industrial use of the property or imposition of restrictive deed notices or other institutional or engineering controls (as long as such cost-efficient remediation strategies would not materially interfere with or otherwise materially impede the operation or use of the Premises); (v) providing prompt notification of all meetings with consultants and Governmental Authorities and an opportunity to participate, at its own expense, in such meetings; (vi) promptly providing copies of all material documents related to the investigation or remediation and affording the other party a reasonable opportunity to review and provide comments, at its own expense, on all reports, correspondence, work plans or other materials submitted to any Governmental Authority and (vii) allowing the other party to observe and monitor, at its own expense, the conduct of any investigative or remedial work being done at the Premises.

19.5 For purposes hereof:

A. "Hazardous Substances" shall mean any material, substance or waste that is listed, classified, regulated, characterized or otherwise defined as "hazardous," "toxic," "radioactive," or as "pollutants" or "contaminants" (or words of similar intent or meaning) under applicable Environmental Laws; and any petroleum (including crude oil or any fraction thereof), petroleum products or by-products and any constituents thereof, asbestos or asbestos-containing material, urea formaldehyde insulation, toxic mold, polychlorinated biphenyls, flammable or explosive substances, radon, or pesticides.

B. "Environmental Laws" shall mean all foreign, federal, state or local statutes, laws, ordinances, codes, rules, regulations, judgments, orders or decrees or other binding directives of relevant governmental agencies or authorities regulating, relating to, or imposing liability or standards of conduct concerning pollution or protection of the environment or human health and safety (to the extent related to pollution or exposure to harmful or deleterious substances), including those relating to the use, manufacture, distribution, storage, recycling, treatment, transport or Release or threatened release of any hazardous, toxic or dangerous wastes, substances or materials as now or at any time hereunder in effect .

C. "Release" shall mean any Release or threatened release, spill, emission, leaking, pumping, pouring, injection, escaping, deposit, disposal, discharge, dispersal, dumping, leaching or migration into the indoor or outdoor environment (including the abandonment or disposal of any barrels, containers or other closed receptacles containing any Hazardous Substance).

19.6 Tenant shall not conduct any intrusive environmental investigation of the Premises (including any collection or analysis of groundwater, surface water, soil or building materials) or disclose the existence of any known or suspected environmental condition to any governmental authority, unless such investigation or disclosure is: (i) required by applicable Environmental Law or any other applicable Requirement, (ii) required by an enforceable order (or reasonably believed by Tenant to be an enforceable order), directive or demand of a governmental authority, acting within its jurisdiction (or reasonably believed by Tenant to be acting within its jurisdiction), (iii) reasonably undertaken to facilitate the defense of a pending

third party claim or a third party claim reasonably anticipated based upon written communications from a person who is not a party to this Lease or an Affiliate thereof, (iv) reasonably undertaken in an emergency to protect against a threat to human health or the environment, (v) reasonably undertaken in connection with repairs to or maintenance of the Premises, (vi) reasonably undertaken in connection with the expansion of the Premises to accommodate additional operations or uses reasonably consistent with those currently present, provided that such expansion or alteration has been approved by Landlord pursuant to Article 6 of this Lease and the Tenant has received Landlord's prior written approval for the proposed investigation, sampling, analysis, report or disclosure. Tenant shall promptly notify Landlord if it reasonably believes that an intrusive environmental investigation or disclosure to a governmental authority is required and shall allow Landlord a reasonable opportunity to assume control over or, at Landlord's discretion, to participate in the conduct of, the investigation or disclosure, except that if, due to exigent circumstances, Tenant's action is reasonably undertaken without such notice to or allowance of or participation by Landlord, Tenant may inform the Landlord of the environmental condition and Tenant's conduct with respect to it as soon as practicable thereafter. To the extent that Tenant conducts an investigation or makes a disclosure that is not in compliance with this provision, Tenant shall indemnify and hold Landlord harmless for the cost of any remedial action arising or resulting from any conditions of contamination identified as a result of such investigation or disclosure.

19.7 If Tenant receives (i) any notice of any material event involving the presence, Release or threatened release, investigation or remediation of any Hazardous Substance at, on, under or from the Premises or in connection with Tenant's, or Tenant's representatives, agents or subtenants, use or operations thereon, or (ii) any complaint, order, citation or notice with regard to any material violation of or material obligation under Environmental Law pertaining to the Premises (an "Environmental Complaint") from any governmental authority or other person, then Tenant shall promptly notify Landlord orally and in writing of said notice. Without in any way limiting the generality of the foregoing, if Tenant receives any notice of any lien filed as security for amounts paid to clean up Hazardous Substances at the Premises, then Tenant shall promptly notify Landlord and Landlord shall have the right, but not the obligation, to discharge such lien upon not less than ten (10) days' notice to Tenant. Notwithstanding the foregoing, for so long as Landlord is an Affiliate of Principal Stockholder, Tenant shall have no obligation to notify Landlord of any notice, complaint, order, or citation received from or on behalf of the Principal Stockholder or any Affiliate thereof, or from any other person in connection with the implementation of any obligations of Principal Stockholder set forth in the Environmental Annex that indicates the Principal Stockholder or any Affiliate thereof has also received such notice, complaint, order, or citation. Tenant shall provide Landlord with immediate notification of and indemnification for any notice of deficiency, notice of violation or citation issued by any governmental agency.

19.8 After providing Tenant with notice and a reasonable opportunity to cure, Landlord shall have the right (but not the obligation) to enter onto the Premises or to take such other actions as it deems necessary or advisable to cleanup, remove, resolve or minimize the impact of, or otherwise remediate or correct the presence or Release or threatened release of a Hazardous Substance or an Environmental Complaint, provided that Landlord shall not unreasonably interfere with Tenant's use of the Premises. All costs and expenses reasonably incurred by Landlord in the exercise of any such rights shall be payable by Tenant upon demand, provided

and to the extent that such presence or Release or threatened release or Environmental Complaint is subject to Tenant's duty to indemnify Landlord under Section 19.2 hereof.

19.9 Landlord has the right from time to time, upon reasonable prior notice and without undue interference in Tenant's operations, to perform (at its own expense, unless it reasonably believes that Tenant has breached Section 19.1 hereof, in which case with respect to such breach it will be at Tenant's expense and in which case Landlord may request that Tenant perform) an environmental audit, environmental site assessment, or, if reasonably deemed necessary by Landlord, an environmental risk assessment, each in form and substance satisfactory to Landlord, of the Premises, hazardous waste management practices and/or hazardous waste disposal sites used by Tenant. Said audit, site assessment and/or risk assessment must be by an environmental consultant reasonably satisfactory to Landlord and Tenant.

19.10 The provisions of this Article shall survive the expiration or earlier termination of this Lease.

20. LANDLORD GENERALLY NOT LIABLE FOR INJURY OR DAMAGE, ETC.

20.1 Tenant is and shall be in exclusive control and possession of the Premises, and subject to Section 19.3 of this Lease, Landlord shall not, in any event whatsoever, be liable for any injury or damage to any property or to any person happening in, on or about the Premises, nor for any injury or damage to any property of Tenant, or of any other person or persons contained therein, nor for any injury or damage to the Premises or to any property belonging to Tenant or any other person which may be caused by any fire or breakage, or which may arise from any other cause whatsoever unless caused by the gross negligence or willful misconduct of Landlord, its agents or employees. The provisions hereof permitting Landlord to enter and inspect the Premises are made for the purpose of enabling Landlord to be informed as to whether Tenant is complying with the agreements, terms, covenants and conditions hereof, and if Landlord so desires, to do such acts as Tenant shall fail to do at Tenant's sole cost and risks. Notwithstanding the foregoing, and subject to Section 19.3, Landlord agrees to defend and to indemnify and save Tenant harmless from and against all liability, and all losses, damages, claims and expenses (including, without limitation, reasonable attorneys' fees) arising out of injury to or death of persons, damage to or destruction or loss of property, that directly or indirectly is caused by or results from Landlord's use of and operations on, in and about the Premises. Landlord's obligations hereunder shall survive the expiration or early termination of this Lease, unless Tenant purchases the Premises, in which case Landlord shall cease to have any obligation hereunder to Tenant upon the closing of the sale unless the parties agree otherwise in writing.

20.2 In the event of any default by Landlord of its obligation hereunder, if any, Tenant's exclusive remedy shall be an action for damages (Tenant hereby waiving the benefit of any laws granting it a lien upon the property of Landlord and/or upon rent due Landlord), but prior to any such action Tenant will give Landlord written notice specifying such default with particularity, and Landlord shall thereupon have thirty (30) days (plus such additional reasonable period as may be required in the exercise by Landlord of due diligence) in which to cure any such default. Unless and until Landlord fails to so cure any default after such notice, Tenant shall not have any remedy or cause of action by reason thereof. All obligations of Landlord

hereunder will be construed as covenants, not conditions, all such obligations will be binding upon Landlord only with respect to the period of its ownership of the Premises and not for any period prior thereto or thereafter. Under no circumstances whatsoever shall Landlord or Tenant ever be liable hereunder for consequential damages or special damages.

20.3 Subject to Tenant's rights under Article 19, Tenant shall look only to Landlord's estate and interest in the Premises (or the proceeds thereof) for the satisfaction of Tenant's remedies for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord under this Lease, and no other property or other assets of Landlord, any member or partner of Landlord or any member or partner of any member or partner of Landlord, or any officer, director, stockholder or employee of any of the foregoing shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of landlord and tenant hereunder or Tenant's use and occupancy of the Premises. However, nothing contained herein shall be construed to permit Tenant to offset, and Tenant agrees that Tenant shall not offset, against rents due a successor landlord, any judgment (or other judicial process) requiring the payment of money by reason of any default of a prior landlord. If Tenant is required to report information concerning the Premises to any governmental agency, Landlord shall have no claim against Tenant for any diminution in value of the Premises resulting from such report, except to the extent such diminution in value is caused by a change in the physical condition of the Premises caused by Tenant (or, with respect to any change in physical condition that involves exacerbation of any environmental condition or contamination that existed on or prior to the commencement of this Lease, where Landlord would be entitled to indemnification pursuant to Section 19.2 of this Lease).

21. MISCELLANEOUS PROVISIONS

21.1 It is mutually agreed by and between Landlord and Tenant that the respective parties shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Premises, and/or any claim of injury or damage excluding any claim for personal injury or property damage.

21.2 Tenant shall have the right to place one or more signs on the Premises to indicate the nature of the business of Tenant. The sign shall be lawful under applicable sign codes and subdivision covenants and all signs shall be reasonably approved by Landlord before being placed on the Premises.

21.3 The term "Landlord" as used herein shall mean only the owner or the mortgagee in possession for the time being of the applicable Premises, so that in the event of any sale, transfer or conveyance of the Premises, Landlord shall be and hereby is entirely freed and relieved of all agreements, covenants and obligations of Landlord hereunder, and it shall be deemed and construed without further agreement between the parties or their successors in interest or between the parties and the purchaser, transferee or grantee at any such sale, transfer or conveyance that such purchaser, transferee or grantee has assumed and agreed to carry out any and all agreements, covenants and obligations of Landlord hereunder.

21.4 The term "Tenant" as used herein shall mean the tenant identified on Schedule I an applicable to the corresponding Premises, and from and after any valid assignment or transfer

in whole of said Tenant's interest under this Lease, with respect to the applicable Premises, pursuant to the provisions of Article 10, shall mean only the assignee or transferee thereof; but the foregoing shall not release the assignor or transferor from liability under this Lease.

21.5 The words "re-enter" and "re-entry" as used herein shall not be restricted to their technical legal meaning.

21.6 The use herein of the neuter pronoun in any reference to Landlord or Tenant shall be deemed to include any individual Landlord or Tenant, and the use herein of the words "successor and assigns" or "successors or assigns" of Landlord or Tenant shall be deemed to include the heirs, executors, administrators, representatives and assigns of any individual Landlord or Tenant.

21.7 The headings herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Lease nor in any way affect this Lease.

21.8 This Lease shall be governed by and construed in accordance with the laws of the State in which the Premises are located.

21.9 This Lease contains the entire agreement between the parties and may not be extended, renewed, terminated or otherwise modified in any manner except by an instrument in writing executed by the party against whom enforcement of any such modification is sought. All prior understandings and agreements between the parties and all prior working drafts of this Lease are merged in this Lease, which alone expresses the agreement of the parties. The parties agree that no inferences shall be drawn from matters deleted from any working drafts of this Lease or against the party preparing drafts hereof. The parties took equal part in drafting this Lease and no rule of construction that would cause any of the terms hereof to be construed against the drafter shall be applicable to the interpretation of this Lease.

21.10 The agreements, terms, covenants and conditions herein shall bind and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors and, except as is otherwise provided herein, their assigns.

21.11 Notice whenever provided for herein shall be in writing and shall be given either by nationally recognized overnight courier, facsimile or by certified or registered mail, return receipt requested, to:

To Landlord: as set forth on Exhibit L

w/copy to: as set forth on Exhibit L

To Tenant: as set forth on Exhibit L

w/copy to: as set forth on Exhibit L

or to such other persons or at such other addresses as may be designated from time to time by written notice from either party to the other. Notices shall be deemed given on the date of delivery thereof and shall be deemed delivered on the date delivery is refused if properly sent and addressed in accordance with the terms of this Section.

21.12 If any provision of this Lease shall be invalid or unenforceable, the remainder of the provisions of this Lease shall not be affected thereby and each and every provision of this Lease shall be enforceable to the fullest extent permitted by law.

21.13 Landlord and Tenant represents and warrants to each other that they have not dealt with any real estate broker in connection with this Lease and both agree to indemnify each other harmless from any and all claims arising out of any breach of this representation and warranty. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

21.14 If any officer, servant or employee of Landlord renders assistance at the request of Tenant or on the request of any officer, servant, employee, guest or licensee of Tenant, then that employee shall be deemed the agent of the person making such request and Landlord is hereby expressly released from any and all liability or loss in connection therewith.

21.15 This Lease shall not be recorded but the parties hereto agree, upon the request of either party, to execute and deliver for recording a memorandum of lease incorporating the basic terms and conditions hereof but deleting any statement or mention of the rental payments.

21.16 Notwithstanding anything to the contrary contained in this Lease, Tenant shall reimburse Landlord, within five (5) business days after demand, as Rent hereunder, for any and all reasonable costs that may be incurred by Landlord (including, without limitation, its attorneys', accountants' and other professional fees, costs and disbursements) in connection with any request by Tenant for Landlord's consent, review or approval relating to any matter hereunder.

21.17 Notwithstanding anything to the contrary contained in this Lease, each right and remedy of Landlord or Tenant provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by any party hereto of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by such party of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

21.18 Landlord and Tenant represent and warrant to each other that their respective execution and delivery of the Lease has been duly authorized, that the individual executing this Lease on behalf of such party has been duly authorized to do so, and that no other action or approval is required.

22. Confidential Information

22.1 Notwithstanding the expiration or earlier termination of this Lease, for a period of five (5) years from the date hereof, Landlord and Tenant shall hold, and shall cause each of their

respective affiliates and subsidiaries to hold, and shall each cause their respective officers, employees, agents, consultants and advisors (or potential buyers) to hold, in strict confidence, and not to disclose or release or use, without the prior written consent of the other party (which may be withheld in such party's sole and absolute discretion, except where disclosure is required by applicable laws), any and all Confidential Information (as defined herein) concerning any other party; provided, that the parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, financial advisors, bankers, insurers and other appropriate consultants and advisors who have a need to know such information and are informed of their obligation to hold such Confidential Information confidential to the same extent as is applicable to the parties and in respect of whose failure to comply with such obligations, the applicable party will be responsible, (ii) if the parties or any of their respective subsidiaries are required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of applicable laws or stock exchange rule, (iii) as required in connection with any legal or other proceeding by one party against any other party, (iv) as necessary in order to permit a party to prepare and disclose its financial statements, tax returns or other required disclosures, or (v) as necessary for a party to enforce its rights under this Lease. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii), (iii), (iv) or (v) above, each party, as applicable, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which such parties will cooperate in obtaining. In the event that such appropriate protective order or other remedy is not obtained, the party which faces the disclosure requirement shall furnish only that portion of the Confidential Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information. "Confidential Information" shall mean all non-public, confidential or proprietary information concerning Landlord or Tenant, or any of their respective affiliates or subsidiaries, or their past, current or future activities, businesses, finances, assets, liabilities or operations, including any such information that was acquired by any party after the date hereof, or that was provided to a party by a third party in confidence, except for any information that is (i) in the public domain or known to the industry through no fault of the receiving party or its affiliates or subsidiaries, (ii) lawfully acquired after the date hereof by such party or its affiliates or subsidiaries from other sources not known to be subject to confidentiality obligations with respect to such information or (iii) independently developed by the receiving party after the date hereof without reference to any Confidential Information.

22.2 Each of the parties acknowledges that it and the other members of their respective affiliates and subsidiaries may have in their possession confidential or proprietary information of third parties that was received under confidentiality or non-disclosure agreements with such third party while part of the ITT Corporation companies. Each of the parties will hold, and will cause the other members of their respective affiliates and subsidiaries and their respective representatives to hold, in strict confidence the confidential and proprietary information of third parties to which they or any other member of their respective affiliates and subsidiaries has access, in accordance with the terms of any agreements entered into prior to the date on which Landlord and Tenant are no longer part of the same group of companies between one or more members of the ITT Corporation companies (whether acting through, on behalf of, or in connection with, the separated Businesses) and such third parties.

22.3 The parties agree that irreparable damage would occur in the event that the provisions of this Section 22 were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the parties shall be entitled to an injunction or injunctions to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above set forth.

LANDLORD:

By: _____

Name: _____

Title: _____

TENANT:

By: _____

Name: _____

Title: _____

SCHEDULE I

<u>Corresponding Material Terms Exhibit</u>	<u>Building/Premises</u>	<u>Landlord</u>	<u>Tenant/Sublessor</u>	<u>Sublessee</u>
L-1	ITT Cannon de Mexico, S.A. de C.V. Avenida del Libre Comercio S/N Entre Calzada Industrial Nuevo Nogales y Calzada del Raquet Club Col. Parque Industrial Nuevo Nogales Nogales, Sonora C.P. 84093	ITT Cannon de Mexico, S.A. de C.V.	Jabsco Sociedad de Responsabilidad Limitada de Capital Variable	NA
L-2	666 East Dyer Road Santa Ana, Ca. USA 92705	ITT Cannon LLC	Flow Control LLC	NA
L-3	Millwey Rise Industrial Estate Axminster EX13 5HU, United Kingdom	Lowara (UK) Ltd.	ITT Industries Ltd.	NA
L-4	#74 WSO Bayard St. Seneca Falls, NY	Xylem Inc.	ITT Corporation	NA

EXHIBIT L-1

Building	ITT Cannon de Mexico, S.A. de C.V. Avenida del Libre Comercio S/N Entre Calzada Industrial Nuevo Nogales y Calzada del Raquet Club Col. Parque Industrial Nuevo Nogales Nogales, Sonora C.P. 84093
Prime Lease (as amended)	Not applicable — facility is owned by ITT Cannon de Mexico, S.A. de C.V.
Landlord	ITT Cannon de Mexico, S.A. de C.V.
Tenant	Jabsco Sociedad de Responsabilidad Limitada de Capital Variable
Premises (square feet)	358,000 Sq Ft
Subleased Premises (square feet)	59,541 square feet, <i>as depicted on the floor plan attached hereto</i> . Permitted uses — general office, warehouse, computer servers, and assembly and pump sanitation. Fabrication (examples — machining, plating, molding, silk screening, die casting etc) activities are expressly not allowed
Term & Option	12 months — Commencing on the Commencement Date Tenant will have the option to renew at 1.15 times base rent as noted below for an additional 3 months, if written notice is provided to the Landlord 60 days prior to the termination of this agreement. Tenant will have the option to terminate this agreement at any time after the 1 st 6 months with 6 months advance written notice to the landlord
Base Rent	Cost plus 2% - 10% Mexican Pesos per month (Cost plus 2% - 10% notional US Dollars) payable in Mexican Pesos plus 11%VAT
Sublessee's Proportionate Share of Additional Rent	Not Applicable
Notices	Landlord — Suzy Lee 666 East Dyer Road Santa Ana, Ca. 92705 Tenant — Dan Kelly 1133 Westchester Avenue White Plains, NY 10605

Rent Payments

- a. Unless otherwise directed by Landlord in writing, all Rent payments shall be made to Landlord in Mexico Pesos at the address identified in the above "Notice" provision.
- b. Rent payments are to be made monthly in advance upon presentation of invoice to the Tenant. 1st rent payment is due within 5 days after Commencement Date.. Subsequent rent payments are due every 30 days. It is tenant's full responsibility to pay rent on a timely basis.
- c. Payments over 10 days late will be charged interest at a rate of 10% per annum

Services to be provided by Landlord as a part of the monthly base rent

Building maintenance, fire protection, building security, janitorial, pest control, tenant parking, utilities, building insurance, real property taxes, grounds maintenance, and mail separation at the ICS reception desk.

Special Provisions

- a. Tenant will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required during the term of the agreement. Installation of capital equipment requires landlord approval in advance.
- b. Tenant agrees to provide at its own expense building reception services via its own entrance to the facility and mail room services
- c. Tenant will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If tenant requires contractors to assist them in moving out of the facility, tenant agrees to provide landlord with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
- d. Tenant agrees to remove all of their personal property from the Premises at the end of the lease term. Tenant must return rented space to pre move in condition, with the exception of the offices, which should be left in an "as is" condition. This includes phones purchased directly by the Tenant, but excludes any phones provided by the landlord.
- e. Tenant will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
- f. Landlord will provide tenant with 40 unassigned parking spaces in the Landlord's parking lot located on the facility grounds
- g. Tenant agrees that all cabling that is used to attached Tenant's PC's to the IT infrastructure will remain the property of the landlord and will not be removed by the Tenant at the end of the lease term.
- h. All PC connection equipment will be designated as the property of the Tenant and will be removed by the Tenant at Tenant's expense at the end of the term of this agreement

- i. Fixed assets on the books of the landlord as of the Commencement date will remain the property of the Landlord during and at the end of the lease term.
- j. Fixed assets on the books of the Tenant as of the date of the ITT separation will remain the property of the Tenant during and at the end of the lease term.
- k. Tenant agrees to provide all IT support necessary to maintain Tenant's Server Room at its own cost. Upon termination of this agreement, Tenant will provide all required support at its own cost to shutdown, package and remove the servers from the Premises.
- l. Tenant agrees to pay all personal property taxes associated with Tenant's personal property located on the Premises. If Landlord is required to pay personal property taxes on Tenant's personal property, Tenant agrees to immediately reimburse Landlord.
- m. Tenant will not be allowed to access the ICS computer network. Tenant's employees will be allowed to access Tenant's own computer network via wireless or landline data connections on the Premises
- n. Tenant shall have the reasonable right to use, and Landlord shall at all times have exclusive control of, and operate and maintain, the Common Areas including, but not limited to the cafeteria in the manner Landlord may reasonably determine to be appropriate.
- o. Tenant's employees will not be allowed access to any ICS / Landlord manufacturing areas including but not limited to ITAR restricted areas. Tenant's employees will be required to show proper identification to enter the facility as determined by the Landlord
- p. Tenant's minimum General Liability Insurance Policy and Property insurance shall be Two Million Dollars (\$2,000,000) and must be paid for by tenant.
- q. Tenant has no right to sublease their space.
- r. Tenant agrees not to put up any external or internal signs during the term of the agreement, except for signs related to the production and assembly of Tenant's products, which can be displayed in Tenant's assembly area.
- s. Tenant will supply at Tenant's cost, a phone PBX system and phones to be used by Tenant's employees during the course of this agreement. Tenant will enter into its own contract for phone service at the facility and all costs associated with this contract will be paid for by Tenant
- t. Tenant also agrees to enter into a contract for cafeteria services for its employees located at the facility and all costs associated with this contract will be paid for by Tenant
- u. Water Discharges
 - i. Tenant must provide Landlord with copy of

- analysis of water discharges, Air Emissions, Fire Risk, Hazardous materials, Hazardous waste as often as required by the Safety and Environmental Laws and Regulations or upon reasonable request
- ii. Tenant's Water discharge analysis must be performed in coordination with Landlord's EH&S department
 - v. Tenant will have the right to transfer additional assembly lines into the facility, provided that the following criteria are met;
 - a. They can be fit into the existing space that is being rented under the terms of this Lease
 - b. The additional assembly line uses an assembly line process that is already being used by the Tenant to assemble its products as of the Commencement Date
 - c. The new assembly lines do not require significant additional utilities usage at the plant (electric, water, sewer, gas, oil etc)
 - w. If the assembly line to be transferred by Tenant into the Premises does not meet the criteria as defined in section v above, Tenant cannot install new assembly lines or new assembly processes at the Premises without the advance approval in writing from the Landlord. Adequate time should be given to the Landlord to review any Tenant proposal to install new assembly lines.
 - x. If Landlord chooses to sell the building during the term of this Lease it must be sold under condition that Tenant will remain in the building under the terms of this Lease.

Local Law Provisions

None

Governing Law

Nogales, Sonora, Mexico

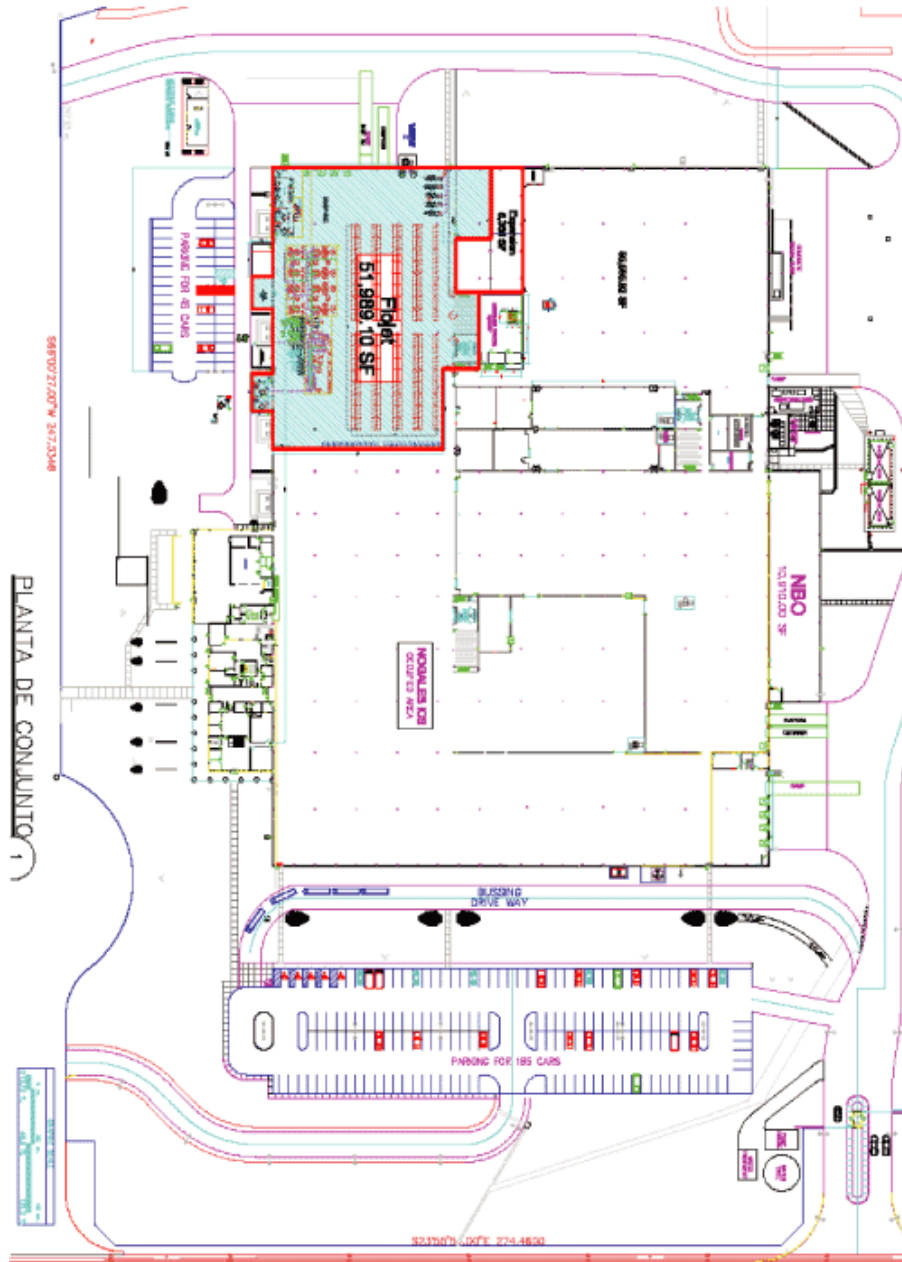


EXHIBIT L-2

Building	666 East Dyer Road Santa Ana, Ca. USA 92705
Prime Lease (as amended)	Not applicable — facility is owned by ITT Corp, ICS Div
Landlord	ITT Cannon LLC
Tenant	Flow Control LLC
Premises (square feet)	370,575 Sq Ft
Subleased Premises (square feet)	17,052, square feet, <i>as depicted on the floor plan attached hereto</i> . Permitted uses — general office and laboratory work
Term & Option	3 months — Commencing on the Commencement Date Tenant will have the option to renew at 1.15 times base rent as noted below for an additional 3 months, if written notice is provided to the landlord 60 days prior to the termination of this agreement
Base Rent	Cost plus 2% - 10% per month
Sublessee's Proportionate Share of Additional Rent	Not Applicable
Notices	Landlord — Suzy Lee 666 East Dyer Road Santa Ana, Ca. 92705 Tenant — Dan Kelly 1133 Westchester Ave White Plains, NY 10605
Rent Payments	<ol style="list-style-type: none">a. Unless otherwise directed by Landlord in writing, all Rent payments shall be made to Landlord at the address identified in the above "Notice" provision.b. Rent payments are to be made monthly in advance. 1st rent payment is due within 5 days of the Commencement Date. Subsequent rent payments are due every 30 days. No invoices will be provided by landlord. It is tenant's full responsibility to pay rent on a timely basis.c. Payments over 10 days late will be charged interest at a rate of 10% per annum

Services to be provided by Landlord as a part of the monthly base rent

Building maintenance, fire protection, building security, janitorial, pest control, tenant parking, utilities, phone PBX, PC support, building insurance, receptionist, real property taxes, mail room, grounds maintenance, phone usage, tenant server maintenance and server backups, network closet support,

Special Provisions

- a. Tenant will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required during the term of the agreement. Installation of capital equipment requires landlord approval in advance.
- b. Tenant will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If tenant requires contractors to assist them in moving out of the facility, Tenant agrees to provide Landlord with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
- c. Tenant agrees to remove all of their personal property from the landlord's premises at the end of the lease term. This includes phones purchased directly by the tenant, but excludes any phones provided by the landlord.
- d. Tenant will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
- e. Landlord agrees to provide Tenant with unassigned parking spaces in the rear (south side) of the facility. Landlord agrees to provide Tenant with 7 identified parking spaces in the front (north side) of the facility. Landlord agrees to provide Tenant with 1 visitor parking space in the front (north side) of the facility.
- f. Tenant agrees that all cabling that is used to attached tenant's PC's to the IT infrastructure will remain the property of the landlord and will not be removed by the tenant at the end of the lease term.
- g. All PC connection equipment will be designated as the property of the tenant and will be removed by the tenant at tenant's expense at the end of the term of this agreement
- h. Fixed assets currently on the books of the landlord as of Commencement Date will remain the property of the Landlord during and at the end of the lease term. This would include all of the furniture and partitions in the executive area that the tenant will occupy during the term of this agreement
- i. Fixed assets currently on the books of the Tenant as of the Commencement Date will remain the property of the tenant during and at the end of the lease term. This would include all of the furniture and partitions in areas other than the executive area that the tenant will occupy during the term of this agreement.
- j. As a part of Tenant's move out of the facility at the expiration of this agreement, Landlord's IT department will shutdown Tenant's

servers and other IT equipment and make a back up copy of all the data that is on the servers immediately prior to the shutdown of the servers. Tennant will be charged for these services by the landlord based on a rate of \$50 per hour. Tennant will be required to package and ship the servers and other IT equipment at Tenant's cost.

- k. The landlord's IT department will be allowed access to Tenant's designated areas as per the attached floor plan for purposes of providing the services that are included in the monthly base rent. The landlord's IT department will have the right to access the tenant's IT data in order to provide the services that are included in the monthly base rent
- l. Tenant will be required to provide workers compensation insurance at its own expense for the employees located at landlord's facility based on State of California requirements
- m. Tenant agrees to pay all personal property taxes associated with tenant's personal property located in landlord's facility. If Landlord is required to pay personal property taxes on tenant's personal property, tenant agrees to immediately reimburse landlord.
- n. Tenant's minimum General Liability Insurance Policy and Property insurance shall be Two Million Dollars (\$2,000,000) and must be paid for by tenant.
- o. Tenant will not be allowed to access the ICS computer network. Tenant's employees will be allowed to access Tenant's own computer network via wireless or landline data connections on the Leased Premises
- p. Tenant shall have the reasonable right to use, and Landlord shall at all times have exclusive control of, and operate and maintain, the Common Areas in the manner Landlord may reasonably determine to be appropriate.
- q. Tenant's employees will not be allowed access the east building with exception of the cafeteria or to areas of the west building that are not being rented under this agreement, except to gain access to rented space. Tenant's employees will be required to show proper identification to enter the facility as determined by the Landlord
- r. Tenant has no right to sublease their space.
- s. Tenant agrees not to put up any external or internal signs during the term of the agreement On or prior to the Commencement Date, Landlord will remove at Landlord's expense, all of Tenants pictures that are presently in the west lobby reception area and give them to Tenant
- t. If Landlord chooses to sell the building during the term of this Lease it must be sold under condition that Tenant can remain in the Premises under the terms of this Lease.

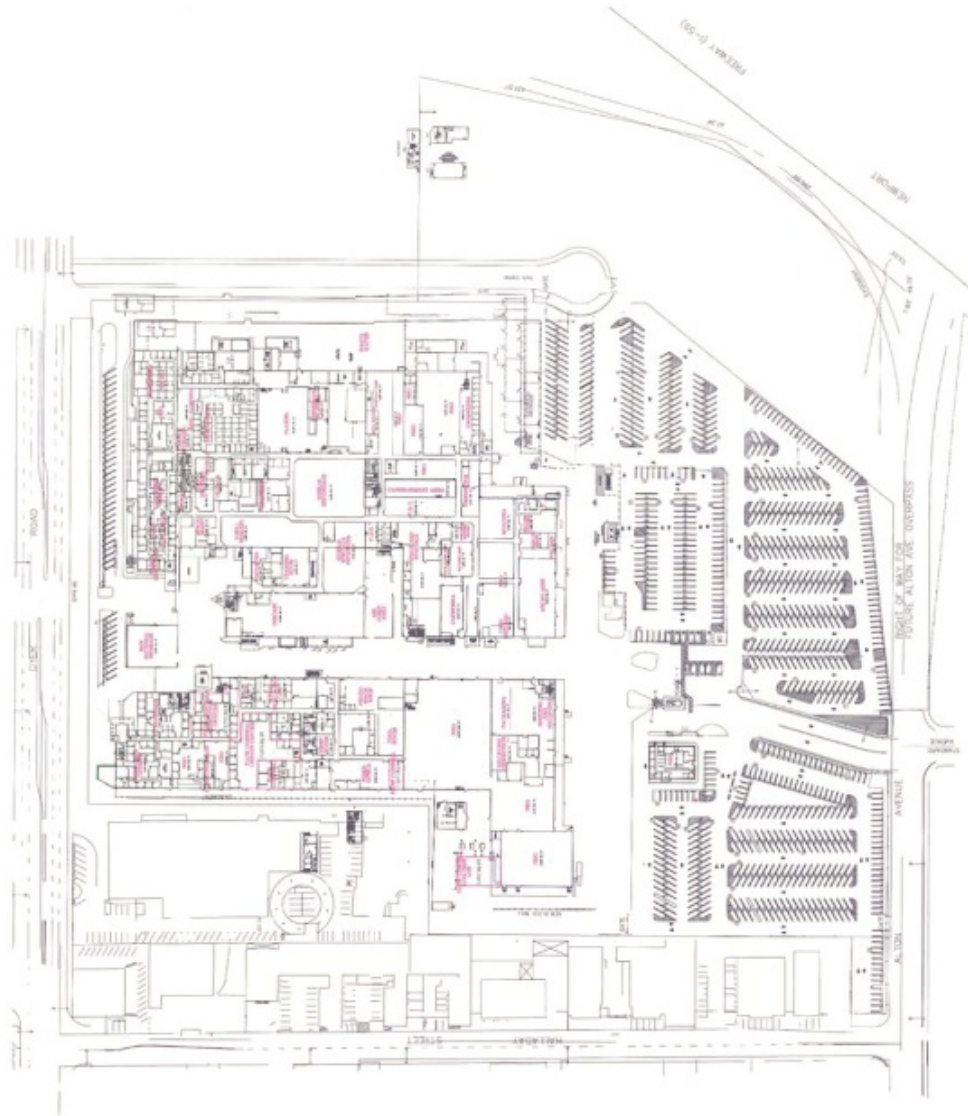
Local Law Provisions

Not applicable

Governing Law

State of California

Santa Ana Facility Map



SANTA ANA SITE 235,493 SQ FT
NSD 74,888 SQ FT
SANTA ANA 240,528 SQ FT
F.L.D.V. CONTROL 19,159
PARKING SPACES 1850

EXHIBIT L-3

Building	Lowara (UK) Ltd. Millwey Rise Industrial Estate Axminster EX13 5HU, United Kingdom
Prime Lease (as amended)	Not applicable – facility is owned by Lowara (UK) Ltd.
Landlord	Lowara (UK) Ltd. Division
Tenant	ITT Industries Ltd.
Premises (square feet)	57,000 Sq Ft (excludes car park)
Subleased Premises (square feet)	16,000 square feet, <i>as depicted on the floor plan attached hereto</i> . Permitted uses – general office, warehouse, light machining, impeller balancing, and pump assembly work which follow traditional engineering practices and are within the parameters of the effective insurance policy.
Term & Option	24 months — Commencing on date of ITT separation into 3 companies Lease is up to 2 years. Tenant will have the option to terminate this agreement at any time after the 1 st twelve months with 6 months advance written notice to the Landlord.
Base Rent & Related Costs	Base Rent of Cost plus 2% – 10% per month, to be increased 4.5% after 1 year. The base rent excludes property taxes, property insurance, utilities (natural gas, electricity, and water services), and common services such as building maintenance and compressor usage. Property taxes, insurance, and utilities shall be invoiced separately on a monthly basis at the rate of 30% of the actual monthly cost. Common services will be invoiced at Cost plus 2% – 10% per month.
Sublessee's Proportionate Share of Additional Rent	Not Applicable
Notices	Notice for Landlord, Lowara UK, to local controller – Norbert Rosser Notice for Tenant, ITT Industries LTD, to local controller – Adrian Roberts. The address for Tenant and Landlord is as follows: Millwey Rise Industrial Estate Axminster EX13 5HU, United Kingdom
Rent & Related Payments	<ol style="list-style-type: none">1. Unless otherwise directed by Landlord in writing, all Rent and Utility payments shall be made to Landlord in British Pounds at the address identified in the above “Notice” provision.2. Rent payments are to be made monthly in advance upon presentation of an invoice to the Tenant. 1st rent payment is

due on the date of ITT separation. Subsequent rent payments are due every 30 days. It is Tenant's full responsibility to pay rent on a timely basis.

3. Utility payments shall be invoiced and paid following receipt of each month's utility bills. Tenant's pro-rata share of each utility bill shall be 30%. Utility payments will be due in 30 days.
4. Property tax and insurance payments shall be invoiced and paid following receipt of each month's bills. Tenant's pro-rata share of each bill shall be 30%. Payments will be due in 30 days.
5. Common services payments are to be made monthly upon presentation of an invoice to the Tenant.
6. Payments over 10 days late will be charged interest at a rate of 10% per annum.

Services to be provided by Landlord as a part of the monthly base rent

Exterior structural building maintenance, fire protection, 32 tenant parking spaces, grounds maintenance, loading bay area access.

Special Provisions

1. Tenant will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required during the term of the agreement. Installation of capital equipment requires landlord approval in advance.
2. Tenant shall make their own processes for fire alarm and fire assembly point.
3. Tenant agrees to provide at its own expense building reception services via its own entrance to the facility and its own mail room services. These services are for admitting and discharging employees, and authorized guests and customers visiting the facility and for providing mail and package delivery to its own employees. This paragraph does not refer to the construction of the reception area by the Landlord.
4. Tenant agrees to provide the following services at its own expense: internal maintenance, shipping and receiving, janitorial services, pest control, snow removal for its parking area and walkways, ramp/access to tenant loading bay area, security alarm system for tenant occupied area, insurance for tenant owned assets, CCTV, waste removal, in/out system connected to building fire system, upgrade and/or replace any fixtures or fittings in tenant occupied area.
5. Tenant will supply at Tenant's cost a phone system and phones to be used by tenant's employees during the course of this agreement. Tenant will enter into its own contract for phone service at the facility and all costs associated with this contract will be paid for by Tenant.

6. Tenant will supply at Tenant's cost an IT network and system and personal computers to be used by tenant's employees during the course of this agreement. Tenant shall pay for all operating and maintenance costs associated with this network during the course of this agreement. This excludes electricity as this is provided by the Landlord in the base rent.
7. Landlord shall have entitled access to the Tenant's space in order to carry out maintenance and/or access equipment which affects the entire building (for example, electrical junction boxes).
8. Tenant shall have entitled access to the Landlord's area of the building in order to carry out emissions tests on the spray booth.
9. Tenant will use the waste facilities on premises (belonging to Landlord) for disposal of cardboard and wood.
10. If Landlord chooses to sell the building during the term of this TSA it must be sold under condition that tenant will remain in the building under the terms of this TSA.
11. Tenant will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If Tenant requires contractors to assist them in moving out of the facility, tenant agrees to provide landlord with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
12. Tenant agrees to remove all of their personal property from the Landlord's premises at the end of the lease term. Tenant must return rented space to the condition of the leased area as of October 1, 2011.
13. Tenant will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
14. Landlord agrees to provide Tenant with 32 unassigned parking spaces in the Landlord's parking lot located on the facility grounds.
15. Tenant agrees that all cabling and connection equipment that is used to attached tenant's PC's to the IT infrastructure will remain the property of the Landlord and will not be removed by the tenant at the end of the lease term.
16. Fixed assets remaining on the books of the Landlord as of the date of the ITT separation will remain the property of the Landlord during and at the end of the lease term.
17. Fixed assets remaining on the books of the tenant as of the date of the ITT separation will remain the property of the Tenant during and at the end of the lease term.
18. Tenant will be required to provide public liability insurance at its own expense for the employees located at landlord's facility based on UK requirements.
19. Tenant agrees to pay all personal property taxes associated with

- Tenant's personal property located in Landlord's facility. If Landlord is required to pay personal property taxes on Tenant's personal property, Tenant agrees to immediately reimburse landlord.
20. Tenant will not be allowed to access the Lowara computer network. Tenant's employees will be allowed to access Tenant's own computer network via wireless or landline data connections on the Leased Premises.
 21. Tenant shall have the reasonable right to use, and Landlord shall at all times have exclusive control of, and operate and maintain, the Common Areas in the manner Landlord may reasonably determine to be appropriate.
 22. Tenant's employees will not be allowed access the areas of the building that are not being rented under this agreement, except to gain access to the pump test facility on a pre-agreed scheduled basis. Tenant's employees will be required to show proper identification to enter the facility and the pump testing area as determined by the Landlord
 23. Tenant has no right to sublease their space.
 24. Assignment of this agreement requires Landlord approval in writing.
 25. Tenant and Landlord shall agree on the posting of external signs during the term of the agreement, except for signs related to the production and assembly of Tenant's products which can be displayed in Tenant's assembly area.
 26. On the commencement date of this agreement, Landlord will remove at Landlord's expense, all of Tenants pictures that are presently in the reception and other areas of the building
 27. Water Discharges
 - a. Tenant must provide landlord with copy of analysis of water discharges, Air Emissions, Fire Risk, Hazardous materials, Hazardous waste as often as required by the Safety and Environmental Laws and Regulations
 - b. Tenant's Water discharge analysis must be performed in coordination with Landlord's EH&S department
 28. Tenant cannot install new assembly lines or new assembly processes at the facility without the advance approval in writing from the Landlord. Adequate time should be given to the Landlord to review any Tenant proposal to install new assembly lines.
 29. Choice of Law: The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this lease or its subject matter or formation.
 30. The Tenant shall keep the Landlord indemnified against all expenses, costs, claims, damage and loss which the Landlord
-

shall incur as a consequence or any breach of any Tenant covenants in this lease, or any act or omission of the Tennant or its workers, contractors, agents and invitees.

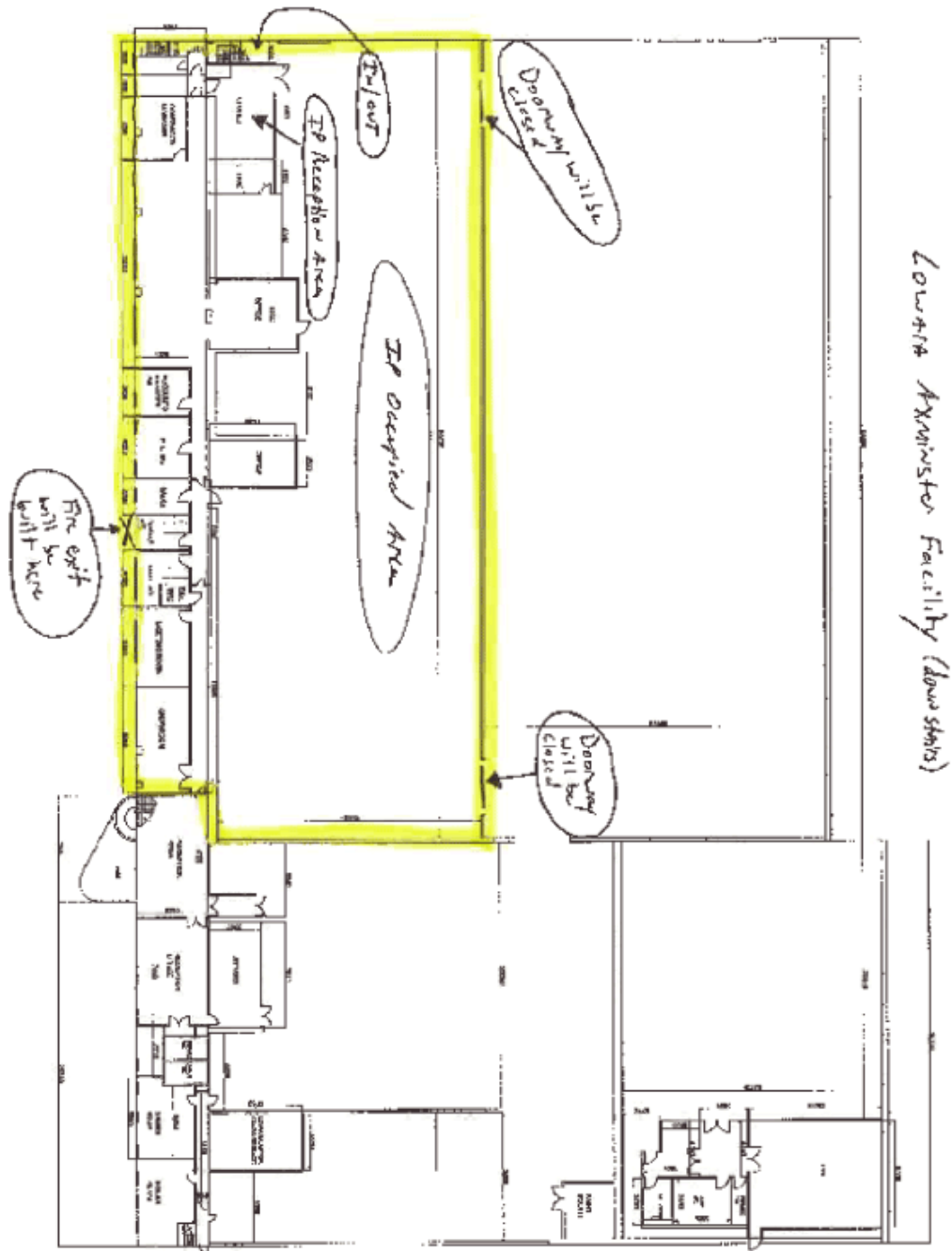
31. As soon as the Tenant becomes aware of any defect in the Property, it shall give the Landlord notice of it. The Tenant shall indemnify the Landlord against any liability in relation to the Property by reason of failure of the Tenant to comply with any of the tenant covenants in this lease.
32. To the extent that the same are not provided by the Landlord as at the date hereof the Tenant shall keep the Property equipped with such fire prevention, detection and fire-fighting equipment which shall be required under all relevant laws or required by the insurers of the Property or reasonably recommended by them or reasonably required by the Landlord or the Superior Landlord and shall keep that, equipment properly maintained and available for inspection.
33. The Tenant shall provide Landlord with access to the Tenant's space for 1) planned maintenance work, and 2) in the case of an emergency. Planned maintenance access shall be requested 24 hours in advance. 24 hour advance notice is not required in the case of emergency access. Landlord shall establish a lock box where a key to the Tenant's area shall be kept. A limited number of parties from both Landlord and Tennant shall have access to the lock box.
34. The Tenant shall carry out Health and Safety operations as per UK Government Guidelines HSG65 and GHG (greenhouse gas) Guidelines or its successors, as applicable, and also cooperate with the Landlord in adhering to its health and safety plan in common areas.
35. The Tenant shall carry out their Environmental obligations and operations as per the Environment Agency's Pollution Prevention Guidance documents as may be relevant, and cooperate with the Landlord in adhering to any Environmental Management System the Landlord operates.

Local Law Provisions

N/A

Governing Law

Please see paragraph "29."



Lower Axminster Facility (Lower Stairs)

EXHIBIT L-4

Building #74 WSO Bayard St. Seneca Falls, NY

Prime Lease (as amended) Not Applicable

Landlord Xylem Inc.

Premises (square feet) One story building consisting of office, light manufacturing, and warehouse space totaling approximately 200,000 square feet.

Leased Premises (square feet) Approximately 13,974, square feet of office space, *as depicted on the cross-hatched floor plan attached hereto.*

Term Lessee shall have a minimum term commencing on the date hereof through February 29, 2012 (“Minimum Term”) which may be extended through August 31, 2012, (“Maximum Term”) if written notice is provided to the Landlord by January 5, 2012.

<u>Base Rent</u>	<u>Period</u>	<u>Monthly Rent</u>
	Through 12/31/11	Cost plus 2% – 10%
	From 1/1/12 through 8/31/12	Cost plus 2% – 10%

Notices

To: Landlord
Dan Kelly
1133 Westchester Avenue
White Plains, NY 10547

To: Tenant
Joanne Scalard
1133 Westchester Avenue
White Plains, NY 10547

Rent Payments

- a. Unless otherwise directed by Lessor in writing, all Rent payments shall be made to Lessee at the address identified in the above “Notice” provision.
- b. Rent payments are to be made monthly in advance. 1st rent payment is due within 5 days of the Commencement Date. Subsequent rent payments are due every 30 days. No invoices will be provided by landlord. It is tenant’s full responsibility to pay rent on a timely basis.
- c. Payments over 10 days late will be charged interest at a rate of 10% per annum

Services to be provided by Landlord

Building maintenance, fire protection, building security, janitorial, pest control, tenant parking, utilities, building insurance, receptionist, real property taxes, mail room, grounds maintenance, and waste removal

a. If Landlord chooses to sell the building during the term of this Lease it must be sold under condition that Tenant can remain in the Premises under the terms of this Lease.

Special Provisions

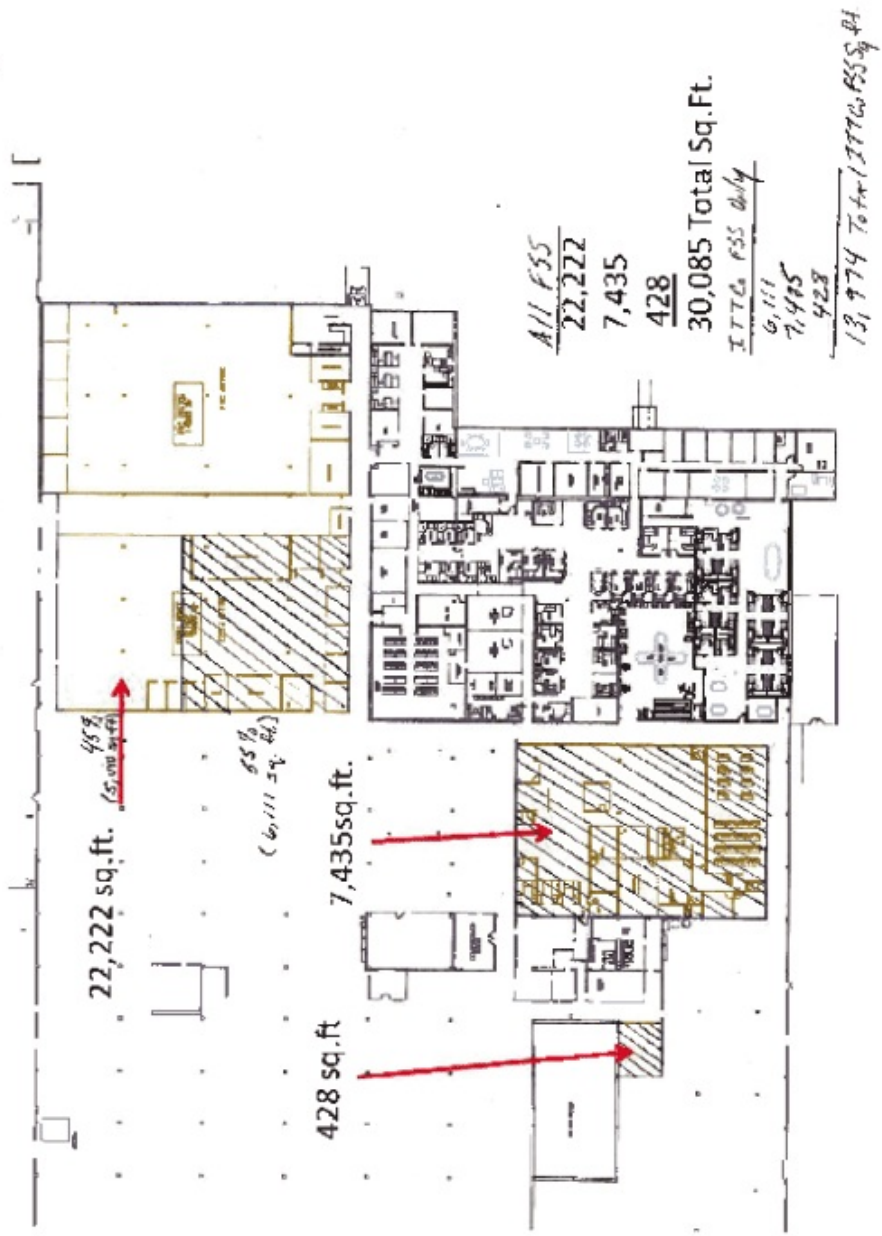
- a. Tenant will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required during the term of the agreement. Installation of capital equipment requires landlord approval in advance.
- b. Tenant will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If tenant requires contractors to assist them in moving out of the facility, Tenant agrees to provide Landlord with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
- c. Tenant agrees to remove all of their personal property from the landlord's premises at the end of the lease term. This includes phones purchased directly by the tenant, but excludes any phones provided by the landlord.
- d. Tenant will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
- e. Landlord agrees to provide Tenant with unassigned parking spaces in the parking lot to the East side of the facility.
- f. All PC connection equipment will be designated as the property of the tenant and will be removed by the tenant at tenant's expense at the end of the term of this agreement
- g. Fixed assets currently on the books of the landlord as of Commencement Date will remain the property of the Landlord during and at the end of the lease term.
- h. Fixed assets currently on the books of the Tenant as of the Commencement Date will remain the property of the tenant during and at the end of the lease term.
- i. Tenant will be required to provide workers compensation insurance at its own expense for the employees located at landlord's facility based on State of New York requirements.
- j. Tenant agrees to pay all personal property taxes associated with tenant's personal property located in landlord's facility. If Landlord is required to pay personal property taxes on tenant's personal property, tenant agrees to immediately reimburse landlord.

- k. Tenant's minimum General Liability Insurance Policy and Property insurance shall be Two Million Dollars (\$2,000,000) and must be paid for by tenant.
- l. Tenant will not be allowed to access the Xylem RCW computer network. Tenant's employees will be allowed to access Tenant's own computer network via wireless or landline data connections on the Leased Premises.
- m. Tenant shall have the reasonable right to use, and Landlord shall at all times have exclusive control of, and operate and maintain, the Common Areas in the manner Landlord may reasonably determine to be appropriate.
- n. Tenant's employees will not be allowed access the other parts of the building that are not being rented under this agreement with exception of the South cafeteria and central rest rooms, except to gain access to rented space. Tenant's employees will be required to show proper identification to enter the facility as determined by the Landlord
- o. Tenant has no right to sublease their space.
- p. Tenant agrees not to put up any external or internal signs during the term of the agreement without prior approval of the Landlord.

Local Law Provisions

New York law shall apply

Leased Premised



MASTER SUBLEASE AGREEMENT

THIS MASTER SUBLEASE AGREEMENT ("Sublease") is made as of the ___ day of _____, 2011, by and between the each of the sublessors (each a "Sublessor") identified on Schedule I attached hereto and made a part hereof, and each of the sublessees (each a "Sublessee") identified on Schedule I.

WITNESSETH:

WHEREAS, pursuant to the terms and conditions of each lease agreement described on Exhibit S attached hereto and made a part hereof (the "Prime Lease"), each landlord (each a "Landlord") identified on Schedule I leased to each Sublessor certain premises ("Premises") in the building ("Building") described opposite its name on Schedule I (each Sublessor has delivered or made available upon request to each Sublessee a true and complete copy of the relevant Prime Lease);

WHEREAS, each Sublessor in consideration of the rents herein reserved and of the terms, provisions, covenants and agreements on the part of each Sublessee to be kept, observed and performed, desires to sublease to each Sublessee and each Sublessee desires to sublease from each Sublessor a portion of the Premises, shown outlined on the Floor Plan annexed to Exhibit S ("Subleased Premises"), on the terms, covenants and conditions described set forth in Exhibit S and as hereinafter provided;; and

WHEREAS, all references herein to "Sublessor" and Sublessee" shall apply to each Sublessor and Sublessee identified on Schedule I and all references to "Landlord", "Prime Lease", "Building", "Premises", "Subleased Premises", "Term", Base Rent", and Sublessee's proportionate share of "Additional Rent" shall apply to each Sublessor and Sublessee in accordance with the corresponding material terms set forth in Exhibit S applicable to such parties' Subleased Premises.

NOW, THEREFORE, Each Sublessor and each Sublessee covenant and agree as follows:

1. Sublease

Sublessor hereby subleases to Sublessee, and Sublessee hereby hires and subleases from Sublessor, the Subleased Premises.

2. Term

The term ("Term") of this Sublease shall be for the period set forth on Exhibit S, unless sooner terminated pursuant to any provision set forth herein or in the Prime Lease.

3. Base Rent

During the entire Term, Sublessee shall pay Sublessor, as rent for the Subleased Premises, the annual sums ("Base Rent") set forth on Exhibit S, in equal monthly installments, within five (5) days after the first day of each month, without prior notice or demand and without setoff or deduction.

4. Conflicts Between Sublease and Attached Exhibits

In the event of any inconsistencies or conflicts between the terms and provisions of this Sublease and the material terms set forth in Exhibit S, the material terms set forth in Exhibit S shall control, provided in all instances the terms and provisions of this Sublease, including the schedules and exhibits, remain subject to the terms and provisions of the Prime Lease.

5. Rent Payments

All Base Rent, Additional Rent and other charges payable by Sublessee to Sublessor (collectively, "Rent") shall be forwarded in accordance with the applicable provision set forth on Exhibit S. Notwithstanding the foregoing, Sublessee shall pay the first month's installment of Rent upon the execution of this Sublease and, if the date upon which this Sublease is executed occurs on other than the first day of a calendar month, Sublessee shall pay its pro rata share of Rent for such calendar month.

6. Late Charge

In the event that Sublessee shall fail to pay Rent within five (5) days after its due date, then from and after the sixth (6th) day until the date Sublessee finally pays the Rent, Sublessee shall pay Sublessor a late charge at the rate of ten (10%) percent per annum with respect to the delinquent amount, provided, however, no late charges shall be assessed against Sublessee prior to January 1, 2012.

7. Use

Sublessee shall use and occupy the Subleased Premises for the same purposes and in the same manner as used immediately prior to the date hereof and in a manner consistent with the provisions of the Prime Lease.

8. Condition of Subleased Premises

Sublessee acknowledges that Sublessee is hiring the Subleased Premises in "as is" condition. In making and executing this Sublease, Sublessee has not relied upon or been induced by any statements or representations of any person with respect to the physical condition of the Subleased Premises. Sublessee has relied solely on its own investigations, examinations and inspections of the Subleased Premises.

9. Subordination

Sublessor and Sublessee agree that this Sublease is, and shall be, subject and subordinate to all of the terms, covenants and conditions of the Prime Lease, and to the matters to which the Prime Lease shall be subordinate.

10. Incorporation of Prime Lease Terms

10.1 The terms, covenants and conditions contained in the Prime Lease are hereby incorporated herein and shall, as between Sublessor and Sublessee, constitute the terms, covenants and conditions of this Sublease, except to the extent set forth below. As between the parties hereto, Sublessor agrees to observe and perform the terms, covenants and conditions on its part to be observed and performed hereunder and Sublessee agrees to be bound by the provisions of the Prime Lease and to keep, observe and perform the terms, covenants and conditions on its part to be kept, observed and performed hereunder as well as those applicable terms, covenants and conditions to be observed and performed by Sublessor as tenant under the Prime Lease with respect to the Subleased Premises. The remedies of the parties, as Sublessor and Sublessee hereunder, shall be the same as the respective remedies of the Landlord and the tenant under the Prime Lease with respect to the Subleased Premises. Sublessee shall in no case have any rights with respect to the Subleased Premises greater than Sublessor's rights as tenant under the Prime Lease, and Sublessor shall have no liability to Sublessee for any matter or thing for which Sublessor does not have co-extensive rights as tenant under the Prime Lease.

10.2 Sublessee agrees to perform, fulfill and observe all covenants and agreements of Sublessor as tenant, as set forth in the Prime Lease, the extent applicable to the Subleased Premises, except for the covenants and agreements of Sublessor set forth therein with respect to the payment of rent and other charges to the Landlord (and except for the covenants and agreements of Sublessor herein to be performed by Sublessor hereunder) and except with regard to any other provision thereof, the content or context of which would render them inapplicable to Sublessee.

11. Indemnification

Sublessor and Sublessee shall indemnify each other and save the other harmless from and against any and all claims, liability and expense for loss or damage suffered by the other to the extent caused by (i) the negligence, or willful misconduct of the indemnifying party, its agents, contractors or employees; (ii) any act or occurrence in the Sublet Premises unless caused by the negligence or willful misconduct of the indemnifying party, its agents, contractors or employees; and (iii) breach of this Sublease by the indemnifying party, its agents, contractors or employees including, but not limited to, losses caused to the non-indemnifying party under the Sublease. The obligations under this Paragraph 11 shall survive the termination of this Sublease.

12. Liability Insurance

At all times during the Term, Sublessee shall, at its own cost and expense, provide and keep in force for the benefit of Landlord, Sublessee and Sublessor, comprehensive general liability insurance against claims for bodily injury, death or property damage occurring in, on or about the Subleased Premises, with limits as specified in the Prime Lease. The insurance to be provided and kept in force hereunder by Sublessee shall include Sublessee, as insured, and Sublessor and Landlord, as additional insureds. Said policy shall be obtained by Sublessee and certificates thereof delivered to Sublessor promptly after the signing of this Sublease. Said policy shall be for a period of not less than one year and shall contain a provision whereby the same cannot be materially changed or canceled unless Sublessor is given at least thirty (30) days' written notice of such material change or cancellation. Sublessee shall obtain and pay for renewals of such insurance from time to time at least thirty (30) days before the expiration thereof, and Sublessee shall promptly deliver certificates thereof to Sublessor. Any insurance required to be provided by Sublessee pursuant to this Sublease may be provided by blanket insurance covering the Subleased Premises and other properties of Sublessee upon condition that (i) such blanket insurance complies with all of the other requirements of this Sublease and is acceptable to Sublessor and Landlord, and (ii) certificates of such insurance are delivered to Sublessor and Landlord. Sublessee shall obtain and pay for insurance on its equipment, furnishings, furniture and other personal property in the Subleased Premises.

13. Restriction on Assignments, etc.

Sublessee shall not, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, assign, mortgage, pledge or encumber this Sublease, or underlet or suffer or permit all or any part of the Subleased Premises to be used or occupied by others, without the prior written consent of Landlord (to the extent and in the manner required under the Prime Lease) and Sublessor, such consent not to be unreasonably withheld, conditioned or delayed, in each instance. Sublessor shall not sublease any portion of the Premises to a competitor of Sublessee. Notwithstanding any of the foregoing, but in each case subject to the governing terms of the Prime Lease, without the consent of Sublessor, Sublessee may assign or sublease this Sublease to any "Affiliate," as defined herein; provided, however, that (i) such assignment or sublease does not violate any provisions of the Prime Lease, (ii) obtains any consent or approval of Landlord required under the Prime Lease, (iii) Sublessee provides Sublessor at least thirty (30) days prior written notice of such assignment or sublease; and (iv) Sublessee and any such Affiliate both remain jointly and severally liable for all obligations and liabilities under this Sublease. "Affiliate" shall mean (i) Sublessee's parent or any other entity that is wholly owned by Sublessee, or under common control with Sublessee; (ii) any entity acquiring all or substantially all of the Sublessee's assets or stock; or (iii) any successor entity to Sublessee following a merger as determined by Sublessor, in Sublessor's reasonable judgment.

14. Alterations

14.1 Sublessee shall not perform any additions, alterations and improvements to the Subleased Premises, or any part thereof, without the prior written consent of Landlord (to the extent required under the Prime Lease) and Sublessor, and otherwise in full compliance with all of the applicable terms, covenants and conditions of the Prime Lease. Sublessee expressly understands and agrees that in the event Landlord requires removal of improvements and alterations performed by and/or for Sublessee and restoration of the Subleased Premises, Sublessee agrees to promptly comply with such removal and restoration requirement of Landlord at the end of the term of the Sublease.

14.2 Sublessor and Sublessee shall cooperate and mutually agree upon any Separation Work (as herein defined) as may be reasonably necessary to sublease the Premises to Sublessee. Subject to any required Landlord approvals, Sublessee shall use commercially reasonable efforts to physically demise and separate the Subleased Premises, but only to the extent Sublessor and Sublessor have mutually agreed upon any required Separation Work, from the remaining portion of Premises (the "Remaining Portion") at Sublessee's sole cost and expense. Such demising and separation work is referred to herein as the "Separation Work." The Separation Work shall include the following, as required and applicable: (i) installation of one or more code-compliant sheetrock demising walls between the Remaining Portion and the Subleased Premises or such other demising and partition materials as shall be reasonably sufficient to separate the Subleased Premises from the Remaining Portion, finished to match the wall finishes on the Premises to the extent practicable; (ii) any reconfiguration of HVAC distribution, sprinkler system distribution, electrical outlets, and lighting necessary as a consequence of installation of such demising wall(s); and all Separation Work must comply with all applicable fire, safety, health, and building codes provided, however, it shall not be a default hereunder if Sublessor does not commence or complete the Separation Work on the date hereof.

15. Approvals

In any instance where the approval or consent of Sublessor is required hereunder, such consent or approval shall not be unreasonably withheld, conditioned or delayed. However, any refusal by Sublessor to consent or approve any matter requested by Sublessee shall be deemed reasonable if, inter alia, Landlord has refused to give consent or approval thereto whenever such consent or approval is necessary under the Prime Lease. To the extent that any of the provisions of the Prime Lease conflict with or are inconsistent with the provisions of this Sublease, whether or not such inconsistency is expressly noted herein, the provisions of the Prime Lease shall in all instances prevail over this Sublease.

16. Notices

16.1 Any notice, demand, bill, invoice, statement or communication which either Sublessor or Sublessee may desire or be required to give to the other in connection with this Sublease shall be in writing and shall be deemed to have been sufficiently given if sent by (i)

Certified or Registered Mail, Return Receipt Requested, or (ii) a nationally recognized overnight courier, such as Airborne Express, Federal Express or United Parcel, to such other party at the "Notices" addresses identified on the corresponding Exhibit S.

16.2 Each such bill, invoice, statement, notice or communication shall be deemed to have been delivered on the date when the original of same is received.

17. Time Limits

The time limits set forth in the Prime Lease for the performance of any act or the making of any payment (other than the payment of Rent) are, for the purposes of this Sublease, changed so that the time of Sublessee in a particular case hereunder to do or perform any act or make any payment shall be three days less than the time of Sublessor as tenant under the Prime Lease to do so in such case.

18. Services

Except as otherwise set forth on Exhibit S attached hereto, Sublessee shall be entitled to receive all of the services pertaining to the Subleased Premises which Sublessor is entitled to receive under the Prime Lease and did receive during the twelve (12) month period immediately preceding the date hereof. Sublessee recognizes that such services are to be supplied by Landlord and not by Sublessor. In the event that Landlord shall fail to supply such services or shall refuse to comply with any of the provisions of the Prime Lease insofar as they affect Sublessee's occupancy of the Subleased Premises, Sublessor shall, at the written request of Sublessee, request Landlord to so comply and if Landlord shall fail or refuse to do so then, to the extent permitted by the terms of the Prime Lease, Sublessee shall have the right to exercise, in its own name and in the name of Sublessor, all of the rights to enforce performance on the part of Landlord as are available to Sublessor, provided that the same shall be without cost, expense or liability to Sublessor. Sublessor shall be under no liability to Sublessee in the event of the failure by Landlord to supply any services, unless the same is due to the fault of Sublessor.

19. Brokerage

Sublessor and Sublessee represent to each other that in connection with this Sublease, they have dealt with no real estate brokers or consultants.

20. Parking and Signage; Satellite Dishes etc.

20.1 Except as otherwise set forth on Exhibit S attached hereto, Sublessor and Sublessee agree to share proportionately all parking and signage rights granted to Sublessor under the Prime Lease, if any, based upon Sublessor's and Sublessee's proportionate share of the Premises.

20.2 Sublessor and Sublessee agree to share proportionately all rights granted to Sublessor under the Prime Lease with respect to satellite dishes and/or antennae equipment, if any, based upon Sublessor's and Sublessee's proportionate share of the Premises.

21. Termination of Prime Lease/Sublease

Sublessor agrees that it shall not exercise any options to terminate the Prime Lease during the Term hereof without having first obtained the prior written consent of Sublessee, such consent not to be unreasonably withheld. If the Prime Lease shall be terminated prior to the Expiration Date of this Sublease, this Sublease shall thereupon be ipso facto terminated and Sublessor shall not be liable to Sublessee by reason thereof, unless said termination shall have been effected because of a default on the part of Sublessor as tenant under the Prime Lease which was not the result of a default by Sublessee.

22. Surrender of Subleased Premises; Holding Over

22.1 This Sublease shall expire and Sublessee shall deliver up and surrender possession of the Subleased Premises to Sublessor on the last day of the Term hereof, and Sublessee hereby waives the right to any notice of termination or notice to quit. Upon the expiration or sooner termination of this Sublease, Sublessee covenants to deliver up and surrender possession of the Subleased Premises in the same condition in which Sublessee has agreed to maintain and keep the same during the term of this Sublease and remove Sublessee's equipment, furniture and other personal property in accordance with the provisions of this Sublease and the Prime Lease, normal wear and tear and damage by fire or other casualty excepted.

22.2 Upon the failure of Sublessee to surrender possession of the Subleased Premises to Sublessor upon the expiration or sooner termination of this Sublease, Sublessee shall pay to Sublessor an amount equal to 150% of the then current Base Rent and additional rent required to be paid by Sublessee under this Sublease, applied to any period in which Sublessee shall remain in possession after the expiration or sooner termination of this Sublease. Acceptance by Sublessor of Base Rent and additional rent after such expiration or earlier termination shall not constitute a consent to a holdover hereunder or result in a renewal. The foregoing provisions of this paragraph are in addition to and do not affect Sublessor's right to reentry or any other rights of Sublessor hereunder or otherwise provided by law.

22.3 In addition to the foregoing provisions, Sublessee hereby covenants and agrees to indemnify and hold Sublessor harmless from and against all costs and expenses, including legal fees and any judgment for monetary damages, incurred and/or paid by Sublessor under the Prime Lease as a result of Sublessee's holdover.

23. Successors and Assigns

This Sublease, together with the agreements, terms, covenants and conditions herein shall bind and inure to the benefit of Sublessor and Sublessee and their respective heirs, personal representatives, successors and, except as is otherwise provided herein, their assigns.

24. Miscellaneous

24.1 Sublessor represents that: (i) Sublessor has not received any notice of default or termination of the Prime Lease; and (ii) Sublessor shall not enter into any agreement that will modify or amend the Prime Lease so as to increase or materially affect the obligations of Sublessee pursuant to this Sublease, or adversely affect Sublessee's right to use and occupy the Subleased Premises or any other rights of Sublessee under this Sublease.

24.2 It is mutually agreed by and between Sublessor and Sublessee that the respective parties shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Sublease, Sublessee's use or occupancy of the Premises, and/or any claim of injury or damage excluding any claim for personal injury or property damage.

24.3 The headings herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Sublease nor in any way affect this Sublease.

24.4 This Sublease shall be governed by and construed in accordance with the laws of the State, Country or applicable province in which the Premises are located.

24.5 This Sublease contains the entire agreement between the parties and may not be extended, renewed, terminated or otherwise modified in any manner except by an instrument in writing executed by the party against whom enforcement of any such modification is sought. All prior understandings and agreements between the parties and all prior working drafts of this Sublease are merged in this Sublease, which alone expresses the agreement of the parties. The parties agree that no inferences shall be drawn from matters deleted from any working drafts of this Sublease or against the party preparing drafts hereof. The parties took equal part in drafting this Sublease and no rule of construction that would cause any of the terms hereof to be construed against the drafter shall be applicable to the interpretation of this Sublease.

24.6 If any provision of this Sublease shall be invalid or unenforceable, the remainder of the provisions of this Sublease shall not be affected thereby and each and every provision of this Sublease shall be enforceable to the fullest extent permitted by law.

24.7 If any officer, servant or employee of Sublessor renders assistance at the request of Sublessee or on the request of any officer, servant, employee, guest or licensee of Sublessee,

then that employee shall be deemed the agent of the person making such request and Sublessor is hereby expressly released from any and all liability or loss in connection therewith.

24.8 This Sublease shall not be recorded.

24.9 Notwithstanding anything to the contrary contained in this Sublease, Sublessee shall reimburse Sublessor, within five (5) business days after demand, as Additional Rent hereunder, for any and all reasonable costs that may be incurred by Sublessor (including, without limitation, its attorneys', accountants' and other professional fees, costs and disbursements) in connection with any request by Sublessee for Sublessor's consent, review or approval relating to any matter hereunder.

24.9 Notwithstanding anything to the contrary contained in this Sublease, each right and remedy of Sublessor or Sublessee provided for in this Sublease shall be cumulative and shall be in addition to every other right or remedy provided for in this Sublease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by any party hereto of any one or more of the rights or remedies provided for in this Sublease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by such party of any or all other rights or remedies provided for in this Sublease or now or hereafter existing at law or in equity or by statute or otherwise.

25. Confidential Information

25.1 Notwithstanding the expiration or earlier termination of this Sublease, for a period of five (5) years from the date hereof, Sublessor and Sublessee shall hold, and shall cause each of their respective affiliates and subsidiaries to hold, and shall each cause their respective officers, employees, agents, consultants and advisors (or potential buyers) to hold, in strict confidence, and not to disclose or release or use, without the prior written consent of the other party (which may be withheld in such party's sole and absolute discretion, except where disclosure is required by applicable laws), any and all Confidential Information (as defined herein) concerning any other party; provided, that the parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, financial advisors, bankers, insurers and other appropriate consultants and advisors who have a need to know such information and are informed of their obligation to hold such Confidential Information confidential to the same extent as is applicable to the parties and in respect of whose failure to comply with such obligations, the applicable party will be responsible, (ii) if the parties or any of their respective subsidiaries are required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of applicable laws or stock exchange rule, (iii) as required in connection with any legal or other proceeding by one party against any other party, (iv) as necessary in order to permit a party to prepare and disclose its financial statements, tax returns or other required disclosures, or (v) as necessary for a party to enforce its rights under this Sublease. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii), (iii), (iv) or (v) above,

each party, as applicable, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which such parties will cooperate in obtaining. In the event that such appropriate protective order or other remedy is not obtained, the party which faces the disclosure requirement shall furnish only that portion of the Confidential Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information. “ Confidential Information” shall mean all non-public, confidential or proprietary information concerning Sublessor or Sublessee, or any of their respective affiliates or subsidiaries, or their past, current or future activities, businesses, finances, assets, liabilities or operations, including any such information that was acquired by any party after the date hereof, or that was provided to a party by a third party in confidence, except for any information that is (i) in the public domain or known to the industry through no fault of the receiving party or its affiliates or subsidiaries, (ii) lawfully acquired after the date hereof by such party or its affiliates or subsidiaries from other sources not known to be subject to confidentiality obligations with respect to such information or (iii) independently developed by the receiving party after the date hereof without reference to any Confidential Information.

25.2 Each of the parties acknowledges that it and the other members of their respective affiliates and subsidiaries may have in their possession confidential or proprietary information of third parties that was received under confidentiality or non-disclosure agreements with such third party while part of the ITT Corporation companies. Each of the parties will hold, and will cause the other members of their respective affiliates and subsidiaries and their respective representatives to hold, in strict confidence the confidential and proprietary information of third parties to which they or any other member of their respective affiliates and subsidiaries has access, in accordance with the terms of any agreements entered into prior to the date on which Sublessor and Sublessee are no longer part of the same group of companies between one or more members of the ITT Corporation companies (whether acting through, on behalf of, or in connection with, the separated Businesses) and such third parties.

25.3 The parties agree that irreparable damage would occur in the event that the provisions of this Section 25 were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the parties shall be entitled to an injunction or injunctions to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

26. Access

Sublessee shall have access to the Subleased Premises twenty-four (24) hours a day, seven (7) days a week or as otherwise provided for in the Prime Lease, provided, however, Sublessee’s employees shall be required to show proper identification reasonably required by Sublessor to enter the Subleased Premises. Sublessor shall have the right to enter upon or obtain access to the Subleased Premises or any part thereof without charge at all reasonable times upon reasonable prior notice (except in the case of an emergency, in which case no notice will be required) to inspect the Subleased Premises, or to otherwise exercise or perform any of the rights

or obligations of Sublessor under the Prime Lease or this Sublease. At any time during the Term of this Sublease, at reasonable times upon prior reasonable notice, Sublessor may, at Sublessor's option, enter into and upon the Subleased Premises if Sublessor reasonably determines that Sublessee is not acting within a commercially reasonable time to maintain, repair or replace anything for which Sublessee is responsible under this Sublease, or the Prime Lease, and correct the same after providing written notice, without being deemed in any manner guilty of trespass, eviction or forcible entry and detainer and without incurring any liability for any damage or interruption of Sublessee's business resulting therefrom. If Sublessee shall have vacated the Subleased Premises, has not paid Rent and is in default beyond any applicable notice and cure period, Sublessor may at Sublessor's option reenter the Subleased Premises at any time during the last six (6) months of the then current Term of this Sublease and make any and all such changes, alterations, revisions, additions and tenant and other improvements in or about the Subleased Premises as Sublessor shall elect, all without any abatement of any of the Rent otherwise to be paid by Sublessee under this Sublease.

28. Counterparts

This Sublease may be executed by one or more of the parties to this Sublease on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, this Sublease has been executed as of the day and year first above written.

SBLESSOR:

[]

By: _____

Name:

Title:

SUBLEESSEE:

[]

By: _____

Name:

Title

SCHEDULE I

<u>Corresponding Material Terms Exhibit</u>	<u>Building/Premises</u>	<u>Landlord</u>	<u>Tenant/Sublessor (TSA Provider)</u>	<u>Sublessee (TSA Receiver)</u>
S-1	Savli Plant-Vadodara	Today's Petrotech Ltd	ITT Corporation India PVT. LTD.	Xylem Water Solutions India Pvt Ltd.
S-2	Lot B, of the agricultural and industrial area la Chimba at Antofagasta, described as Lot Number 252 of the year 1996, of the State Real Estate Record Office of Antofagasta. Mrs. Vilma Francisca Ramirez Cuevas acquired the property from Mrs. Magaly del R . Cortes Ossandon through a purchase agreement shown at the office of the Public Notary from Antofagasta of Mr. Luis H. Chávez Zambrano dated June 24, 1996. The property is registered in page 3.406 under number 4.674 of the Real Estate Records kept at the State Records of Antofagasta in the year 1997 Acantitita N° 597 — B,Antofagasta, Chile	Vilma Francisca Ramirez Cuevas Industrial Compania Limitada	ITT Fluid Technology S.A.	ITT Water and Wastewater Chile S.A.
S-3	Av. Washington # 3701, Edificio 8 Parque Industrial las Americas C.P. 31114 Chihuahua, Chih. Mexico 31200	Grupo American Industries Ave. Washington #3701 Edificio. 18 Parque Industrial las Americas, Chihuahua, Chih. Mexico 31200	Flow Control LLC	Aerospace Controls LLC

<u>Corresponding Material Terms Exhibit</u>	<u>Building/Premises</u>	<u>Landlord</u>	<u>Tenant/Sublessor (TSA Provider)</u>	<u>Sublessee (TSA Receiver)</u>
S4	1133 Westchester Avenue, First Floor, White Plains, New York 10604	1133-399 Westchester Avenue, LLC and 1133-300 Westchester Avenue, LLC.	ITT Corporation	Xylem Inc.
S-5	New Delhi Sales Office	Narayan Prasad Sharma & Kailash Chand Sharma	Xylem Water Solutions India Pvt. LTD.	ITT Corporation India PVT. LTD.

EXHIBIT S-1

Building	Savli Plant-Vadodara Plot no 731, GIDC Savli, Manjusar-Savli GIDC, Vadodara — 391770
Owner	Today's Petrotech Limited
Sub lessor	ITT Corporation India Pvt. LTD
Sub lessee	Xylem Water Solutions India Pvt Ltd.
Premises (square feet)	3,75,000 sq. ft. including offices, shed and common area
Term	Sublessee shall have a minimum term commencing on October 31, 2011 (the "Commencement Date") through November 30, 2011 ("Minimum Term") which may be extended upon 15 days prior written notice to Sublessor through March 31, 2012 Rent is due by day 5 of each calendar month. Sublessee's obligation to pay rent shall commence on the Commencement Date.
Rental Payments	Base rent: Rs. Cost + 15% handling charge per month
Notices	Rabi Burman, General Manager ITT Corporation India Private Limited Plot No. 731, GIDC Savli, Manjusar — Savli Road, Vadodara — 391770 Sam Yamdagni, President & Managing Director Xylem Water Solutions India Private Limited Plot No. 731, GIDC Savli, Manjusar — Savli Road, Vadodara — 391770
Services to be provided by Sub Lessor	Common Area, Plant and Office Space to be utilized by Sub Lessee for operations, functional management and space for employees and meetings.

The Base rent covers the following items:

- a. Lease
- b. Security
- c. Canteen
- d. Horticulture
- e. Water
- f. Electricity
- g. Housekeeping
- h. Printing & Stationery
- i. Pantry
- j. Telephone
- k. Water
- l. DG Set
- m. Insurance

Special Provisions

1. Any additional investment required for capital improvements (building, furniture, computers, and equipment) during the period of the TSA by Sub Lessee Limited shall need to be paid by Sub Lessee. Installation of capital equipment requires ITT Corporation India Private Limited approval in advance.
2. Capital expenditures and related expenses that are incurred by Sub Lessor to prepare facility for Sub Lessee occupancy and usage of production facility under the terms of this TSA, prior to the commencement date of the TSA, will be paid for by Sub Lessor and either expensed or capitalized and the related depreciation or amortization is considered to be a part of the Base Rent as shown in this TSA
3. Sub Lessee will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If Sub Lessee requires contractors to assist them in moving out of the facility, Sub Lessee agrees to provide landlord with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
4. Sub Lessee agrees to remove all of their personal property from the Sub Lessor's premises at the end of the lease term. Sub Lessee must return rented space to pre move in condition, with the exception of the offices, which should be left in an "as is" condition.
5. Sub Lessee will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
6. Sub Lessor will provide Sub Lessee with sufficient Seating & parking spaces in the parking lot.
7. Sub Lessee agrees that all cabling and connection equipment that is used to attached Sub Lessee's PC's to the IT infrastructure will remain the property of the Sub Lessor and will not be removed by the Sub Lessee at the end of the TSA.

8. Fixed assets on the books of the respective parties as of the date of the ITT separation will remain the property of the respective parties during and at the end of the TSA term.
9. Sub Lessee shall have the reasonable right to use, and Sub Lessor shall at all times have exclusive control of, and operate and maintain, the Common Areas including the cafeteria in the manner Sub Lessor may reasonably determine to be appropriate.
10. Assignment of this agreement requires Sub Lessor's approval in writing

Local Law Provisions

Indian Contract Act, 1872

EXHIBIT S-2

Building	Lot B, of the agricultural and industrial area la Chimba at Antofagasta, described as Lot Number 252 of the year 1996, of the State Real Estate Record Office of Antofagasta. Mrs. Vilma Francisca Ramirez Cuevas acquired the property from Mrs. Magaly del R . Cortes Ossandon through a purchase agreement shown at the office of the Public Notary from Antofagasta of Mr. Luis H. Chávez Zambrano dated June 24, 1996. The property is registered in page 3.406 under number 4.674 of the Real Estate Records kept at the State Records of Antofagasta in the year 1997 Acantitita N° 597 — B Antofagasta, Chile
Prime Lease (as amended)	(a) Leasing Contract dated Nov 1, 2002
Landlord	Vilma Francisca Ramirez Cuevas Industrial Compania Limitada
Sub Lessor	ITT Fluid Technology S.A.
Sub Lessee	ITT Water and Wastewater Chile S.A.
Premises (square feet)	2,776.95 Sq Meters
Subleased Premises (square feet)	15 sq meters (office space) and 125 sq meters (warehouse space, <i>as depicted on the floor plan attached hereto</i> . Permitted uses — general office, warehouse storage, packing, equipment distribution, shipping & pump assembly
Term & Option	3 months — Commencing on October 31, 2011 (the “Commencement Date”) Sub Lessee will have the option to renew at 1.15 times base rent as noted below for an additional 3 months, if written notice is provided to the Sub Lessor 60 days prior to the termination of this agreement. Sub Lessee will have the option to terminate this agreement at any time with 1 month advance written notice to the Sub Lessor Sublessee’s obligation to pay rent shall commence on the Commencement Date.
Base Rent	Total Base Rent will be UF Cost plus 2% - 10% per month, payable in Chilean Pesos. The Base Rent includes a charge for other building related services 5.8% of space rent of UF Cost plus 2% - 10% or UF Cost plus 2% - 10% per month. The UF exchange rate to be used to convert invoices from UF to Chilean Pesos will be the rate as published in the newspaper El Mercurio on the invoice date. IVA taxes of 19% will be charged to sub lessee on each invoice. Sublessee’s

obligation to pay rent hereunder shall commence on the Commencement Date.

Sublessee's Security Deposit

Sub Lessor acknowledges that sub lessee has previously provided sub lessor with a one month security deposit of UF29.1, which will be returned within 30 days of the termination of this agreement, provided the sub lessee complies with the Special Provisions clauses b, c, f, and g of this agreement that relate to moving out of the facility

Notices

Sub Lessor — Miguel Otarola Bawdehn
Camino de la Colina 1448 Parque Industrial, El Rosal
Huechuraba, Santiago Chile
Sub Lessee — Javier Canala
Alcalde Guzman 1480
Quilicura, Santiago Chile

Rent Payments

- a. Unless otherwise directed by Sub Lessor in writing, all Rent payments shall be made to Sub Lessor by bank wire transfer to a Sub Lessor designated bank in Chile. Rent payments are to be made monthly in advance upon presentation of invoice to the Sub Lessee. 1st rent payment is due within 5 days after Commencement Date. . Subsequent rent payments are due every 30 days. It is Sub Lessee's full responsibility to pay rent on a timely basis.
- b. Payments over 10 days late will be charged interest at a rate of 10% per annum

Services to be provided by Sub Lessor as a part of the monthly Base Rent

Building maintenance, fire protection, building security, janitorial, pest control, utilities, minimal kitchen services, building insurance, real property taxes, grounds maintenance, internet access for 2 sub lessees employees, building reception service, and incoming mail distribution

Special Provisions

- a. Sub Lessee will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required during the term of the agreement. Installation of capital equipment requires Sub Lessor approval in advance.
- b. Sub Lessee will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If Sub Lessee requires contractors to assist them in moving out of the facility, Sub Lessee agrees to provide Sub Lessor with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
- c. Sub Lessee agrees to remove all of their personal property (including all inventories) from the Premises at the end of the lease term. Sub Lessee must return rented space to pre move in condition, with the exception of the offices, which should be left in an "as is" condition. This includes phones purchased directly by the Sub Lessee, but excludes any phones provided by the Sub Lessor.

- d. Sub Lessee will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
- e. Sub Lessee agrees to park its light trucks on the public street and will not park these vehicles on the facility grounds
- f. Sub Lessee agrees that all cabling that is used to attached Sub Lessee's PC's to the IT infrastructure will remain the property of the Sub Lessor and will not be removed by the Sub Lessee at the end of the lease term.
- g. All PC connection equipment will be designated as the property of the Sub Lessor and will not be removed by the Sub Lessee at the end of the term of this agreement
- h. Sub Lessee agrees to maintain it's PC's at its own cost. Sub Lessor will not provide PC maintenance services to Sub Lessee during the term of this agreement.
- i. Fixed assets on the books of the Sub Lessor as of the Commencement date will remain the property of the Sub Lessor during and at the end of the lease term. This includes but is not limited to the 5 ton bridge crane and the central telephone switching device located at the facility
- j. Fixed assets on the books of the Sub Lessee as of the date of the ITT separation will remain the property of the Sub Lessee during and at the end of the lease term. This includes but is not limited to the warehouse container, warehouse racking, and furniture located in the warehouse container as well as furniture used in the office area by sub lessee's employees, and the cell phones used by sub lessee's employees
- k. Minimal kitchen services are defined as coffee, hot water, sugar and other condiments for coffee only.
- l. Sub Lessee agrees to pay all personal property taxes associated with Sub Lessee's personal property located on the Premises. If Sub Lessor is required to pay personal property taxes on Sub Lessee's personal property, Sub Lessee agrees to immediately reimburse Sub Lessor.
- m. Sub Lessee will not be allowed to access the Sub Lessor computer network. Sub Lessee's employees will be allowed to access Sub Lessee's own computer network and the internet via wireless cell phones and USB memory stick.
- n. Sub Lessee shall have the reasonable right to use, and Sub Lessor shall at all times have exclusive control of, and operate and maintain, the Common Areas including, but not limited to the kitchen in the manner Sub Lessor may reasonably determine to be appropriate.
- o. Sub Lessee's employees will not be allowed access to any Sub Lessor manufacturing areas. Sub Lessee's employees will be required to show proper identification to enter the facility as determined by the Sub Lessor.

- p. Sub Lessee agrees to provide the following insurance coverage for the duration of this agreement
 - Civil Responsible Coverage US\$2.000.000.- (against third parties)
 - Fire and Earthquake Coverage US\$151.000 (physical assets), US\$121.000 (equipment), US\$30.000 (inventory)
 - Life and accident insurance to each of our employees. UF 1000 (per person). Equivalent to US\$46.000 per person.
- q. Sub Lessee has no right to sublease their space.
- r. Sub Lessee agrees not to put up any external or internal signs during the term of the agreement. Sub Lessee will be invoiced by Sub Lessor for the actual cost of long distance calls made by Sub Lessee employees. Invoices will be sent monthly and Sub Lessor will include as backup to the invoice an itemized list of the long distance phone calls made by Sub Lessee's employees as per the phone company records and phone company invoice to the Sub Lessor. Payment will be made by the Sub Lessee via bank wire transfer no later than 30 days after the invoice date (See Rent Payments — item a — for bank account details).
- s. Sub Lessee will not have the right to transfer additional assembly lines or any other employees or activities into the facility
- t. The Sub Lessor shall not be responsible to reimburse sub lessee in the event that sub lessee's property is stolen as a result of a robbery that may take place at the property nor for damages that the sub lessee's property may suffer as a result of fire, floods, breakage of sewer, humidity or heat effects and all situations of similar nature.

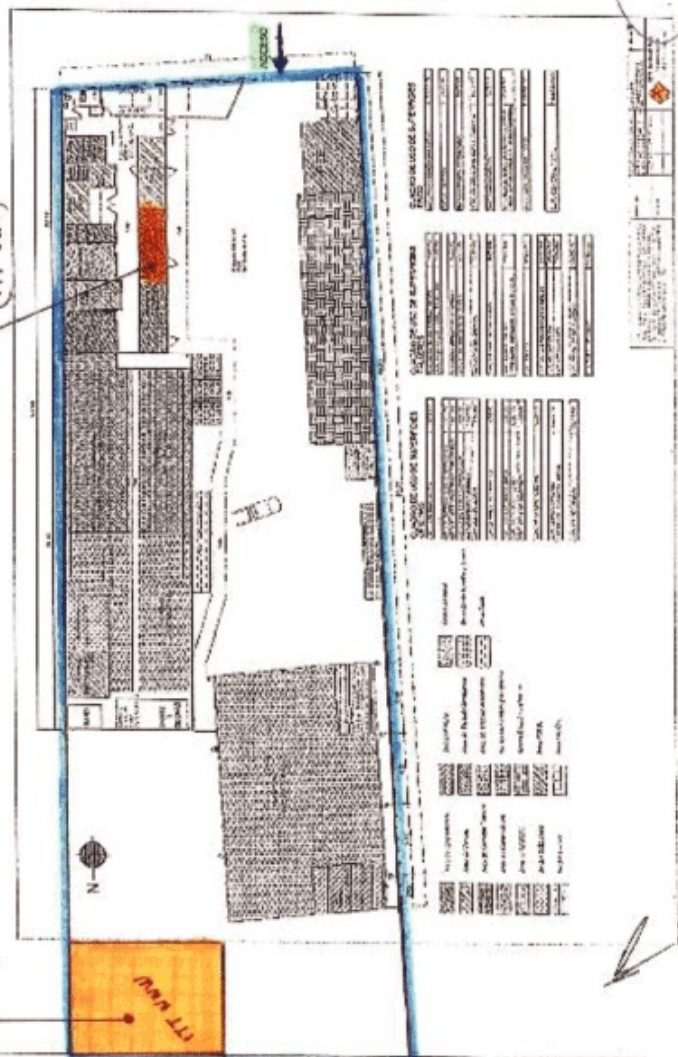
Local Law Provisions None

Governing Law Antofagasta, Chile

Commercial } 12 (square meters)
Office
(ITT WWP)

Workshop } 125 (square meters)
and
warehouse } Actual

Exhibit A
Plot of Subleased Property



NO.	DESCRIPTION	AREA (SQ. METERS)	REMARKS
1
2
3
4
5
6
7
8
9
10
11
12

NO.	DESCRIPTION	AREA (SQ. METERS)	REMARKS
1
2
3
4
5
6
7
8
9
10
11
12

NO.	DESCRIPTION	AREA (SQ. METERS)	REMARKS
1
2
3
4
5
6
7
8
9
10
11
12

NO.	DESCRIPTION	AREA (SQ. METERS)	REMARKS
1
2
3
4
5
6
7
8
9
10
11
12

NO.	DESCRIPTION	AREA (SQ. METERS)	REMARKS
1
2
3
4
5
6
7
8
9
10
11
12

NO.	DESCRIPTION	AREA (SQ. METERS)	REMARKS
1
2
3
4
5
6
7
8
9
10
11
12

* Current site of [ITT IP + ITT WWP]
ANTOFAGASTA - OFFICE

SEMPER PARATUS
09-10-2011
CAPM 0910010113

EXHIBIT S-3

Building	Calle Washington # 3701 Building 8 Interior Ave de las Americas, Parque Industrial las Americas, Chihuahua, Chihuahua Mexico 31200
Prime Lease (as amended)	Lease contract dated Oct 7, 2005 as amended on March 14, 2006
Landlord	Grupo American Industries
Sub Lessor	Flow Control LLC
Sub Lessee	Aerospace Controls LLC
Premises (square feet)	109,606 Sq Ft
Subleased Premises (square feet)	16,600 square feet, <i>as depicted on the floor plan attached hereto</i> . Permitted uses — general office, warehouse and storage, quality labs, receiving and shipping, computer servers, machining, fabrication, and assembly.
Term & Option	6 months — Commencing on October 31, 2011, (the “Commencement Date”) Sub lessee will have the option to renew at 1.15 times base rent as noted below for an additional 3 months, if written notice is provided to the Landlord 60 days prior to the termination of this agreement. Sub lessee will have the option to terminate this agreement at any time during, or after the 1 st 6 months with 1 months advance written notice to the landlord. Sublessee’s obligation to pay rent hereunder shall commence on the Commencement Date.
Base Rent	Cost plus 2% - 10% per month fixed charge payable in US Dollars
Notices	Sub Lessor — Alan Gilden 28150 Industry Drive Valencia, Ca. 91355 Sub Lessee — Dan Kelly 1133 Westchester Avenue White Plains, NY 10605
Base Rent Payments	<ol style="list-style-type: none">a. Unless otherwise directed by Sub Lessor in writing, all Base Rent payments shall be made to Sub Lessor in US Dollars at the address identified in the above “Notice” provision.b. Base Rent payments are to be made monthly in advance upon presentation of invoice to the Sub lessee. 1st base rent payment is due within 5 days after Commencement Date. Subsequent base rent payments are due every 30 days. It is sub lessee’s full

responsibility to pay base rent on a timely basis.

c. Payments over 10 days late will be charged interest at a rate of 10% per annum

Services to be provided by Landlord as a part of the monthly base rent

Building maintenance, fire protection, pest control, sub lessee parking, building insurance, real property taxes, grounds maintenance, mail delivery and receptionist services,

Facility Pass Through Expenses — Additional Rent Changes

a. All utilities, cafeteria, janitorial, security, waste disposal, telephone service, cell service T1 internet line, and tular “paging system” will be passed through to sub lessee at sub lessor’s cost with no mark up over and above amount charged by the landlord to the sub lessor.

b. Sub lessor will invoice sub lessee once a month immediately following receipt of invoices from the landlord and obtaining invoice approval from both the sub lessor and sub lessee Mexico General Mangers. The monthly invoice from the sub lessor will be accompanied by all of the landlord’s invoices as substantiation for the invoice. All invoices will be payable in US Dollars.

c. Payment terms are net 30 days from sub lessor invoice date

d. Payments over 10 days late will be charged interest at a rate of 10% per annum

e. There will be no changes to proration percentages used by the landlord to allocate facility expenses between the sub lessor and sub lessee during term of this agreement. The proration percentages used by the landlord immediately prior to the Commencement Date will be used for the term of this agreement.

f. The sub lessee’s General Manager agrees that invoice approval must be completed within 5 days of receipt of the invoices from the sub lessor or reasons for non approval disclosed to the sub lessor

Special Provisions

a) Sub lessee will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required during the term of the agreement. Installation of capital equipment requires sub lessor approval in advance.

b) Sub lessee agrees to provide at its own expense an entrance to the facility which will be completed before the Commencement Date. Sub lessee’s employees will only be allowed to enter the facility through this new entrance. Sub lessee agrees that it will hire additional security services through the landlord in connection with safeguarding this new entrance, and that these expenses will be paid for by the sub lessee

c) Sub lessee will be required to provide and pay for all support and services required to move out of the facility at the end of the lease term. If sub lessee requires contractors to assist them in moving out of the facility, sub lessee agrees to provide sub lessor with proof of adequate contractor insurance coverage prior to contractor entering into the facility.

- d) Sub lessee agrees to remove all of their personal property from the Premises at the end of the lease term. Sub lessee must return rented space to pre move in condition, with the exception of walls, ducting, lighting, other plumbing, and the offices, which should be left in an "as is" condition.
- e) Sub lessee will be required to provide and pay for all support and services required to move into a new facility at the end of the lease term.
- f) Sub Lessor will provide sub lessee with 6 assigned parking spaces in the Landlord's parking lot located on the facility grounds inside the fence on the south side of the facility.
- g) Sub lessee will at its own expense create parking spaces for any additional required sub lessee vehicles on the east side of the building.
- h) Sub lessee agrees that all cabling that is used to attached Sub lessee's PC's to the IT infrastructure before the Sub lessee's Switch will remain the property of the sub lessor and will not be removed by the sub lessee at the end of the lease term.
- i) All PC connection equipment will be designated as the property of the Sub lessee and will be removed by the Sub lessee at Sub lessee's expense at the end of the term of this agreement less office wiring and the like.
- j) Fixed assets on the books of the sub lessor (including the telephone switch) as of the Commencement date will remain the property of the sub lessor during and at the end of the lease term.
- k) Fixed assets on the books of the Sub lessee as of the date of the ITT separation will remain the property of the Sub lessee during and at the end of the lease term.
- l) Sub lessee agrees to provide all IT support necessary to maintain Sub lessee's Server Room at its own cost. Upon termination of this agreement, Sub lessee will provide all required support at its own cost to shutdown, package and remove the servers from the Premises.
- m) Sub lessee agrees to pay all personal property taxes associated with Sub lessee's personal property located on the Premises. If sub lessor is required to pay personal property taxes on Sub lessee's personal property, Sub lessee agrees to immediately reimburse sub lessor.
- n) Sub lessee will not be allowed to access the Flow Control computer network and vice versa. Sub lessee's employees will be allowed to access Sub lessee's own computer network via wireless or landline data connections on the Premises.
- o) Sub lessee shall have the reasonable right to use, and sub lessor shall at all times have exclusive control of, and operate and maintain, the Common Areas including, but not limited to the cafeteria in the manner sub lessor may reasonably determine to be appropriate.
- p) Sub lessee's employees will not be allowed access to any sub lessor manufacturing areas, except on an escorted basis (examples — nurse office, cafeteria, purchasing office etc.). Sub lessee's employees will be required to show proper identification to enter the facility as determined by the sub lessor
- q) Sub lessee's minimum General Liability Insurance Policy and Property insurance shall be Two Million Dollars (\$2,000,000)

and must be paid for by sub lessee.

- r) Sub lessee has no right to sublease their space.
- s) Sub lessee agrees not to put up any external or internal signs during the term of the agreement, except for signs related to the production and assembly of Sub lessee's products, which can be displayed in Sub lessee's assembly area.
- t) Sub lessor agrees to take down any signs at the facility that contain the name "ITT" on them at its own expense
- u) Sub lessee will have the right to transfer additional production into the facility, provided that the following criteria are met;
 - a. They can be fit into the existing space that is being rented under the terms of this Lease
 - b. Advance written approval required by landlord, not to be unreasonably withheld
- v) Prior to the Commencement Date, sub lessee will put in the following at its own expense;
 - a. Separate employee entrance
 - b. Fencing required to separate the landlord and sub lessee employees and work areas
- w) Sub lessor agrees to provide sub lessee access to sub lessor's shipping / receiving dock for truck loading and truck unloading purposes for the duration of this agreement

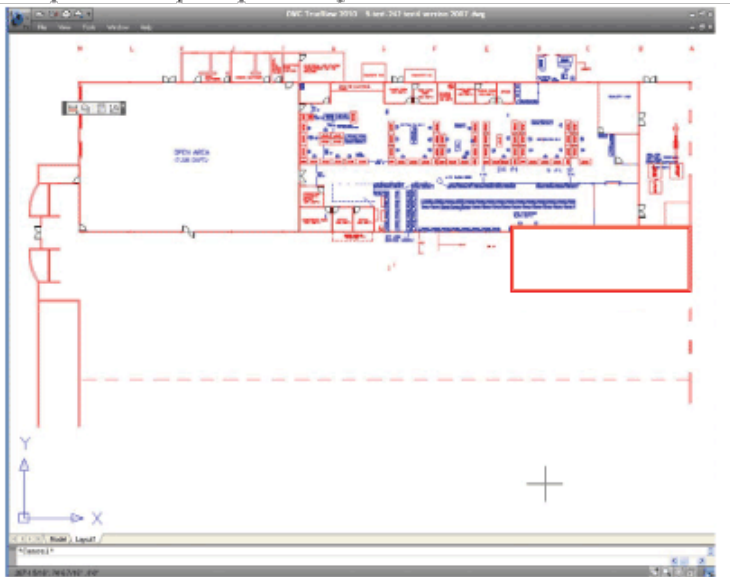
Local Law Provisions

None

Governing Law

Chihuahua, Chihuahua, Mexico

Footprint of floor space represented by this Lease.



Detail of the Leased floor space.

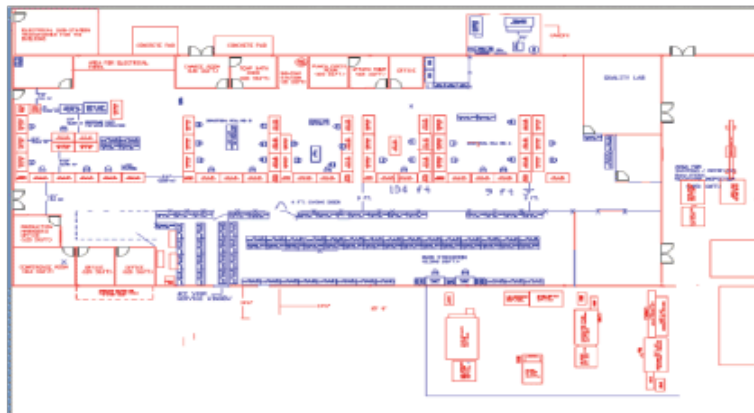


EXHIBIT S-4

Building	1133 Westchester Avenue, White Plains, New York 10604
Prime Lease (as amended)	Lease Agreement, dated as of October 31, 2011, between ITT Corporation and 1133-399 Westchester Avenue, LLC
Landlord	1133-399 Westchester Avenue, LLC and 1133-300 Westchester Avenue, LLC.
Tenant	ITT Corporation
Subtenant	Xylem Inc.
Premises	The space leased by ITT Corporation on or prior to the Commencement Date at the Building, including any additional storage space
Subleased Premises (square feet)	7114 rentable square feet, <i>as depicted on the floor plan attached hereto as Annex A.</i> Tenant and Subtenant shall equally share and equally have the right to use the Subleased Premises in a manner similar to the way ITT Corporation utilized the space during the 12 months prior to October 31, 2011.
Term & Option	Term: Commencing on the Distribution Date (the "Commencement Date") and ending on October 31, 2013. Subtenant shall have the right to extend the Term through October 31, 2014 by providing notice on the same terms it provides the Landlord with respect to Subtenant's lease of the second floor of 1133 Westchester Avenue, White Plains, NY
Base Rent	Cost plus 2% - 10% per month during 2011 Cost plus 2% - 10% per month during 2012 Cost plus 2% - 10% per month during the period January 1, 2013 through and including July 31, 2013 Cost plus 2% - 10% per month from August 1, 2013 through the end of the Term, as may be extended
Sublessee's Proportionate Share of CAM Charges	Subtenant will pay 50% of the maintenance, cleaning, heating, telephone, electrical and other utility costs, fire protection, plant service, holiday decorations, and shared mechanical systems for the Subleased Premises, otherwise known as common area maintenance ("CAM") charges for the

Subleased Premises. The Base Rent amount set forth above includes a 2% increase above actual costs for the calendar years 2012, 2013 and 2014. Tenant shall provide Subtenant with reasonable documentation supporting the CAM charges.

Notices

Tenant:
ITT Corporation
1133 Westchester Ave
Suite 3000
White Plains, NY 10604
Attention: General Counsel

Subtenant:
Xylem Inc.
1133 Westchester Ave
Suite 2000
White Plains, NY 10604
Attention: General Counsel

Day to Day Contact Personnel

Tenant Representative:
ITT Corporation
Tom McArdle
Tom.McArdle@itt.com

Subtenant Representative:
Xylem Inc.
Carolyn Clark
Carolyn.Clark@itt.com

Rent Payments

- 1) Unless otherwise directed by Landlord in writing, all Rent payments and payments of CAM charges shall be made to Tenant at the address identified in the above "Notice" provision.
- 2) Rent payments are to be made monthly in advance. 1st rent payment is due within 5 days of the Commencement Date. Subsequent rent payments are due every 30 days. It is Subtenant's full responsibility to pay rent on a timely basis. Subtenant shall pay the CAM charges within 30 days of the date of an invoice (provided by Tenant) describing such charges.
- 3) Payments over 10 days late will be charged interest at a rate of 10% per annum.

Services to be provided by Tenant as a part of the monthly base rent

- 1) Tenant will maintain the Subleased Premises in a manner similar to the way it was maintained during the twelve months prior to October 31, 2011, including but not limited to contracting for and providing CAM services.

- 2) Tenant will provide security access to all perimeter doors and coordinate with the Subtenant Representative, identified above in connection with access to the Premises and/or Sublease Premises during business and non-business days.
- 3) Subtenant and Tenant agree that the location and use of the reception area of each company on the first floor of the Subleased Premises shall be as depicted on Annex A.
- 4) Subtenant and Tenant agree that Deloitte & Touche (“D&T”) can share the space indicated on Annex A. In the event, either Tenant or Subtenant changes its auditors, the space currently configured for D&T shall be modified to allow for the separation of the auditors of the Tenant and Subtenant into equal space with equal access. The party to this Sublease that changes their auditors shall be responsible for all costs associated with the modification of the Sublease Premises.
- 5) Subtenant shall be permitted to brand a portion of the lobby as agreed to with the Tenant and place a monument within Tenant’s outdoor space in accordance with the terms of the Prime Lease.
- 6) Tenant and Subtenant shall cooperate and work together in good faith to allow each other to transition into their own space at the Premises, shall make tapes from the security cameras available in the event of an investigation, shall promptly return mail or other deliveries inadvertently provided to the other and shall advise the other party of activities or information impacting the Premises they reasonably believe the other party would want to know, provided, however, that such activities shall not unduly burden or interfere with either party’s business and operations.

Special Provisions

- 1) Within 15 days after this TSA has ended Subtenant will remove, at its cost, its logo and any and all improvements or modifications made for the benefit of the Subtenant to the Subleased Premises after September 15, 2011.
- 2) Subtenant will be required to provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required by it during the term of the agreement. Installation of capital equipment may require Landlord approval in advance.

- 3) Subtenant will be required to provide and pay for all support and services required to move out of the Subleased Premises at the end of the Term. If Subtenant requires contractors to assist them in making capital improvements or moving out of the Subleased Premises, Subtenant agrees to provide Tenant with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
- 4) Subtenant agrees to remove all of their personal property from the Sublease Premises at the end of the Term. This includes phones purchased directly by the Subtenant, but excludes any phones provided by the Landlord or Tenant. Subtenant will restore the Subleased Premises to the condition it was in prior to September 15, 2011 with respect to actions it has taken that impact the Subleased Premises after that date.
- 5) Subtenant will be required to provide and pay for all support and services required to move into a new facility at the end of the Term.
- 6) Subtenant agrees that all cabling that is used to attached Subtenant's PC's to the IT infrastructure will remain the property of the Tenant and will not be removed by the Subtenant at the end of the Term.
- 7) Fixed assets currently on the books of the Tenant as of Commencement Date will remain the property of the Tenant during and at the end of the Term.
- 8) Fixed assets currently on the books of the Subtenant as of the Commencement Date will remain the property of the Subtenant during and at the end of the Term.
- 9) The Subtenant's IT, maintenance and other appropriate employees will be allowed access, upon reasonable notice, to Tenant's controlled areas at 1133 Westchester Avenue, White Plains, NY, including the Subleased Premises, for normal business purposes.
- 10) The Tenant's IT, maintenance and other appropriate employees will be allowed access, upon reasonable notice, to Subtenant's controlled areas at 1133 Westchester Avenue, White Plains, NY, for normal business purposes. Subtenant's minimum General Liability Insurance Policy and Property insurance shall be Two Million Dollars (\$2,000,000) and must be paid for by Subtenant.

11) Subtenant will be permitted to use during the Term one of Tenant's reserved spots in the back of the building.

12) Subtenant will install a shut-off valve for the glycol cooling system at the end of the Term.

Local Law Provisions

Not applicable

Governing Law

State of New York

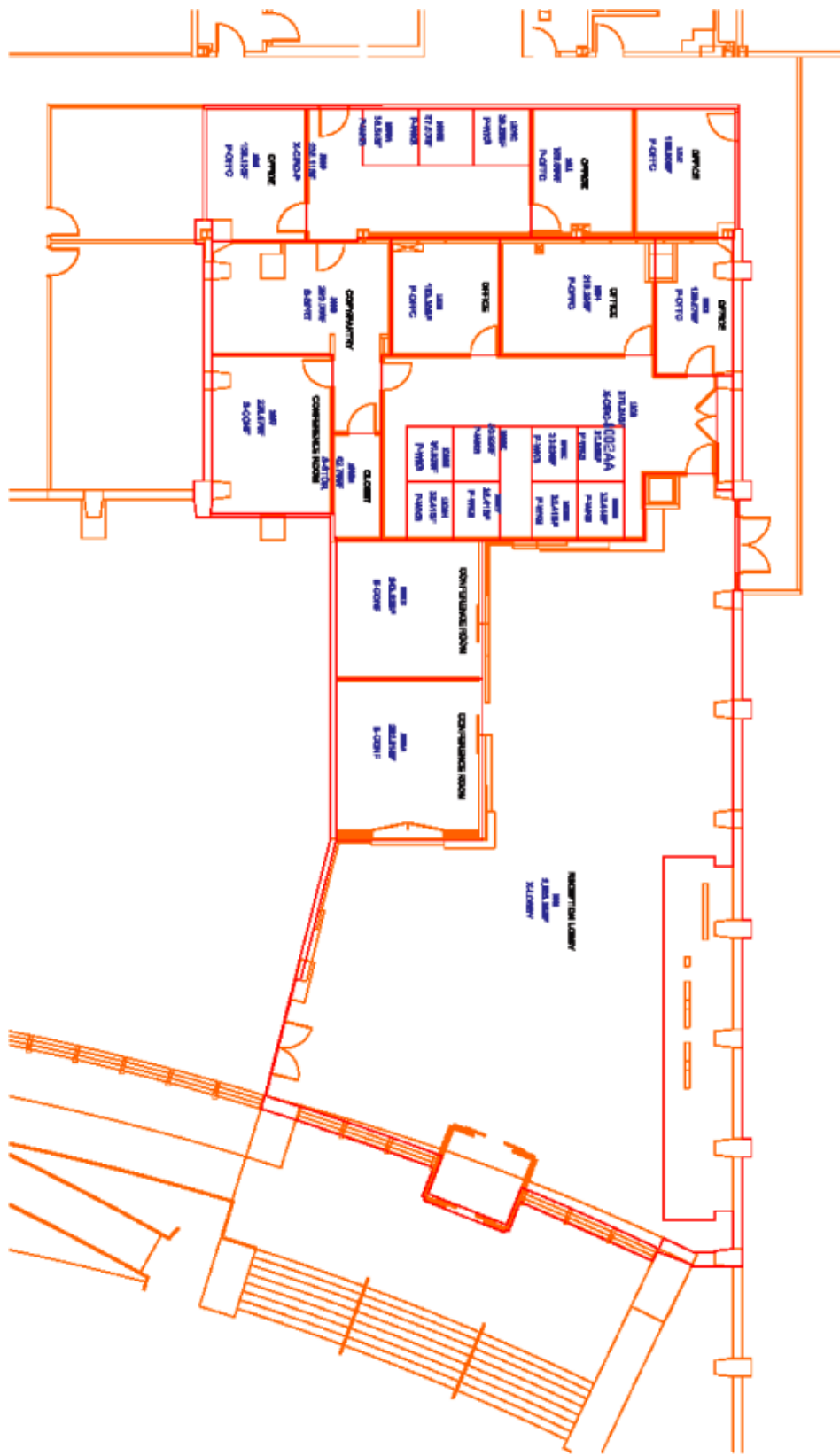


EXHIBIT S-5

Building	New Delhi India Sales Office H-20, Bali Nagar, New Delhi-1100015
Prime Lease (as amended)	Mr. Narayan Prasad Sharma & Kailash Chand Sharma
Landlord	Xylem Water Solutions India Private Limited
Premises (square feet)	
Subleased Premises (square feet)	Commercial office space of ground floor having super covered area appr. 900 sq. ft.
Term	Sublessee shall have a minimum term commencing on October 31, 2011 (the "Commencement Date") through December 31, 2011 ("Minimum Term") which may be extended upon 30 days prior written notice to Sublessor through December 31, 2012 Sublessee's obligation to pay rent shall commence on the Commencement Date.
Monthly Rent	Base Rent : Rs. Cost + Service Tax + 2% Handling Cost Adm Chg : Rs. Cost + Service Tax + 2% Handling Cost
Notices	<p><u>Sublessee :</u> Rabi Burman, General Manager ITT Corporation India Pvt Ltd. (India) Plot No. 731, GIDC Savli, Manjusar — Savli Road, Vadodara — 391770</p> <p><u>Sublessor :</u> Sam Yamdagni, President & Managing Director Xylem Water Solutions India Pvt Ltd. Plot No. 731, GIDC Savli, Manjusar — Savli Road, Vadodara — 391770</p>
Rent Payments	<p>Rent payments are to be paid in advance within 5 days after the commencement of the lease (its pro rata share for the first month) and within 5 days of the beginning of every other month.</p> <p>Unless otherwise directed by Sublessor in writing, all Rent payments shall be made to Sublessor at the address identified in the above "Notice" provision.</p>
Services to be provided by Sublessor	<p>Common Office Area to be utilized by Sublessor and Sublessee. Permitted Common Expenses covered include the following (in quantities and quality as provided during the 12 months period prior to October 1, 2011) :</p> <ul style="list-style-type: none">a. Electricityb. Housekeepingc. Printingd. Pantrye. Telephonef. Internet

Special Provisions

1. Sublessee will provide, install, and pay for any capital improvements (building, furniture, computers, and equipment) required by it during the term of the agreement. Installation of capital equipment requires landlord and Sublessor's approval in advance.
2. Sublessee will provide and pay for all support and services required to move out of the facility at the end of the lease term. If Sublessee requires contractors to assist them in moving out of the facility, Sublessee agrees to provide landlord with proof of adequate contractor insurance coverage prior to contractor entering into the facility.
3. Landlord will provide tenant with sufficient parking spaces in the parking lot. Sublessor will provide tenant with 25% of the parking spaces in the parking lot allotted to Sublessor. Tenant agrees that all cabling and connection equipment that is used to attached tenant's PC's to the IT infrastructure will remain the property of the landlord and will not be removed by the tenant at the end of the lease term.
4. Fixed assets on the books of the landlord as of the date of the ITT separation will remain the property of the landlord during and at the end of the lease term.
5. Fixed assets on the books of the tenant as of the date of the ITT separation will remain the property of the tenant during and at the end of lease period
6. As a part of tenant's move out of the facility at the expiration of this agreement, landlord's IT department will shutdown tenant's servers and make a back up copy of all the data that is on these servers immediately prior to the shutdown of the servers.
7. Tenant shall have the reasonable right to use, and Landlord shall at all times have exclusive control of, and operate and maintain, the Common Areas including the cafeteria in the manner Landlord may reasonably determine to be appropriate.
8. Tenant has no right to sublease their space.
9. Assignment of this agreement requires landlord approval in writing.

Local Law Provisions

Indian Contract Act, 1872

GOULDS TRADEMARK LICENSE AGREEMENT

This GOULDS TRADEMARK LICENSE AGREEMENT (this "Agreement") dated as of [____], 2011, by and between GOULDS PUMPS INCORPORATED, a Delaware corporation ("GPI") and Xylem Inc., an Indiana corporation ("Xylem", and together with GPI, the "Parties").

WHEREAS, GPI, a Subsidiary of ITT Corporation, an Indiana corporation ("ITT"), is the owner of the trademarks and service marks listed on Schedule C and D attached hereto ("GPI Marks" and "GWT Marks", respectively);

WHEREAS, GPI and Xylem are currently Affiliates of ITT and each Party, directly or indirectly through its respective Affiliates (as defined below), has used the GOULDS brand in connection with its respective segments of the Goulds Combined Business (as defined below). References to Xylem and its Affiliates and Subsidiaries prior to the Effective Date includes the business conducted by ITT and its Affiliates that will be distributed to Xylem pursuant to the Distribution Agreement;

WHEREAS, pursuant to a Distribution Agreement dated as of [____], 2011 (the "Distribution Agreement"), ITT is distributing certain of its assets and liabilities to Xylem (the "Distribution");

WHEREAS, after the Distribution, the Parties will no longer be affiliated, but Xylem wishes to continue to use the GOULDS brand in the Exclusive Field and Co-Exclusive Field (each as defined below) and GPI has agreed to allow such use, subject to the terms and conditions herein; and

WHEREAS, this Agreement is a License Agreement that must be executed pursuant to Section 2.8 of the Distribution Agreement.

NOW, THEREFORE, in consideration of the promises and of the mutual covenants and agreements herein contained, and for good and valuable consideration, including that recited in the Distribution Agreement, the receipt and adequacy of which is acknowledged by both Parties, the Parties agree as follows:

ARTICLE 1 — DEFINITIONS

1.1 Definitions. The following capitalized terms used in this Agreement shall have the meanings set forth below.

"Affiliate" shall mean, when used with respect to a specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract or otherwise.

For purposes of this Agreement post-Distribution, GPI and its Affiliates shall not be deemed to be “Affiliates” of Xylem and its Affiliates, and vice-versa.

“Co-Exclusive Field” shall mean the products scheduled on Schedule A attached hereto, and all past and all successor and improved versions of such products, parts and maintenance, repair and other services related thereto.

“Competitor” shall mean (i) with respect to Xylem, a business having at least \$500 million annual revenue (adjusted to 2011 dollars) in the immediately preceding calendar year derived from the sale of equivalent or comparable Products in the aggregate combining the Exclusive Field and Co-Exclusive Field, and (ii) with respect to GPI, a business having at least \$500 million annual revenue (adjusted to 2011 dollars) in the immediately preceding calendar year derived from the sale of equivalent or comparable Products in the aggregate combining the Retained Field and Co-Exclusive Field.

“Covered Affiliates” shall mean all (i) Current Affiliates of Xylem; (ii) future Affiliates of Xylem formed as part of an internal reorganization for tax or administrative purposes and (iii) future Affiliates acquired by, or acquiring, Xylem; provided that, with respect to the Co-Exclusive Field only, Covered Affiliates shall not include any future Affiliate acquired by, or acquiring, Xylem that is a Competitor of GPI. Xylem may extend its rights under this Agreement to its Covered Affiliates and shall be liable hereunder for any breach hereof by any Covered Affiliate.

“Current” shall mean with respect to Affiliates, Subsidiaries, products, fields or uses, as applicable, those entities, products, fields or uses in existence as of the Effective Date.

“Effective Date” shall be the Distribution Date set forth in the Distribution Agreement between ITT Corporation, Xylem Inc. and Exelis Inc.

“Exclusive Field” shall mean the products scheduled on Schedule B attached hereto, and all past and all successor and improved versions of such products, parts and maintenance, repair and other services related thereto.

“Goulds Combined Business” shall mean the business of manufacturing pumps for the water technologies and industrial markets, as conducted prior to the Effective Date by GPI and Xylem and their respective Affiliates under the GOULDS brand.

“GPI Marks” shall mean the Source Indicators related to the Goulds Combined Business and scheduled on Schedule C attached hereto, as may be amended pursuant to Section 4.2.

“GWT Marks” shall mean the Source Indicators related to the Goulds Combined Business and scheduled on Schedule D attached hereto, as may be amended pursuant to Section 4.1.

“Person” shall mean any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership or other organization or entity, whether incorporated or unincorporated, or any governmental entity.

“Products” shall mean centrifugal pumps, accessories, parts and services relating thereto.

“Retained Field” shall mean the products scheduled on Schedule E attached hereto, and all successor and improved versions of such products, parts and maintenance, repair and other services related thereto.

“Source Indicators” shall mean trademarks, service marks, corporate names, trade names, domain names, logos, slogans, designs, trade dress and other designations of source or origin, together with the goodwill symbolized by any of the foregoing.

“Subsidiary” shall mean with respect to any Person (i) a corporation, fifty percent (50%) or more of the voting or capital stock of which is, as of the time in question, directly or indirectly owned by such Person and (ii) any other Person in which such Person, directly or indirectly, owns fifty percent (50%) or more of the equity or economic interest thereof or has the power to elect or direct the election of fifty percent (50%) or more of the members of the governing body of such entity.

1.2 Terms Generally. The definitions in Section 1.1 shall apply equally to both singular and plural forms of the terms defined. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, unless the context expressly provides otherwise.

ARTICLE 2 — GRANT OF LICENSES

2.1 Grant of Licenses.

(a) Subject to the terms and conditions herein, GPI grants Xylem and its Covered Affiliates an exclusive (even as against GPI and its Affiliates), worldwide, perpetual, fully paid-up, non-assignable (subject to Article 9 hereof), and non-sublicenseable (subject to Section 2.2 hereof) license to use the GWT Marks as Source Indicators in the Exclusive Field. For clarity, the above exclusive license means that GPI and its Affiliates cannot use any Source Indicator containing “Goulds” in the Exclusive Field.

(b) Subject to the terms and conditions herein, GPI grants Xylem and its Covered Affiliates a co-exclusive (i.e., exclusive against third parties, but not as against GPI and its Affiliates), worldwide, perpetual, fully paid-up, non-assignable (subject to Article 9 hereof), and non-sublicenseable (subject to Section 2.2 hereof) license to use the GWT Marks as Source Indicators in the Co-Exclusive Field.

2.2 Sublicensing. Xylem and its Covered Affiliates may sublicense the licenses in Section 2.1 without GPI’s consent, solely to advertisers, distributors, vendors, dealers, suppliers and other persons for use in connection with the operation of Xylem and its Covered Affiliates’ businesses, but not for such third parties’ unrelated use. All other sublicenses require the prior written consent of GPI’s in its sole discretion. Xylem shall be liable to GPI for any act or omission by a sublicensee that would constitute a breach hereof if committed by Xylem.

2.3 Reservation of Rights. All rights in the GWT Marks not expressly granted to Xylem and its Covered Affiliates herein are reserved to GPI.

2.4 Ownership Disclaimer. Xylem shall include the following disclaimer or equivalent thereof — “Goulds is a registered trademark of Goulds Pumps, Inc. and is used under license” on all traditional, social and new media sites, and internet advertising belonging to Xylem where a GWT mark first appears in such sites in a manner consistent with industry practice.

2.5 Consideration. The Parties agree that the consideration for the licenses in Section 2.1 is a portion of the consideration set forth in the Distribution Agreement, and that no further royalties are therefore due under this Agreement.

ARTICLE 3 — INTERNET/NEW MEDIA

3.1 Websites. Within one-hundred-eighty (180) days after the Effective Date, Xylem shall modify any websites which include a GWT mark to include the disclaimer set forth in Section 2.4 or an equivalent thereof. For three (3) years from the Effective Date, Xylem shall include on the website located at goulds.com a link to gouldspumps.com according to the specifications set forth in Schedule F. For three (3) years from the Effective Date, GPI shall include on the website located at gouldspumps.com a link to goulds.com according to the specifications set forth in Schedule F.

3.2 New Xylem Domain Names. If Xylem wishes to adopt a domain name (or future equivalent) in any registry worldwide that includes the formative “goulds”, Xylem shall notify GPI in advance in writing. GPI shall approve any domain name that (i) complies with Section 5.1 and Section 5.2, and (ii) reasonably represents that its use is for products in the Exclusive Field or Co-Exclusive Field. By way of example and not of limitation, GPI agrees that Xylem may use the domain name “www.gouldswater”, “www.gouldswatertechnology”. The Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to the foregoing. Any approved new domain name shall be deemed added to Schedule D, “GWT Marks”.

3.3 New GPI Domain Names. If GPI wishes to adopt a new domain name (or future equivalent) in any registry worldwide that includes the formative “goulds”, GPI shall notify Xylem in advance in writing. Xylem shall approve any domain name that (i) complies with Section 5.1 and Section 5.2 and (ii) reasonably represents that its use is for products in the Retained Field or Co-Exclusive Field. By way of example and not of limitation, Xylem agrees that GPI may use the domain name “www.gouldspumpsindustrialprocess”, “www.gouldsindustrial” or “www.gouldsindustrialprocesspumps”. The Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to the foregoing. Any approved new domain name shall be deemed added to Schedule C, “GPI Marks”.

3.4 Domain Name Ownership. GPI shall be sole named registrant of all domain names that include the GWT Marks, provided that Xylem shall be the administrative and technical contact and manage communications with all domain name registries. At Xylem’s

request and expense, GPI shall register (or allow Xylem to register in GPI's name) approved new domain names containing the GWT Marks. After registration, GPI shall (or shall allow Xylem to) maintain and renew all such domain names, unless notified otherwise in writing by GPI.

3.5 Social Media/New Media. GPI agrees that the licenses in Section 2.1 give Xylem and its Covered Affiliates the right to use the GWT Marks to promote licensed products and services in social media sites, social networking sites, sites featuring user-generated content and future media formats and distribution methods. The Parties shall cooperate in good faith to allow Xylem to make such use in a manner that does not confuse the public as to the Parties' current lack of affiliation. Within one-hundred-eighty (180) days of the Effective Date hereof, Xylem shall modify any new media sites or social media sites which display any GWT Marks to include the disclaimer set forth in Section 2.4 or an equivalent.

ARTICLE 4 — NEW MARKS

4.1 New Xylem Trademarks. Xylem agrees that, as of the Effective Date, the licenses granted in Section 2.1 are for only the GWT Marks listed on Schedule D. Without the prior written consent of GPI in its sole discretion, Xylem has no right to adopt or use the GWT Marks in combination with any third-party Source Indicator to create a composite mark. If Xylem wishes to use any variations, derivatives, stylizations or modifications (“Derivative Marks”) of the GWT Marks (“New Xylem Marks”) in the Exclusive Field or Co-Exclusive Field, Xylem shall notify GPI in advance in writing. GPI shall approve any New Xylem Mark that (i) complies with Section 5.1 and Section 5.2, (ii) for logos or graphics, is not confusingly similar to the then-current GPI Marks and/or (iii) for word marks, reasonably represents that its use is for products in the Exclusive Field or Co-Exclusive Field. Only such changes to the spatial arrangements, color schemes or sizes of the elements of any existing GWT Mark that would still keep such changed mark as a specimen for maintaining the GWT Mark registration shall not be considered as creating a Derivative Mark subject to the approval procedure of this Section 4.1. The Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to the foregoing. Any approved New Xylem Mark shall be deemed added to the definition of “GWT Marks” herein.

4.2 New GPI Trademarks. If GPI wishes to use any Derivative Marks of the GPI Marks in the Co-Exclusive Field (“New GPI Marks”), GPI shall notify Xylem in advance in writing. For the purposes of this Section 4.2, a mark shall not be considered a Derivative Mark if such mark at the time of such adoption by GPI: (i) does not contain any of the words (other than the word “Goulds”) forming any of the GWT Marks set forth in Schedule D; (ii) does not contain any word similar in terms of sound, appearance or meaning to any word (other than the word “Goulds”) forming any of the GWT Marks set forth in Schedule D; or (iii) does not adopt a graphic appearance or logo which is similar to any of the GWT Marks set forth in Schedule D. Xylem shall approve any New GPI Mark that (i) for word marks, reasonably represents that its use is for GPI products in the Co-Exclusive Field and/or (ii) for logos or graphics, is not confusingly similar to Xylem's then-current GWT Marks. The Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to the foregoing. Any approved New GPI Mark shall be deemed added to the definition of “GPI Mark” herein.

ARTICLE 5 — QUALITY CONTROL

5.1 Quality Control. Xylem shall use the GWT Marks solely: (i) in good faith, in a dignified manner and in accordance with good trademark practice in all applicable countries and jurisdictions and (ii) in connection with activities, products, and services that are consistent in all material respects with the high levels of quality associated with GPI's operation of the Goulds Combined Business prior to the Effective Date. Xylem and its Covered Affiliates shall not take any action (or fail to take any action) that harms or jeopardizes the value, validity or goodwill of the GOULDS brand. GPI agrees that Xylem's use of the GWT Marks as of and prior to the Effective Date complies with this Section 5.1.

5.2 Compliance with Laws. Xylem shall (i) comply with all applicable statutes, laws, regulations, rules and good industry practice ("Laws") wherever it uses any GWT Marks and (ii) use all notices and legends required by applicable Laws and/or that are reasonably requested by GPI so as to preserve and maintain the validity of and GPI's rights in the GWT Marks, provided that any notice requirements of GPI shall not (x) impose any burdens upon Xylem that are inconsistent with or disproportionate to those employed by GPI and its own Affiliates and/or (y) confuse consumers as to the Parties' current non-affiliation.

5.3 Samples. Given Xylem's longstanding satisfactory use of the GOULDS brand prior to the Effective Date, without limiting Section 5.1 and Section 5.2, GPI agrees that Xylem shall not be required to seek prior approval for any advertising, promotional or marketing materials or other uses of the GWT Marks. Upon GPI's reasonable request, Xylem will make commercially released products, services and related advertising, promotional or marketing materials bearing the GWT Marks (or instructions on how GPI may inspect same, for any of the foregoing that are publicly distributed or available) available for inspection by GPI where they are normally kept, no more than once a year, unless reasonably justified under the circumstances. If GPI finds any violations of Section 5.1 and Section 5.2, GPI shall notify Xylem in writing, and Xylem shall correct such non-compliance within thirty (30) days and notify GPI of same.

5.4 GPI's Obligations. With respect to the Co-Exclusive Field, GPI shall use the GPI Marks solely: (i) in good faith, in a dignified manner and in accordance with good trademark practice in all applicable countries and jurisdictions and (ii) in connection with activities, products, and services that are consistent in all material respects with the high levels of quality associated with GPI's operation of the Goulds Combined Business prior to the Effective Date. GPI and its Affiliates shall not take any action (or fail to take any action) that harms or jeopardizes the value, validity or goodwill of the GOULDS brand. Xylem agrees that GPI's use of the GPI Marks as of and prior to the Effective Date complies with this Section 5.4. GPI shall (x) comply with all applicable Laws wherever it uses any GPI Marks and (y) use all notices and legends required by applicable Laws.

5.5 Approval Process. Any Party seeking an approval under this Agreement shall notify the other Party in writing. The Party so notified shall have twenty (20) business days to approve or reject such request based upon its compliance with the criteria set forth in the applicable provision of this Agreement. If such Party fails to respond within such twenty (20) business day period, and the notifying Party still wishes to proceed with its request,

the notifying Party shall resend its initial notice to the address in Section 10.1 with a prominent header that says “FINAL NOTICE FOR APPROVAL” or words substantially similar thereto. If the notified Party does not respond to such second notice within ten (10) additional business days, the request shall be deemed approved. Any rejection sent by the notified Party shall specify the reasons in sufficient detail to allow the notifying Party to cure. The notifying Party may correct and resubmit any rejected request in its discretion, subject to the above timetable. Any approved new Source Indicator of either Xylem or GPI shall be deemed added to the Schedule of “GPI Mark” or “GWT Mark,” as the case may be. If a Party disputes in good faith a rejection by the notified Party herein, the provisions of Section 5.6 shall apply.

5.6 Resolution of Disputes. If a Party seeking approval under any provision of this Agreement disputes in good faith a rejection by the other Party pursuant to Section 5.5, the Parties shall first try to resolve such dispute amicably. If such dispute cannot be resolved amicably within thirty (30) business days (or mutually-agreed extension, or shorter time, if reasonably justified under the circumstances), the Parties shall submit the matter to binding arbitration as set forth herein. The Parties shall agree in good faith to appoint a neutral and independent partner with trademark expertise at a reputable U.S. law firm that does not have (and has not had) either Party or its Affiliates as a client. If the Parties cannot agree on such a person, each Party shall select one nominating arbitrator who satisfies the foregoing criteria, and such persons shall select a third person who satisfies such criteria as the arbitrator. The Parties shall set forth the procedures for facilitating the arbitrator’s decision in a fair, rapid and cost-efficient manner, with a goal of making final submissions to the arbitrator within thirty (30) days of his or her selection. The arbitrator shall set forth the reasons for his or her finding.

ARTICLE 6 — OWNERSHIP/ENFORCEMENT

6.1 Ownership/No Contest. Xylem acknowledges and agrees that, as between the Parties, GPI owns all right, title, and interest in the GWT Marks. Xylem will not challenge or contest such ownership or the validity of any GWT Marks and/or GPI Marks, including in any claim, dispute, action, suit, arbitration, inquiry or proceeding (“Action”). Xylem shall be considered a “related company” under Section 5 of the U.S. Lanham Act, 15 U.S.C. § 1055, such that its use of the GWT Marks and the goodwill generated thereby shall inure to the sole benefit of GPI. Notwithstanding the foregoing, to the extent Xylem is deemed to have any ownership rights in the GWT Marks, at GPI’s request, Xylem shall cause such rights to be assigned to GPI or its designee for no consideration.

6.2 New Registrations or Uses by Xylem. Xylem acknowledges that GPI has the sole right to use and/or apply to register or reserve, prosecute, maintain and renew all applications, registrations and reservations for the GWT Marks, provided that GPI will not unreasonably deny any request by Xylem to do any of the foregoing in the Exclusive Field and Co-Exclusive Field, subject to the terms and conditions herein. If Xylem wishes (i) to request GPI to apply for a new registration for a GWT Mark in the Exclusive Field or Co-Exclusive Field in any country or jurisdiction and/or (ii) to use a GWT Mark in connection with new products or services in the Exclusive Field or Co-Exclusive Field, Xylem shall notify GPI in writing. GPI will apply to register such GWT Mark and/or permit Xylem to make such use of such GWT Mark, if such registration or corresponding use is not reasonably likely to prompt a third-party Action or jeopardize the validity of the GPI Marks in the Retained Field. The

Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to the foregoing. Any approved New GWT Mark shall be deemed added to Schedule D "GWT Mark" Xylem will pay all prosecution and registration expenses in the Exclusive Field, and Xylem and GPI will split evenly all out-of-pocket expenses for prosecutions and registrations of GWT Marks in the Co-Exclusive Field.

6.3 Registration of GPI Marks. If GPI wishes (i) to apply for a new registration for a GPI Mark in the Co-Exclusive Field in any country or jurisdiction and/or (ii) to use a GPI Mark in connection with new products or services in the Co-Exclusive Field, GPI shall notify Xylem in writing. Xylem has the right to prevent such use or registration if it is reasonably likely to prompt a third-party Action or jeopardize the validity of the GWT Marks in the Exclusive Field. The Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to the foregoing. Xylem and GPI will split evenly all out-of-pocket expenses for prosecutions and registrations of GPI Marks in the Co-Exclusive Field.

6.4 Enforcement. Each Party shall promptly notify the other Party after it becomes aware of any actual or threatened infringement, misappropriation, dilution or other unauthorized use ("Infringement") of the GWT Marks or GPI Marks in the Co-Exclusive Field. Each of GPI and Xylem has the sole right to assert and enforce its rights in the GPI Marks and the GWT Marks against third parties in the Retained Field and Exclusive Field, respectively. The Parties shall use commercially reasonable efforts to notify each other prior to commencing any enforcement Actions. GPI has the sole initial right to assert and enforce its rights in the GPI Marks and the GWT Marks against third parties in the Co-Exclusive Field, provided that GPI shall not unreasonably deny any request by Xylem to do same (or grant Xylem standing to do same in its own name) if Xylem can reasonably demonstrate to GPI that a third party is materially harming Xylem's rights in the Co-Exclusive Field. GPI will join Xylem as a plaintiff and/or grant Xylem standing as necessary for Xylem to enforce its rights in the Exclusive Field. The Parties shall follow the approval procedures in Section 5.5 and the dispute resolution procedures in Section 5.6 with respect to Xylem's request in the Co-Exclusive Field. Absent a later agreement to the contrary, the Party bringing any Infringement Action shall control its prosecution and settlement and pay all costs and expenses associated therewith. The Parties shall share any and all damages, settlements and proceeds received in connection with any such Action on a pro rata basis, based upon the respective injury suffered, after the prosecuting Party recoups its out-of-pocket costs and expenses. Any joint prosecution of an Infringement Action shall be governed by a later agreement between the Parties. The Parties shall cooperate in good faith in all Actions brought pursuant to this Section 6.4 and shall keep each other informed of all material developments relating thereto.

6.5 Cooperation. During the Term and for a period of five (5) years thereafter, Xylem and its Covered Affiliates shall, upon the request of GPI, use commercially reasonable efforts to provide free of charge and without undue delay, evidence of use of the GWT Marks that may be reasonably required to support the renewal of relevant trademark registrations and/or defend GWT Marks against challenges for lack of use (e.g., copies of sales & marketing material, customer invoices and shipping documents); provided that if Xylem no longer desires to store such materials after the Term it may notify GPI of the same and deliver (at

Xylem's cost) electronic media samples of such materials to GPI and upon acknowledgment by GPI of receipt of such materials, and the obligations of this Section 6.5 shall cease thereafter.

ARTICLE 7 — TERM AND TERMINATION

7.1 Term. The term of this Agreement ("Term") commences on the Effective Date and lasts in perpetuity, unless termination occurs pursuant to Section 7.2.

7.2 Termination by GPI. GPI may not terminate this Agreement unless and until a court of competent jurisdiction issues a final, non-appealable judgment that termination is justified because: (i) Xylem has committed a material and willful breach of Section 2 or Section 5.1 and (ii) such breach has materially and irreparably impaired the GWT Marks. If and only if such judgment is issued, GPI may terminate this Agreement at any time, effective upon thirty (30) days' prior written notice to Xylem.

7.3 Termination by Xylem. Xylem may terminate this Agreement (or either license in Section 2.1(a) or Section 2.1(b)) at any time, with or without cause, effective upon notice to GPI.

7.4 Conversion of Co-Exclusive License. In the event a court of competent jurisdiction issues a final, non-appealable judgment that (i) GPI has committed a material and willful breach of Section 5.4 in the Co-Exclusive Field and (ii) such breach has materially and irreparably impaired the GWT Marks, the license granted pursuant to Section 2.1(b) shall automatically convert to an exclusive (even as against GPI and its Affiliates) license for Xylem and its Covered Affiliates to use the GWT Marks in the Co-Exclusive Field.

7.5 Effect of Termination/Conversion. Upon the termination of this Agreement (or the conversion in Section 7.4), the Party facing terminated or converted rights herein (the "Terminated Party") shall terminate all further use of the affected Source Indicators as soon as reasonably practicable with respect to the their terminated field. Absent a later agreement by the Parties, the Terminated Party shall (with respect to the their terminated field) (i) apply to change all corporate names, trade names and domain names within sixty (60) days; (ii) remove all new media references to the affected Source Indicators within ninety (90) days; (iii) cease all use of the affected Source Indicators on disposable materials within twelve (12) months; and (iv) cease all sales of inventory branded with the affected Source Indicators within twenty-four (24) months. The terminated Party shall be deemed to have a transitional, non-exclusive license to the extent necessary to accomplish the foregoing. After the above transitional license expires, the Terminated Party may not use the affected Source Indicators, except for neutral, non-trademark use to describe the history of its business or as required or permitted by applicable Law.

ARTICLE 8 — REPRESENTATIONS AND WARRANTIES

8.1 By Each Party. Each Party represents and warrants to the other Party that: (i) the warranting Party has full power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and (ii) this Agreement has been duly executed and delivered by the warranting Party and, assuming the due execution and delivery of this Agreement by both Parties, constitutes a valid and binding agreement of the warranting

Party enforceable against the warranting Party in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or similar Laws affecting the enforcement of creditors' rights generally and general equitable principles.

8.2 Disclaimer. Except as expressly set forth in Section 8.1, the licenses in Section 2.1 are granted to Xylem and its Covered Affiliates on an "as is," "where is" basis, and ITT disclaims any additional representations and warranties, either express or implied, with respect thereto, including any warranties of title, ownership, value, suitability, condition, merchantability, fitness for use or non-infringement of third-party rights.

8.3 Indemnity. Each of Xylem and GPI shall (and shall cause each member of the Water Group or the ITT Group, respectively to) indemnify, defend and hold harmless the ITT Indemnitees and the Water Indemnitees, respectively, from and against any and all Indemnifiable Losses of the ITT Indemnitees and the Water Indemnitees, respectively, relating to any third-party Action brought against any ITT Indemnitee or Water Indemnitee, respectively, for property damage or personal injury relating to the operation of the Water Business by the Water Group or ITT Retained Business by the ITT Group, respectively, to the extent any such Action is brought against any ITT Indemnitee or Water Indemnitee, respectively, due to Xylem's use of the GWT Marks in the Exclusive Field and Co-Exclusive Field and GPI's use of the GPI Marks in the Co-Exclusive Field, as applicable. Section 7.5 of the Distribution Agreement shall apply to the indemnification procedures herein as applicable, *mutatis mutandis*.

ARTICLE 9 — ASSIGNMENT/SECURITY INTEREST

9.1 By Xylem. Xylem may assign this Agreement without GPI's consent (i) to an Affiliate as part of an internal reorganization for tax or administrative purposes or (ii) to any Person, provided that such assignment must be in connection with the sale of the business relating to the GPI Marks, and the assignee must assume in writing all of GPI's obligations herein. Absent any later agreement between the Parties to the contrary, if Xylem undergoes an assignment with a Competitor of GPI, the license granted to Xylem in Section 2.1(b) shall automatically terminate, but the license in Section 2.1(a) shall continue in full force and effect.

9.2 By GPI. GPI may assign this Agreement without Xylem's consent (i) to an Affiliate as part of an internal reorganization for tax or administrative purposes or (ii) to any Person, provided that such assignment must be in connection with the sale of the business relating to the GWT Marks, and the assignee must assume in writing all of GPI's obligations herein without Xylem's consent. Absent any later agreement between the Parties to the contrary, if GPI undergoes an assignment with a Competitor of Xylem, the license granted to Xylem in Section 2.1(b) shall convert to an exclusive license (including as against GPI and its Affiliates), but the rights to use the GPI Marks in the Retained Field shall continue in full force and effect.

9.3 Definitions. As used in this Article 9, the term "assign" or "assignment" shall include an assumption in bankruptcy, merger, change of control, reorganization (in bankruptcy or otherwise), or an equity or asset sale relating to the business to which this Agreement relates, regardless of whether the assigning party is the surviving entity. For the purposes of this Section 9.3, "control" shall mean the possession, directly or indirectly,

of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other interests, by contract or otherwise, regardless of organizational structure of the applicable parties.

9.4 Grant of Security Interest. To secure the immediate and ongoing performance of GPI's obligations under this Agreement and to protect Xylem from and against all damages of any kind or nature resulting from GPI's breach of this Agreement (including by a rejection in bankruptcy of the licenses in Section 2.1), GPI hereby grants to Xylem a continuing security interest in and first priority lien upon the GWT Marks used in the Exclusive Field and Co-Exclusive Field and the goodwill associated therewith. Each Party consents to the filing of this Agreement, and the execution and filing of any other documents necessary or desirable to evidence and perfect the foregoing security interest, including with all applicable governmental entities at Xylem's sole expense. Upon termination of this Agreement (but not if GPI rejects this Agreement in bankruptcy), the Security Interest shall automatically terminate and Xylem shall execute any documents and perform all further acts, including with all applicable governmental entities, at GPI's sole expense, which GPI reasonably requests in order to evidence and record such termination.

9.5 Effect of Assignment. Any purported transaction in violation of this Article 9 shall be null and void ab initio and of no force and effect. In the event of a permitted assignment, this Agreement shall be binding upon and inure to the benefit of the Parties and its respective permitted successors and assigns.

ARTICLE 10 — MISCELLANEOUS

10.1 Notice. Any notice required hereunder shall be in writing and delivered by reputable overnight courier, email or facsimile to the address below (which may be amended pursuant to due notice herein):

if to Xylem, to:

General Counsel
Xylem Inc.
1133 Westchester Avenue
White Plains, NY 10604
Facsimile: +1 914 323 5997
Email: [_____]

if to GPI, to:

President
Goulds Pumps Inc.
240 Fall Street
Seneca Falls, NY 13148
Facsimile: +1 315 568-2046

With a copy to:

General Counsel
ITT Corporation
1133 Westchester Avenue
White Plains, NY 10604
Facsimile: +1 914 696 2970
Email: Burt.Fealing@itt.com

10.2 Amendments and Waivers. Any provision of this Agreement may be amended solely by a writing signed by both Parties. No failure or delay by any Party in exercising any right hereunder shall operate as a waiver of any other or further exercise thereof or the exercise of any other right herein. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

10.3 Governing Law. This Agreement shall be governed by and construed in accordance with the Law of the State of New York, and (subject to Section 5.6), any dispute arising out of this Agreement shall be resolved solely in the state or federal courts located in the borough of Manhattan in New York City. EACH PARTY UNCONDITIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN CONNECTION WITH THE FOREGOING.

10.4 Counterparts. This Agreement may be signed in counterparts (including by facsimile or other electronic transmission).

10.5 Third-Party Beneficiaries. Except as expressly provided herein, no provision of this Agreement shall confer upon any person other than the Parties hereto any rights or remedies hereunder.

10.6 Relationship. The Parties hereto are and shall remain independent contractors. Nothing herein shall be deemed to establish a partnership, joint venture or agency relationship between the Parties. Neither Party shall have the right to obligate or bind the other Party in any manner to any third party.

10.7 Severability. If any provision of this Agreement is held to be unenforceable under applicable Law, such provision shall be deemed to be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforced to the maximum extent permitted by Law.

10.8 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement. This Agreement shall be construed as if drafted jointly by the Parties.

10.9 Further Assurances. The Parties agree to execute such further documents and perform such further actions as may be reasonably requested by the other Party to evidence and effectuate further the purposes and intents set forth in this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

GOULDS PUMPS, INCORPORATED

By: _____

Name:

Title:

XYLEM INC.

By: _____

Name:

Title:

FOUR-YEAR COMPETITIVE ADVANCE AND REVOLVING

CREDIT FACILITY AGREEMENT

Dated as of [], 2011

among

XYLEM INC.

THE LENDERS NAMED HEREIN,

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent

and

CITIBANK, N.A.,

as Syndication Agent

BARCLAYS BANK PLC

SOCIÉTÉ GÉNÉRALE

THE ROYAL BANK OF SCOTLAND PLC

U.S. BANK NATIONAL ASSOCIATION

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. and

WELLS FARGO BANK N.A.,

as Documentation Agents

J.P. MORGAN SECURITIES LLC

CITIGROUP GLOBAL MARKETS INC.,

BARCLAYS CAPITAL and

SG AMERICAS SECURITIES, LLC,

as Lead Arrangers and Joint Bookrunners

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

SECTION 1.01. Defined Terms	1
SECTION 1.02. Terms Generally	24
SECTION 1.03. Accounting Terms; GAAP	24

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments	25
SECTION 2.02. Loans	25
SECTION 2.03. Competitive Bid Procedure	27
SECTION 2.04. Revolving Borrowing Procedure	29
SECTION 2.05. Letters of Credit	30
SECTION 2.06. Conversion and Continuation of Revolving Loans	34
SECTION 2.07. Fees	35
SECTION 2.08. Repayment of Loans; Evidence of Debt	36
SECTION 2.09. Interest on Loans	37
SECTION 2.10. Default Interest	38
SECTION 2.11. Alternate Rate of Interest	38
SECTION 2.12. Termination, Reduction, Extension and Increase of Commitments	38
SECTION 2.13. Prepayment	41
SECTION 2.14. Reserve Requirements; Change in Circumstances	41
SECTION 2.15. Change in Legality	42
SECTION 2.16. Indemnity	43
SECTION 2.17. Pro Rata Treatment	44
SECTION 2.18. Sharing of Setoffs	44
SECTION 2.19. Payments	45
SECTION 2.20. Taxes	45
SECTION 2.21. Duty to Mitigate; Assignment of Commitments Under Certain Circumstances	49
SECTION 2.22. Defaulting Lenders	50

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Organization; Powers	52
SECTION 3.02. Authorization	52
SECTION 3.03. Enforceability	52
SECTION 3.04. Governmental Approvals	52
SECTION 3.05. Financial Statements and Projections	52

SECTION 3.06. Litigation; Compliance with Laws	53
SECTION 3.07. Federal Reserve Regulations	53
SECTION 3.08. Investment Company Act	54
SECTION 3.09. Use of Proceeds	54
SECTION 3.10. Full Disclosure; No Material Misstatements	54
SECTION 3.11. Taxes	54
SECTION 3.12. Employee Pension Benefit Plans	54
SECTION 3.13. OFAC	55

ARTICLE IV

CONDITIONS OF LENDING

SECTION 4.01. All Extensions of Credit	55
SECTION 4.02. Effective Date	56
SECTION 4.03. First Borrowing by Each Borrowing Subsidiary	58

ARTICLE V

AFFIRMATIVE COVENANTS

SECTION 5.01. Existence	59
SECTION 5.02. Business and Properties	59
SECTION 5.03. Financial Statements, Reports, etc	59
SECTION 5.04. Insurance	60
SECTION 5.05. Obligations and Taxes	60
SECTION 5.06. Litigation and Other Notices	61
SECTION 5.07. Maintaining Records; Access to Properties and Inspections	61
SECTION 5.08. Use of Proceeds	61
SECTION 5.09. Distribution Agreement and Related Agreements	61

ARTICLE VI

NEGATIVE COVENANTS

SECTION 6.01. Priority Indebtedness	61
SECTION 6.02. Liens	62
SECTION 6.03. Sale and Lease-Back Transactions	63
SECTION 6.04. Fundamental Changes	64
SECTION 6.05. Restrictive Agreements	64
SECTION 6.06. Leverage Ratio	65

ARTICLE VII

EVENTS OF DEFAULT

ARTICLE VIII

GUARANTEE

ARTICLE IX

THE ADMINISTRATIVE AGENT

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Notices	70
SECTION 10.02. Survival of Agreement	70
SECTION 10.03. Binding Effect	70
SECTION 10.04. Successors and Assigns	70
SECTION 10.05. Expenses; Indemnity	70
SECTION 10.06. APPLICABLE LAW	70
SECTION 10.07. Waivers; Amendment	70
SECTION 10.08. Entire Agreement	70
SECTION 10.09. Severability	70
SECTION 10.10. Counterparts	70
SECTION 10.11. Headings	70
SECTION 10.12. Right of Setoff	70
SECTION 10.13. JURISDICTION; CONSENT TO SERVICE OF PROCESS	70
SECTION 10.14. WAIVER OF JURY TRIAL	70
SECTION 10.15. Borrowing Subsidiaries	70
SECTION 10.16. Conversion of Currencies	70
SECTION 10.17. USA PATRIOT Act	70
SECTION 10.18. No Fiduciary Relationship	70
SECTION 10.19. Non-Public Information	70

EXHIBITS

Exhibit A-1	Form of Competitive Bid Request
Exhibit A-2	Form of Notice of Competitive Bid Request
Exhibit A-3	Form of Competitive Bid
Exhibit A-4	Form of Competitive Bid Accept/Reject Letter
Exhibit A-5	Form of Revolving Borrowing Request
Exhibit B	Form of Assignment and Assumption
Exhibit C-1	Form of Opinion of Dewey & LeBoeuf, Counsel for Xylem Inc.
Exhibit C-2	Form of Opinion of Frank R. Jimenez, General Counsel and Corporate Secretary of Xylem Inc.
Exhibit D-1	Form of Borrowing Subsidiary Agreement
Exhibit D-2	Form of Borrowing Subsidiary Termination
Exhibit E	Form of Issuing Bank Agreement
Exhibit F	Form of Note
Exhibit G	Form of US Tax Certificate

SCHEDULES

Schedule 2.01	Commitments
Schedule 6.01	Existing Indebtedness
Schedule 6.02	Existing Liens
Schedule 6.05	Existing Restrictive Agreements

FOUR-YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY AGREEMENT (as it may be amended, supplemented or otherwise modified, the “*Agreement*”) dated as of [], 2011, among XYLEM INC., an Indiana corporation (the “*Company*”); each Borrowing Subsidiary party hereto; the lenders listed in Schedule 2.01 (together with their successors and permitted assigns, the “*Lenders*”); and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (in such capacity, the “*Administrative Agent*”).

The Lenders have been requested to extend credit to the Borrowers (such term and each other capitalized term used but not otherwise defined herein having the meaning assigned to it in Article I) to enable the Borrowers (a) to borrow on a standby revolving credit basis on and after the date hereof and at any time and from time to time prior to the Maturity Date a principal amount not in excess of \$600,000,000 at any time outstanding and (b) to request the issuance of Letters of Credit for the accounts of the Borrowers in a face amount not in excess of \$100,000,000 at any time outstanding. The Lenders have also been requested to provide procedures pursuant to which the Borrowers may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrowers. The proceeds of such borrowings are to be used for working capital and other general corporate purposes (including, without limitation, commercial paper backup). The Letters of Credit shall support payment obligations incurred in the ordinary course of business by the Borrowers. The Lenders are willing to extend credit on the terms and subject to the conditions herein set forth.

Accordingly, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01. *Defined Terms.* As used in this Agreement, the following terms shall have the meanings specified below:

“*ABR Borrowing*” shall mean a Revolving Borrowing comprised of ABR Loans.

“*ABR Loan*” shall mean any Revolving Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

“*Accession Agreement*” shall have the meaning assigned to such term in Section 2.12(e).

“*Administrative Fees*” shall have the meaning assigned to such term in Section 2.07(b).

“*Adjusted LIBO Rate*” means, with respect to any Eurocurrency Borrowing (including any notional Eurocurrency Borrowing of one month referred to in

the definition of the term “Alternate Base Rate”) for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

“*Administrative Questionnaire*” shall mean an Administrative Questionnaire in the form supplied by the Administrative Agent.

“*Affiliate*” shall mean, when used with respect to a specified Person, another Person that directly or indirectly controls or is controlled by or is under common control with the Person specified.

“*Aggregate Credit Exposure*” shall mean the aggregate amount of all the Lenders’ Credit Exposures.

“*Agreement Currency*” shall have the meaning assigned to such term in Section 10.16(b).

“*Alternate Base Rate*” shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus $\frac{1}{2}$ of 1% and (c) the Adjusted LIBO Rate (which, for the avoidance of doubt, shall not include the Applicable Percentage with respect to Eurocurrency Loans) on such day (or if such day is not a Business Day, the immediately preceding Business Day) for a deposit in dollars with a maturity of one month plus 1%. For purposes hereof, “*Prime Rate*” shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as effective. “*Federal Funds Effective Rate*” shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as released on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so released for any day which is a Business Day, the arithmetic average (rounded upwards to the next 1/100th of 1%), as determined by the Administrative Agent, of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate, or the Adjusted LIBO Rate, respectively.

“*Applicable Percentage*” shall mean on any date, with respect to Eurocurrency Loans, ABR Loans, the Facility Fee or the L/C Participation Fee, as the case may be, the applicable percentage set forth below under the caption “Eurocurrency

Spread,” “Alternate Base Rate Spread”, “Facility Fee Percentage” or “L/C Participation Fee Percentage,” as the case may be, based upon the Ratings in effect on such date:

	Eurocurrency Spread	Alternate Base Rate Spread	Facility Fee Percentage	L/C Participation Fee Percentage
Category 1				
A3 or higher by Moody’s; A- or higher by S&P; A- or higher by Fitch	0.900%	0.000%	0.1000%	0.900%
Category 2				
Baa1 or higher by Moody’s; BBB+ or higher by S&P; BBB+ or higher by Fitch	1.000%	0.000%	0.1250%	1.000%
Category 3				
Baa2 by Moody’s; BBB by S&P; BBB by Fitch	1.100%	0.100%	0.150%	1.100%
Category 4				
Baa3 by Moody’s; BBB- by S&P; BBB- by Fitch	1.300%	0.300%	0.200%	1.300%
Category 5				
Lower than Baa3 by Moody’s; Lower than BBB- by S&P; Lower than BBB- by Fitch	1.475%	0.475%	0.275%	1.475%

For purposes of the foregoing: (a) if any Rating Agency shall merge with or into or be acquired by another Rating Agency, or shall cease to be in the business of rating corporate debt obligations, or shall otherwise cease to have a Rating in effect notwithstanding the Company’s use of commercially reasonable efforts to cause such a Rating to be maintained in effect, then the Eurocurrency Spread, Alternate Base Rate Spread, Facility Fee Percentage and L/C Participation Fee Percentage shall be determined by reference to the Rating or Ratings remaining available or deemed to be available as provided below; (b) if any Rating Agency shall not have a Rating in effect for a reason other than one of the reasons set forth in the preceding clause (a), such Rating Agency shall be deemed to have a Rating available and such Rating shall be deemed to be in Category 5; (c) if the Ratings available or deemed to be available shall fall in different Categories, then (i) if Ratings are available or deemed to be available from all three Rating Agencies, the Eurocurrency Spread, Alternate Base Rate Spread, Facility Fee Percentage and L/C Participation Fee Percentage shall be determined by reference to the highest Category achieved or exceeded by at least two of the three Ratings, (ii) if Ratings are available or deemed to be available from only two Rating Agencies, the Eurocurrency Spread, Alternate Base Rate Spread, Facility Fee Percentage and L/C Participation Fee Percentage shall be determined by reference to the higher of the two Ratings or, if the Ratings differ by more than one Category, the Category one level below that corresponding to the higher of the two Ratings and (iii) if a Rating is available or deemed to be available from only one Rating Agency, the Eurocurrency Spread, Alternate Base

Rate Spread, Facility Fee Percentage and L/C Participation Fee Percentage shall be determined by reference to that Rating; and (d) if any Rating shall be changed (other than as a result of a change in the rating system of the applicable Rating Agency), such change shall be effective as of the date on which it is first announced by the Rating Agency making such change. Each change in the Applicable Percentage shall apply to all outstanding Eurocurrency Loans and ABR Loans and to L/C Participation Fees and Facility Fees accruing during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of any Rating Agency shall change, the parties hereto shall negotiate in good faith to amend the references to specific ratings in this definition to reflect such changed rating system and, pending the effectiveness of any such amendment, the Applicable Percentage shall be determined by reference to the Rating most recently in effect from such Rating Agency prior to such change.

“*Applicable Share*” of any Lender at any time shall mean the percentage of the Total Commitment represented by such Lender’s Commitment; *provided* that in the case of Section 2.22 when a Defaulting Lender shall exist, “Applicable Share” shall mean the percentage of the Total Commitments (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment. If the Commitments shall be terminated pursuant to Article VII, the Applicable Shares of the Lenders shall be based upon the Commitments in effect, giving effect to any assignments and to any Revolving Lender’s status as a Defaulting Lender at the time of determination.

“*Approved Fund*” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in commercial loans and similar extensions of credit in the ordinary course and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“*Assignment and Assumption*” shall mean an Assignment and Assumption entered into by a Lender and an assignee in the form of Exhibit B.

“*Bankruptcy Event*” shall mean, with respect to any Person, that such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or in the good faith judgment of the Administrative Agent has consented to, approved of, or acquiesced in any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of (a) any ownership interest or the acquisition of any ownership interest in, or the exercise of control over, such Person by a Governmental Authority or instrumentality thereof or (b) in the case of a solvent Lender organized under the laws of The Netherlands, the precautionary appointment of an administrator, guardian, custodian or other similar official by a Governmental Authority or instrumentality thereof, under or based on the law of the country where such Lender is subject to home jurisdiction supervision, if applicable law requires that such appointment not be publicly disclosed, provided, further, in each such case, that such ownership interest or such action, as applicable, does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or

such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm its obligations hereunder.

“*Board*” shall mean the Board of Governors of the Federal Reserve System of the United States.

“*Board of Directors*” shall mean the Board of Directors of a Borrower or any duly authorized committee thereof.

“*Borrower*” shall mean the Company or any Borrowing Subsidiary.

“*Borrowing*” shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

“*Borrowing Date*” shall mean any date on which a Borrowing is made or a Letter of Credit issued hereunder.

“*Borrowing Subsidiary*” shall mean any Subsidiary which shall have become a Borrowing Subsidiary as provided in Section 10.15, other than any Subsidiary that shall have ceased to be a Borrowing Subsidiary as provided in Section 10.15.

“*Borrowing Subsidiary Agreement*” shall mean an agreement in the form of Exhibit D-1 hereto duly executed by the Company and a Subsidiary.

“*Borrowing Subsidiary Termination*” shall mean an agreement in the form of Exhibit D-2 hereto duly executed by the Company and a Borrowing Subsidiary.

“*Business Day*” shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York) on which banks are open for business in New York City; *provided, however*, that, when used in connection with a Eurocurrency Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in deposits in the applicable currency in the London interbank market, and, when used in connection with determining any date on which any amount is to be paid or made available in a Non-US Currency, the term “Business Day” shall also exclude any day on which commercial banks and foreign exchange markets are not open for business in the principal financial center in the country of such Non-US Currency or Frankfurt, Germany if such Non-US Currency is the Euro.

“*Capital Lease Obligations*” of any Person shall mean the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP, and the final maturity of such obligations shall be the date of the last payment of such or any other amounts due under such lease (or other arrangement) prior to the first date on which such lease (or other

arrangement) may be terminated by the lessee without payment of a premium or a penalty.

“*CFC*” shall mean (a) each Person that is a “controlled foreign corporation” for purposes of the Code and (b) each subsidiary of any such controlled foreign corporation.

A “*Change in Control*” shall be deemed to have occurred if (a) any Person or group of Persons shall have acquired beneficial ownership of more than 30% of the outstanding Voting Shares of the Company (within the meaning of Section 13(d) or 14(d) of the Exchange Act and the applicable rules and regulations thereunder), or (b) during any period of 12 consecutive months, commencing after the Effective Date, individuals who on the first day of such period were directors of the Company (together with any replacement or additional directors who were nominated or elected by a majority of directors then in office) cease to constitute a majority of the Board of Directors of the Company.

“*Change in Law*” shall mean the occurrence, after the date of this Agreement, of any change in applicable law or regulation or in the interpretation, promulgation, implementation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law); *provided* that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted, promulgated or issued.

“*Closing Date*” shall mean the date on which executed counterparts of this Agreement shall have been delivered by the parties hereto. In the event such executed counterparts shall be held under any escrow arrangement pending the effectiveness of this Agreement, the Closing Date shall be the date on which this Agreement, fully executed by the parties hereto, shall be delivered by the escrow or similar agent to the Company and the Administrative Agent.

“*Code*” shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time, and the Treasury regulations promulgated thereunder.

“*Commitment*” shall mean, with respect to each Lender, the commitment of such Lender hereunder as set forth in Schedule 2.01 under the heading “Commitment” or in an Assignment and Assumption delivered by such Lender under Section 10.04, as such Commitment may be permanently terminated, reduced or increased from time to time pursuant to Section 2.12 or pursuant to one or more assignments under Section 10.04. The Commitment of each Lender shall automatically and permanently terminate on the Maturity Date if not terminated earlier pursuant to the terms hereof.

“*Competitive Bid*” shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

“*Competitive Bid Accept/Reject Letter*” shall mean a notification made by a Borrower pursuant to Section 2.03(d) in the form of Exhibit A-4.

“*Competitive Bid Rate*” shall mean, as to any Competitive Bid, (i) in the case of a Eurocurrency Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

“*Competitive Bid Request*” shall mean a request made pursuant to Section 2.03(a) in the form of Exhibit A-1.

“*Competitive Borrowing*” shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted under the bidding procedure described in Section 2.03.

“*Competitive Loan*” shall mean a Loan made pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurocurrency Competitive Loan or a Fixed Rate Loan and will be denominated in either Dollars or a Non-US Currency.

“*Competitive Loan Exposure*” shall mean, with respect to any Lender at any time, the sum of (a) the aggregate principal amount of all outstanding Competitive Loans denominated in Dollars made by such Lender and (b) the sum of the Dollar Equivalents of the principal amounts of all outstanding Competitive Loans denominated in Non-US Currencies made by such Lender, determined on the basis of the applicable Exchange Rates in effect on the respective dates of the Competitive Bid Requests pursuant to which such Competitive Loans were made.

“*Confidential Information Memorandum*” shall mean the Confidential Information Memorandum dated July 2011 related to the credit facilities established by this Agreement, the ITT Corporation Credit Agreement and the Exelis Credit Agreement.

“*Consenting Lender*” shall have the meaning assigned to such term in Section 2.12(d).

“*Consolidated EBITDA*” shall mean, for any period, Consolidated Net Income for such period, plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) Consolidated Interest Expense for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation for such period and amortization of intangible and capitalized assets for such period, (iv) any losses during such period attributable to the disposition of assets other than in the ordinary course of business, (v) any other extraordinary non-cash charges for such period, (vi) any non-cash expenses for such period resulting from the grant of stock options or other equity-based incentives to any director, officer or employee of the Company or any Subsidiary, (vii) any losses attributable to early extinguishment of Indebtedness or obligations under any Hedging Agreement, in each

case other than in connection with the Spin-Offs or the Transactions, (viii) any unrealized non-cash losses for such period attributable to accounting in respect of Hedging Agreements, (ix) the cumulative effect of changes in accounting principles and (x) any fees and expenses for such period relating to the Transactions or to the Spin-Offs, in an aggregate after tax amount for all periods not to exceed \$100,000,000 and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, (i) any gains during such period attributable to the disposition of assets other than in the ordinary course of business, (ii) any other extraordinary non-cash gains for such period, (iii) any gains attributable to the early extinguishment of Indebtedness or obligations under any Hedging Agreement, (iv) any unrealized non-cash gains for such period attributable to accounting in respect of Hedging Agreements, (v) the cumulative effect of changes in accounting principles and (vi) any cash payments made during such period with respect to noncash items added back (or that would have been added back had this Agreement been in effect) in computing Consolidated EBITDA for any prior period. For purposes of calculating Consolidated EBITDA for any period to determine the Leverage Ratio, if during such period the Company or any Subsidiary shall have consummated a Material Acquisition or a Material Disposition, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto in accordance with Section 1.03(b).

“*Consolidated Interest Expense*” shall mean, for any period, the interest expense (including imputed interest expense in respect of Capital Lease Obligations) of the Company and its consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP. Consolidated Interest Expense for any period during which the Company or any Subsidiary shall have consummated a Material Acquisition or a Material Disposition shall be calculated after giving pro forma effect thereto in accordance with Section 1.03(b).

“*Consolidated Net Income*” shall mean, for any period, the net income or loss of the Company and its consolidated Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

“*Consolidated Net Tangible Assets*” shall mean at any time the total of all assets appearing on the most recent consolidated balance sheet of the Company and its Subsidiaries delivered under Section 5.03(a) or (b) (or, prior to the delivery of any such balance sheet, the most recent pro forma balance sheet referred to in Section 3.05(c)), less the sum of the following items as shown on such consolidated balance sheet:

- (i) the book amount of all segregated intangible assets, including such items as good will, trademarks, trademark rights, trade names, trade name rights, copyrights, patents, patent rights and licenses and unamortized debt discount and expense less unamortized debt premium;
- (ii) all depreciation, valuation and other reserves;
- (iii) current liabilities;
- (iv) any minority interest in the shares of stock (other than Preferred Stock) and surplus of Subsidiaries; and

(v) deferred income and deferred liabilities.

“*Consolidated Total Indebtedness*” shall mean, as of any date, the aggregate principal amount of Indebtedness of the Company and the Subsidiaries outstanding as of such date, determined on a consolidated basis in accordance with GAAP; *provided* that, for purposes of this definition, the term “Indebtedness” shall not include contingent obligations of the Company or any Subsidiary as an account party in respect of any letter of credit or letter of guaranty to the extent such letter of credit or letter of guaranty does not support Indebtedness.

“*Credit Exposure*” shall mean, with respect to any Lender at any time, the Dollar Equivalent of the aggregate principal amount at such time of all outstanding Loans of such Lender, *plus* the aggregate amount at such time of such Lender’s L/C Exposure.

“*Credit Party*” shall mean the Administrative Agent, any Issuing Bank or any Lender.

“*Declining Lender*” shall have the meaning assigned to such term in Section 2.12(d).

“*Default*” shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

“*Defaulting Lender*” shall mean any Lender that (a) has failed, within three Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied or, in the case of clause (iii), such payment is the subject of a good faith dispute, (b) has notified the Company, any other Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent made in good faith to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, unless such Lender has notified the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Administrative Agent’s receipt of such certification in form and substance reasonably satisfactory to it, or (d) has become the subject of a Bankruptcy Event.

“*Distribution Agreement*” shall mean the Distribution Agreement dated as of [], 2011, among the Company, ITT Corporation and Exelis Inc., pursuant to which ITT Corporation shall effect the Spin-Offs.

“*Dollar Equivalent*” shall mean, on any date of determination, with respect to any amount in any Non-US Currency, the equivalent in Dollars of such amount, determined using the Exchange Rate with respect to such Non-US Currency on such date.

“*Dollars*” or “*\$*” shall mean lawful money of the United States of America.

“*Domestic Subsidiary*” shall mean any Subsidiary incorporated or organized under the laws of the United States of America, any State thereof or the District of Columbia, other than any Subsidiary that is a CFC.

“*Effective Date*” shall mean the first date on which the conditions set forth in Section 4.02 are satisfied.

“*Eligible Assignee*” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund and (d) any other Person, other than, in each case, a natural person, the Company or any Affiliate of the Company.

“*Equity Interests*” shall mean shares of capital stock, partnership interests, membership interests, beneficial interests or other ownership interests, whether voting or nonvoting, in, or interests in the income or profits of, a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing.

“*ERISA*” shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

“*ERISA Affiliate*” shall mean any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“*ERISA Event*” shall mean (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan other than events for which the 30 days’ notice period has been waived; (b) a failure by any Plan to meet the minimum funding standards (as defined in Section 412 of the Code or Section 302 of ERISA) applicable to such Plan, in each instance, whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Company or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (e) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the receipt by the Company or any ERISA Affiliate of any notice, or the receipt by

any Multiemployer Plan from the Company or any ERISA Affiliate of any notice, that Withdrawal Liability is being imposed or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA or in “endangered” or “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); or (g) the occurrence of a “prohibited transaction” with respect to which the Company or any of its Subsidiaries is a “disqualified person” (within the meaning of Section 4975 of the Code), or with respect to which the Company or any such Subsidiary could otherwise be liable.

“*Euro*” shall mean the lawful currency of the member states of the European Union that have adopted a single currency in accordance with applicable law or treaty.

“*Eurocurrency Borrowing*” shall mean a Borrowing comprised of Eurocurrency Loans.

“*Eurocurrency Competitive Borrowing*” shall mean a Competitive Borrowing comprised of Eurocurrency Loans.

“*Eurocurrency Competitive Loan*” shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

“*Eurocurrency Loan*” shall mean any Eurocurrency Competitive Loan or Eurocurrency Revolving Loan.

“*Eurocurrency Revolving Borrowing*” shall mean a Revolving Borrowing comprised of Eurocurrency Loans.

“*Eurocurrency Revolving Loan*” shall mean any Revolving Loan bearing interest at a rate determined by reference to the Adjusted LIBO Rate in accordance with the provisions of Article II.

“*Event of Default*” shall have the meaning assigned to such term in Article VII.

“*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

“*Exchange Rate*” shall mean, with respect to any Non-US Currency on a particular date, the rate at which such Non-US Currency may be exchanged into Dollars, as set forth on such date on the applicable Reuters currency page. In the event that such rate does not appear on any Reuters currency page, the Exchange Rate with respect to such Non-US Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Company or, in the absence of such agreement, such Exchange Rate shall instead be the Administrative Agent’s spot rate of exchange in the London interbank market at or about 10:00 a.m., London time, on such date for the purchase of Dollars with such Non-US Currency, for delivery two Business Days later; *provided, however*, that if at the time

of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems applicable to determine such rate, and such determination shall be conclusive absent manifest error.

“*Excluded Taxes*” shall mean, with respect to any Credit Party (including any assignee of or successor to a Credit Party and any Participant) and any other recipient of any payment to be made by or on account of any obligation of a Borrower under this Agreement or any Loan Documents: (a) income or franchise Taxes imposed on (or measured by) net income or gain (however denominated) by the United States of America, or by the jurisdiction under the laws of which such Credit Party (including any assignee of or successor to such Credit Party and any Participant or other recipient) is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits Taxes imposed by the United States of America or any similar Taxes imposed by any other jurisdiction in which the Company is located, (c) any backup withholding Tax imposed by the United States of America or any similar Taxes imposed by any other jurisdiction in which the Company is located, (d) in the case of a Non-US Lender (other than an assignee pursuant to a request by a Borrower under Section 2.21(b)), any US Federal withholding Taxes resulting from any law in effect on the date such Non-US Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Non-US Lender’s failure to comply with Section 2.20(f) (including as a result of any inaccurate or incomplete documentation), except to the extent that such Non-US Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from a Borrower with respect to such withholding Taxes pursuant to Section 2.20(a), and (e) any Taxes imposed with respect to the requirements of FATCA.

“*Exelis Credit Agreement*” shall mean the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], 2011, among Exelis Inc., certain lenders and JPMorgan Chase Bank, N.A., as Administrative Agent.

“*Exelis Form 10*” shall mean the Form 10 Registration Statement filed by the Company with the Securities and Exchange Commission on July 11, 2011.

“*Existing Maturity Date*” shall have the meaning assigned to such term in Section 2.12(d).

“*Facility Fee*” shall have the meaning assigned to such term in Section 2.07(a).

“*FATCA*” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (including any regulations that are issued thereunder) and any official governmental interpretations thereof.

“*Fees*” shall mean the Facility Fee, the Administrative Fees, the L/C Participation Fees, the Ticking Fees and the Issuing Bank Fees.

“*Financial Officer*” of any Person shall mean the chief financial officer, principal accounting officer, controller, assistant controller, treasurer, associate or assistant treasurer or director of treasury services of such Person.

“*Fitch*” shall mean Fitch Ratings, a wholly owned subsidiary of Fimilac, S.A, or any of its successors.

“*Fixed Rate Borrowing*” shall mean a Borrowing comprised of Fixed Rate Loans.

“*Fixed Rate Loan*” shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (the “*Fixed Rate*”) (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

“*Foreign Subsidiary*” shall mean any Subsidiary that is not a Domestic Subsidiary.

“*Form 10s*” shall mean the Exelis Form 10 and the Xylem Form 10.

“*GAAP*” shall mean United States generally accepted accounting principles, applied on a consistent basis.

“*Governmental Authority*” shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national body exercising such powers or functions, such as the European Union or the European Central Bank).

“*Hedging Agreement*” means any agreement with respect to any swap, forward, future or derivative transaction, or any option or similar agreement, involving, or settled by reference to, one or more rates, currencies, commodities, prices of equity or debt securities or instruments, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value, or any similar transaction or combination of the foregoing transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or the Subsidiaries shall be a Hedging Agreement. The “amount” or “principal amount” of the obligations of the Company or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

“*Increasing Lender*” shall have the meaning assigned to such term in Section 2.12(e).

“*Indebtedness*” of any Person shall mean all indebtedness representing money borrowed or the deferred purchase price of property (other than trade accounts payable) or any capitalized lease obligation, which in any case is created, assumed, incurred or guaranteed in any manner by such Person or for which such Person is responsible or liable (whether by agreement to purchase indebtedness of, or to supply funds to or invest in, others or otherwise). For the avoidance of doubt, the term Indebtedness shall not include obligations under Hedging Agreements.

“*Indemnified Taxes*” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by a Borrower under this Agreement and (b) Other Taxes.

“*Interest Payment Date*” shall mean (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan or Fixed Rate Loan, the last day of each Interest Period applicable thereto, and with respect to a Eurocurrency Loan with an Interest Period of more than three months’ duration or a Fixed Rate Loan with an Interest Period of more than 90 days’ duration, each day that would have been an Interest Payment Date for such Loan had successive Interest Periods of three months’ duration or 90 days’ duration, as the case may be, been applicable to such Loan and (c) with respect to any Loan, the Maturity Date or the date of any prepayment of such Loan or conversion of such Loan to a Loan of a different Type.

“*Interest Period*” shall mean (a) as to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the applicable Borrower may elect and (b) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offers to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; *provided, however*, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of Eurocurrency Loans only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

“*IRS*” shall mean the United States Internal Revenue Service.

“*Issuing Bank*” shall mean (a) JPMorgan Chase Bank, N.A., (b) Citibank N.A. , and (c) each Lender that shall have become an Issuing Bank hereunder as provided in Section 2.05(j) (other than any Person that shall have ceased to be an Issuing Bank as provided in Section 2.05(i)), each in its capacity as an issuer of Letters of Credit hereunder. Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such

Affiliate (it being agreed that such Issuing Bank shall, or shall cause such Affiliate to, comply with the requirements of Section 2.05 with respect to such Letters of Credit).

“*Issuing Bank Agreement*” shall mean an agreement in substantially the form of Exhibit E.

“*Issuing Bank Fees*” shall have the meaning assigned to such term in Section 2.07(c).

“*ITT Corporation Credit Agreement*” shall mean the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], 2011, among ITT Corporation, certain lenders and JPMorgan Chase Bank, N.A., as Administrative Agent.

“*Judgment Currency*” shall have the meaning assigned to such term in Section 10.16(b).

“*L/C Disbursement*” shall mean a payment or disbursement made by an Issuing Bank pursuant to a Letter of Credit.

“*L/C Exposure*” shall mean at any time the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time *plus* (b) the aggregate principal amount of all L/C Disbursements that have not yet been reimbursed at such time. The L/C Exposure of any Lender at any time shall mean its Applicable Share of the aggregate L/C Exposure at such time.

“*L/C Participation Fee*” shall have the meaning assigned to such term in Section 2.07(c).

“*Lead Arrangers*” shall mean J.P. Morgan Securities LLC and Citigroup Global Markets Inc.

“*Letter of Credit*” shall mean any letter of credit issued pursuant to Section 2.05.

“*Lender Parent*” shall mean, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

“*Leverage Ratio*” shall mean, at any time, the ratio of (a) Consolidated Total Indebtedness at such time to (b) Consolidated EBITDA for the most recently ended period of four consecutive fiscal quarters.

“*LIBO Rate*” shall mean, with respect to any Eurocurrency Borrowing for any Interest Period, the rate appearing on the Reuters “LIBOR01” screen displaying British Bankers’ Association Interest Settlement Rates (or on any successor or substitute screen provided by Reuters, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such screen, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement

of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"*Lien*" shall mean, with respect to any property or asset, any mortgage, deed of trust, lien, pledge, security interest, charge or other encumbrance on, of, or in such property or asset.

"*Loan*" shall mean a Competitive Loan or a Revolving Loan, whether made as a Eurocurrency Loan, an ABR Loan or a Fixed Rate Loan, as permitted hereby.

"*Loan Documents*" shall mean this Agreement, the Letters of Credit, the Borrowing Subsidiary Agreements, any Issuing Bank Agreements, and promissory notes, if any, issued pursuant to Section 10.04(i).

"*Margin*" shall mean, as to any Eurocurrency Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"*Margin Regulations*" shall mean Regulations T, U and X of the Board as from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"*Margin Stock*" shall have the meaning given such term under Regulation U of the Board.

"*Material Acquisition*" shall mean any acquisition of (a) Equity Interests in any Person if, after giving effect thereto, such Person will become a Subsidiary or (b) assets comprising all or substantially all the assets of (or all or substantially all the assets constituting a business unit, division, product line or line of business of) any Person; *provided* that the aggregate consideration therefor (including Indebtedness assumed in connection therewith, all obligations in respect of deferred purchase price (including obligations under any purchase price adjustment but excluding earnout or similar payments) and all other consideration payable in connection therewith (including payment obligations in respect of noncompetition agreements or other arrangements representing acquisition consideration)) exceeds \$100,000,000.

"*Material Adverse Effect*" shall mean an event or condition that has resulted in a material adverse effect on (a) the business, assets, liabilities, operations or financial condition of the Company and its Subsidiaries, taken as a whole, (b) the ability of any Borrower to perform any of its material obligations under any Loan Document or (c) the enforceability of the Lenders' rights under any Loan Document.

“*Material Disposition*” shall mean any sale, transfer or other disposition of (a) all or substantially all the issued and outstanding Equity Interests in any Person that are owned by the Company or any Subsidiary or (b) assets comprising all or substantially all the assets of (or all or substantially all the assets constituting a business unit, division, product line or line of business of) any Person; *provided* that the aggregate consideration therefor (including Indebtedness assumed by the transferee in connection therewith, all obligations in respect of deferred purchase price (including obligations under any purchase price adjustment but excluding earnout or similar payments) and all other consideration payable in connection therewith (including payment obligations in respect of noncompetition agreements or other arrangements representing acquisition consideration)) exceeds \$100,000,000.

“*Material Indebtedness*” shall mean Indebtedness (other than the Loans, Letters of Credit and guarantees under the Loan Documents), or obligations in respect of one or more Hedging Agreements or Securitization Transactions, of any one or more of the Company and the Subsidiaries in an aggregate principal amount of \$50,000,000 or more.

“*Maturity Date*” shall mean the fourth anniversary of the Closing Date, as such date may be extended pursuant to Section 2.12(d).

“*MNPF*” shall mean material information concerning the Company and the Subsidiaries and their securities that has not been disseminated in a manner making it available to investors generally, within the meaning of Regulation FD under the Securities Act and the Exchange Act.

“*Moody’s*” shall mean Moody’s Investors Service, Inc. or any of its successors.

“*Multiemployer Plan*” shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“*Non-US Currency*” shall mean any currency other than Dollars that is freely transferable and convertible into Dollars in the London market and as to which an Exchange Rate and LIBO Rates may be determined.

“*Non-US Currency Loan*” shall mean any Competitive Loan denominated in a currency other than Dollars.

“*Non-US Lender*” shall mean a Lender that is not a US Person.

“*Notice of Competitive Bid Request*” shall mean a notification made pursuant to Section 2.03(a) in the form of Exhibit A-2.

“*Obligations*” means (a) the due and punctual payment of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment

required to be made under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of L/C Disbursements, interest thereon and obligations to provide cash collateral, and (iii) all other monetary obligations of the Company or any Subsidiary under this Agreement and each other Loan Document, including obligations to pay fees, expense reimbursement obligations and indemnification obligations, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) and (b) the due and punctual payment and performance of all other obligations of each Borrower under or pursuant to this Agreement and each of the other Loan Documents.

“*Other Taxes*” shall mean any present or future stamp, court, documentary, intangible, recording, filing or similar excise or property Taxes (other than Excluded Taxes) that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or from the registration, receipt or perfection of a security interest under this Agreement or any other Loan Document.

“*Participant*” shall have the meaning assigned to such term in Section 10.04(f).

“*Participant Register*” has the meaning assigned to such term in Section 10.04(f).

“*PBGC*” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“*Permitted Encumbrances*” means:

- (a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 5.05;
- (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law (other than any Lien imposed pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or a violation of Section 436 of the Code), arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.05;
- (c) pledges and deposits made (i) in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws and (ii) in respect of letters of credit, bank guarantees or similar instruments issued for the account of the Company or any Subsidiary in the ordinary course of business supporting obligations of the type set forth in the preceding clause (i);
- (d) pledges and deposits made (i) to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of

business (but excluding obligations constituting Indebtedness) and (ii) in respect of letters of credit, bank guarantees or similar instruments issued for the account of the Company or any Subsidiary in the ordinary course of business supporting obligations described in clause (i) above;

(e) pledges or Liens necessary to secure a stay of any legal or equitable process in a proceeding to enforce a liability or obligation contested in good faith by the Company or a Subsidiary or required in connection with the institution by the Company or a Subsidiary of any legal or equitable proceeding to enforce a right or to obtain a remedy claimed in good faith by the Company or a Subsidiary, or required in connection with any order or decree in any such proceeding or in connection with any contest of any tax or other governmental charge; or the making of any deposit with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation in order to entitle the Company or a Subsidiary to maintain self-insurance or to participate in any fund in connection with workers' compensation, unemployment insurance, old age pensions or other social security or to share in any provisions or other benefits provided for companies participating in any such arrangement or for liability on insurance of credits or other risks;

(f) judgment liens in respect of judgments that do not constitute an Event of Default under clause (i) of Article VII;

(g) any Lien on property in favor of the United States of America, or of any agency, department or other instrumentality thereof, to secure partial, progress or advance payments pursuant to the provisions of any contract;

(h) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any Subsidiary;

(i) banker's liens, rights of setoff or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with depository institutions or securities intermediaries; provided that such deposit accounts, securities accounts or funds are not established or deposited for the purpose of providing collateral for any Indebtedness and are not subject to restrictions on access by the Company or any Subsidiary in excess of those required by applicable banking or other regulations;

(j) Liens arising by virtue of Uniform Commercial Code financing statement filings (or similar filings under applicable law) regarding operating leases entered into by the Company and the Subsidiaries in the ordinary course of business;

(k) Liens representing any interest or title of a licensor, lessor or sublicensor or sublessor, or a licensee, lessee or sublicensee or sublessee, in the property subject to any lease, license or sublicense or concession agreement;

(l) any Lien affecting property of the Company or any Subsidiary securing Indebtedness of the United States of America or a State thereof (or any instrumentality or agency of either thereof) issued in connection with a pollution control or abatement program required in the opinion of the Company to meet environmental criteria with respect to manufacturing or processing operations of the Company or any Subsidiary and the proceeds of which Indebtedness have financed the cost of acquisition of such program, and renewals or extensions of any such Lien that do not extend to additional assets or increase the amount of the obligations secured thereby; and

(m) contractual rights of set-off not established to secure the payment of Indebtedness.

“*Person*” shall mean any natural person, corporation, limited liability company, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

“*Plan*” shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA sponsored, maintained or contributed to by the Company or any ERISA Affiliate.

“*Preferred Stock*” shall mean any capital stock entitled by its terms to a preference (a) as to dividends or (b) upon a distribution of assets.

“*Priority Indebtedness*” shall mean, without duplication, (a) all Indebtedness or obligations in respect of one or more Hedging Agreements of any Subsidiary and (b) (i) all Indebtedness of the Company or any Subsidiary, and all obligations in respect of one or more Hedging Agreements, secured by any Lien on any asset of the Company or any Subsidiary, (ii) all obligations of the Company or any Subsidiary under conditional sale or other title retention agreements relating to property acquired by the Company or such Subsidiary (excluding trade accounts payable incurred in the ordinary course of business), (iii) all Capital Lease Obligations of the Company or any Subsidiary, (iv) all Securitization Transactions of the Company or any Subsidiary and (v) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by the Company or any Subsidiary, whether or not the Indebtedness secured thereby has been assumed by the Company or such Subsidiary.

“*Rating Agencies*” shall mean Moody’s, S&P and Fitch.

“*Ratings*” shall mean the ratings from time to time established by the Rating Agencies for senior, unsecured, non-credit-enhanced long-term debt of the Company.

“*Register*” shall have the meaning given such term in Section 10.04(d).

“*Regulation D*” shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“*Related Parties*” shall mean, with respect to any specified Person, such Person’s Affiliates and the directors, officers, partners, trustees, employees, agents and advisors of such Person and of such Person’s Affiliates.

“*Reportable Event*” shall mean any reportable event as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414).

“*Required Lenders*” shall mean, at any time, Lenders having Commitments representing more than 50% of the Total Commitment or, for purposes of acceleration pursuant to Article VII, Lenders holding Credit Exposures representing more than 50% of the Aggregate Credit Exposure.

“*Responsible Officer*” of any Person shall mean any executive officer or Financial Officer of such Person and any other officer or similar official thereof responsible for the administration of the obligations of such Person in respect of this Agreement.

“*Revolving Borrowing*” shall mean a Borrowing consisting of simultaneous Revolving Loans from each of the Lenders.

“*Revolving Borrowing Request*” shall mean a request made pursuant to Section 2.04 in the form of Exhibit A-5.

“*Revolving Credit Exposure*” shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender.

“*Revolving Loans*” shall mean the revolving loans made pursuant to Section 2.01 and 2.04. Each Revolving Loan shall be in Dollars and shall be a Eurocurrency Revolving Loan or an ABR Loan.

“*S&P*” shall mean Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. or any of its successors.

“*SEC*” shall mean the Securities and Exchange Commission.

“*Securitization Transaction*” shall mean any transfer by the Company or any Subsidiary of accounts receivable or interests therein (a) to a trust, partnership, corporation, limited liability company or other entity, which transfer is funded in whole or in part, directly or indirectly, by the incurrence or issuance by the transferee or successor transferee of Indebtedness or other securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests therein, or (b) directly to one or more investors or other purchasers. The “amount” or “principal amount” of any Securitization Transaction shall be deemed at any time to be the aggregate principal or stated amount of the Indebtedness or other securities referred to in the first sentence of this definition or, if there shall be no such principal or stated amount, the uncollected amount of the accounts receivable or interests therein

transferred pursuant to such Securitization Transaction, net of any such accounts receivable or interests therein that have been written off as uncollectible.

“*Significant Subsidiary*” shall mean, at any time, each Borrower and each Subsidiary accounting for more than 5% of the consolidated revenues of the Company for the most recent period of four consecutive fiscal quarters for which pro forma financial statements of the Company are set forth in the Xylem Form 10 (as amended prior to the date hereof) or for the most recent period of four consecutive fiscal quarters of the Company for which historical financial statements of the Company have been delivered pursuant to Section 5.03(a) or 5.03(b), as applicable, or more than 5% of the consolidated total assets of the Company at the end of such applicable period; *provided* that if at the end of or for any such period of four consecutive fiscal quarters all Subsidiaries that are not Significant Subsidiaries shall account for more than 10% of the consolidated revenues of the Company or more than 10% of the consolidated total assets of the Company, the Company shall designate sufficient Subsidiaries as “Significant Subsidiaries” to eliminate such excess (or if the Company shall have failed to designate such Subsidiaries within 10 Business Days, Subsidiaries shall automatically be deemed designated as Significant Subsidiaries in descending order based on the amounts of their contributions to consolidated total assets until such excess shall have been eliminated), and the Subsidiaries so designated or deemed designated shall for all purposes of this Agreement constitute Significant Subsidiaries.

“*Spin-Offs*” shall mean (a) the spin off by ITT Corporation of its water infrastructure and applied water businesses through the transfer of such businesses to the Company and the distribution of all of the shares of common stock of the Company to the shareholders of ITT Corporation, as described in the Xylem Form 10 and (b) the spin off by ITT Corporation of its C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance) electronics and systems, and informational and technical services businesses through the transfer of such businesses to Exelis Inc. and the distribution of all of the shares of common stock of Exelis Inc. to the shareholders of ITT Corporation, as described in the Exelis Form 10.

“*Statutory Reserve Rate*” shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves), expressed as a decimal, established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“*subsidiary*” shall mean, with respect to any Person (the “*parent*”), any corporation, association or other business entity of which securities or other ownership interests representing more than 50% of the ordinary voting power are, at the time as of

which any determination is being made, owned or controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“*Subsidiary*” shall mean a subsidiary of the Company.

“*Taxes*” shall mean any present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“*Ticking Fee*” shall have the meaning assigned to such term in Section 2.07(d).

“*Total Commitment*” shall mean, at any time, the aggregate amount of Commitments of all the Lenders, as in effect at such time.

“*Transactions*” shall have the meaning assigned to such term in Section 3.02.

“*Type*”, when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, “*Rate*” shall include the LIBO Rate, the Alternate Base Rate, the Competitive Bid Rate and the Fixed Rate.

“*USA PATRIOT Act*” shall have the meaning assigned to such term in Section 3.13.

“*US Person*” shall mean a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“*US Tax Certificate*” has the meaning assigned to such term in Section 2.20(f)(ii)(D)(2).

“*Voting Shares*” shall mean, as to a particular corporation or other Person, outstanding shares of stock or other Equity Interests of any class of such Person entitled to vote in the election of directors, or otherwise to participate in the direction of the management and policies, of such Person, excluding shares or Equity Interests entitled so to vote or participate only upon the happening of some contingency.

“*Withdrawal Liability*” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“*Withholding Agent*” shall mean a Borrower and the Administrative Agent.

“*Xylem Form 10*” shall mean the Form 10 Registration Statement filed by the Company with the Securities and Exchange Commission on July 11, 2011.

“*Xylem Notes*” shall mean unsecured notes of the Company in an amount not to exceed \$1,200,000,000 issued to provide funds for a cash transfer to ITT Corporation prior to the Spin-Offs, which notes shall not mature, and shall not be required to be repaid, prepaid, redeemed, repurchased or defeased, whether on one or more fixed dates, upon the occurrence of one or more events or at the option of any holder thereof (except, in each case, upon the occurrence of an event of default, a change in control or a similar event), prior to the date six months after the Maturity Date and shall not have the benefit of any guarantee or other credit enhancement provided by any Subsidiary.

SECTION 1.02. *Terms Generally.* The definitions of terms used herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all real and personal, tangible and intangible assets and properties, including cash, securities, accounts and contract rights. The word “law” shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply), and all judgments, orders, writs and decrees, of all Governmental Authorities. Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document (including this Agreement and the other Loan Documents) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement.

SECTION 1.03. *Accounting Terms; GAAP.* (a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature used herein shall be construed in accordance with GAAP as in effect from time to time; *provided* that if the Company, by notice to the Administrative Agent, shall request an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent or the Required Lenders, by notice to the Company, shall request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then

such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(b) All pro forma computations required to be made hereunder giving effect to any Material Acquisition or Material Disposition shall be calculated after giving pro forma effect thereto as if such transaction had occurred on the first day of the period of four consecutive fiscal quarters ending with the most recent fiscal quarter for which financial statements shall have been delivered pursuant to Section 5.03(a) or 5.03(b) (or, prior to the delivery of any such financial statements, ending with the last fiscal quarter included in the pro forma financial statements referred to in Section 3.05(b)), and, to the extent applicable, to the historical earnings and cash flows associated with the assets acquired or disposed of and any related incurrence or reduction of Indebtedness, (i) in accordance with Article 11 of Regulation S-X under the Securities Act, if such Material Acquisition or Material Disposition would be required to be given pro forma effect in accordance with Regulation S-X for purposes of preparing the Company's annual and quarterly reports to the SEC, and (ii) in any event, on a reasonable basis consistent with accepted financial practice. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Agreement applicable to such Indebtedness if such Hedging Agreement has a remaining term in excess of 12 months).

ARTICLE II THE CREDITS

SECTION 2.01. *Commitments.* Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans in Dollars to the Borrowers, at any time and from time to time on and after the date hereof and until the earlier of the Maturity Date and the termination of the Commitment of such Lender, in an amount that will not result in (a) the sum of the Revolving Credit Exposure and the L/C Exposure of such Lender exceeding such Lender's Commitment or (b) the Aggregate Credit Exposure exceeding the Total Commitment then in effect. Within the foregoing limits, the Borrowers may borrow, pay or prepay and reborrow Revolving Loans hereunder, on and after the Effective Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. *Loans.* (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments; *provided, however*, that the failure of any Lender to make any Revolving Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Loans comprising any Borrowing shall be (i) in the case of Competitive Loans, in an aggregate principal amount permitted under Section 2.03, and (ii) in the case of Revolving Loans, in an aggregate principal amount that is an

integral multiple of \$5,000,000 and not less than \$10,000,000 (or an aggregate principal amount equal to the remaining balance of the Commitments).

(b) Each Competitive Borrowing shall be comprised entirely of Eurocurrency Competitive Loans or Fixed Rate Loans, and each Revolving Borrowing shall be comprised entirely of Eurocurrency Revolving Loans or ABR Loans, as the applicable Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Loan by causing any domestic or foreign branch, agency or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement and such branch, agency or Affiliate shall, to the extent of any such loans made by it, have all the rights of such Lender hereunder. Borrowings of more than one Type may be outstanding at the same time. For purposes of the foregoing, Loans having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Loans.

(c) Subject to Section 2.06 and, in the case of any Borrowing denominated in a Non-US Currency, to any alternative procedures that the applicable Borrower, the applicable Lenders and the Administrative Agent may agree upon, each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to the Administrative Agent in New York, New York, not later than 1:00 p.m., New York City time, and the Administrative Agent shall by 3:00 p.m., New York City time, credit the amounts so received to the account or accounts specified from time to time in one or more notices delivered by the Company to the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, forthwith return the amounts so received to the respective Lenders. Competitive Loans shall be made by the Lender or Lenders whose Competitive Bids therefor are accepted pursuant to Section 2.03 in the amounts so accepted. Revolving Loans shall be made by the Lenders pro rata in accordance with their Applicable Shares. Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with this paragraph (c) and the Administrative Agent may, in reliance upon such assumption, make available to the applicable Borrower on such date a corresponding amount in the required currency. If and to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and such Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon in such currency, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight funds. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(d) If any Issuing Bank shall not have received from a Borrower the payment required to be made by Section 2.05(e) within the time period set forth in Section 2.05(e), such Issuing Bank will promptly notify the Administrative Agent of the L/C Disbursement and the Administrative Agent will promptly notify each Lender of such L/C Disbursement and its Applicable Share thereof. Each Lender shall pay by wire transfer of immediately available funds to the Administrative Agent not later than 2:00 p.m., New York City time, on such date (or, if such Lender shall have received such notice later than 12:00 (noon), New York City time, on any day, not later than 10:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Lender's Applicable Share of such L/C Disbursement (it being understood that such amount shall be deemed to constitute an ABR Loan of such Lender and shall bear interest as provided herein), and the Administrative Agent will promptly pay to the Issuing Bank any amounts so received by it from the Lenders. The Administrative Agent will promptly pay to the Issuing Bank any amounts received by it from the Borrower pursuant to Section 2.05(e) prior to the time that any Lender makes any payment pursuant to this paragraph; any such amounts received by the Administrative Agent thereafter will be promptly remitted by the Administrative Agent to the Lenders that shall have made such payments and to the Issuing Bank, as their interests may appear. If any Lender shall not have made its Applicable Share of such L/C Disbursement available to the Administrative Agent as provided above, such Lender and the Borrowers severally agree to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, to the Administrative Agent at (i) in the case of the Borrowers, a rate per annum equal to the interest rate applicable to ABR Loans pursuant to Section 2.09, and (ii) in the case of such Lender, for the first such day, the Federal Funds Effective Rate, and for each day thereafter, the Alternate Base Rate.

SECTION 2.03. *Competitive Bid Procedure.* (a) In order to request Competitive Bids, a Borrower shall hand deliver or fax to the Administrative Agent a duly completed Competitive Bid Request in the form of Exhibit A-1 hereto, to be received by the Administrative Agent (i) in the case of a Eurocurrency Competitive Loan, not later than 10:00 a.m., New York City time, (A) four Business Days before a proposed Competitive Borrowing in the case of a Competitive Borrowing denominated in Dollars and (B) five Business Days before a proposed Competitive Borrowing in the case of a Competitive Borrowing denominated in a Non-US Currency and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, (A) one Business Day before a proposed Competitive Borrowing in the case of a Competitive Borrowing denominated in Dollars and (B) two Business Days before a proposed Competitive Borrowing in the case of a Competitive Borrowing denominated in a Non-US Currency. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit A-1 may be rejected in the Administrative Agent's sole discretion, and the Administrative Agent shall promptly notify the applicable Borrower of such rejection by fax. Each Competitive Bid Request shall refer to this Agreement and specify (A) whether the Borrowing then being requested is to be a Eurocurrency Borrowing or a Fixed Rate Borrowing, (B) the date of such Borrowing (which shall be a Business Day), (C) the currency of the requested Borrowing (which shall be Dollars or a Non-US Currency), (D) the aggregate principal amount of the requested Borrowing (which shall be an integral

multiple of 1,000,000 units of the applicable currency with a Dollar Equivalent on the date of the applicable Competitive Bid Request of at least \$10,000,000), and (E) the Interest Period with respect thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, the Administrative Agent shall fax to the Lenders a Notice of Competitive Bid Request inviting the Lenders to bid, on the terms and conditions of this Agreement, to make Competitive Loans.

(b) Each Lender invited to bid may, in its sole discretion, make one or more Competitive Bids to the applicable Borrower responsive to such Borrower's Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent by fax, in the form of Exhibit A-3 hereto, (i) in the case of a Eurocurrency Competitive Loan, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing. A Lender may submit multiple bids to the Administrative Agent. Competitive Bids that do not conform substantially to the format of Exhibit A-3 may be rejected by the Administrative Agent, and the Administrative Agent shall notify the Lender making such nonconforming bid of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be an integral multiple of 1,000,000 units of the applicable currency and which may equal the entire principal amount of the Competitive Borrowing requested) of the Competitive Loan or Loans that the Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make the Competitive Loan or Loans and (z) the Interest Period and the last day thereof. If any Lender invited to bid shall elect not to make a Competitive Bid, such Lender shall so notify the Administrative Agent by fax (I) in the case of Eurocurrency Competitive Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (II) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing; *provided, however*, that failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Loan as part of such Competitive Borrowing. A Competitive Bid submitted by a Lender pursuant to this paragraph (b) shall be irrevocable.

(c) The Administrative Agent shall as promptly as practicable notify the applicable Borrower, by fax, of all the Competitive Bids made, the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid was made and the identity of the Lender that made each bid. The Administrative Agent shall send a copy of all Competitive Bids to the applicable Borrower for its records as soon as practicable after completion of the bidding process set forth in this Section 2.03.

(d) The applicable Borrower may in its sole and absolute discretion, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid referred to in paragraph (c) above. The applicable Borrower shall notify the Administrative Agent by telephone, confirmed by fax in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject any or all of the bids referred to in paragraph (c) above not more than one hour after it shall have

been notified of such bids by the Administrative Agent pursuant to such paragraph (c); *provided, however*, that (i) the failure of the applicable Borrower to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (ii) the applicable Borrower shall not accept a bid made at a particular Competitive Bid Rate if it has decided to reject a bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the applicable Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if the applicable Borrower shall accept a bid or bids made at a particular Competitive Bid Rate but the amount of such bid or bids shall cause the total amount of bids to be accepted to exceed the amount specified in the Competitive Bid Request, then the applicable Borrower shall accept a portion of such bid or bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids accepted with respect to such Competitive Bid Request, which acceptance, in the case of multiple bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such bid at such Competitive Bid Rate, and (v) except pursuant to clause (iv) above, no bid shall be accepted for a Competitive Loan unless such Competitive Loan is in an amount that is an integral multiple of 1,000,000 units of the applicable currency, and in calculating the pro rata allocation of acceptances of portions of multiple bids at a particular Competitive Bid Rate pursuant to clause (iv) above, the amounts shall be rounded to integral multiples of 1,000,000 units of the applicable currency in a manner which shall be in the discretion of the applicable Borrower. A notice given pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Rate) by fax, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Loan in respect of which its bid has been accepted.

(f) No Competitive Borrowing shall be requested or made hereunder if after giving effect thereto (i) the Aggregate Credit Exposure would exceed the Total Commitment or (ii) in the event the Maturity Date shall have been extended as provided in Section 2.12(d), the sum of the LC Exposures attributable to Letters of Credit expiring after any Existing Maturity Date and the Competitive Loan Exposures attributable to Competitive Loans maturing after such Existing Maturity Date would exceed the aggregate Commitments that have been extended to a date after the expiration date of the last of such Letters of Credit and the maturity of the last of such Competitive Loans.

(g) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such bid directly to the applicable Borrower one quarter of an hour earlier than the latest time at which the other Lenders are required to submit their bids to the Administrative Agent pursuant to paragraph (b) above.

SECTION 2.04. *Revolving Borrowing Procedure.* In order to request a Revolving Borrowing, a Borrower shall hand deliver or fax to the Administrative Agent a duly completed Revolving Borrowing Request in the form of Exhibit A-5 (i) in the case of a Eurocurrency Revolving Borrowing, not later than 10:30 a.m., New York City time, three Business Days before such Borrowing, and (ii) in the case of an ABR Borrowing, not later than 10:30 a.m., New York City time, on the day of such Borrowing. No Fixed

Rate Loan shall be requested or made pursuant to a Revolving Borrowing Request. Such notice shall be irrevocable and shall in each case specify (A) whether the Borrowing then being requested is to be a Eurocurrency Revolving Borrowing or an ABR Borrowing; (B) the date of such Revolving Borrowing (which shall be a Business Day) and the amount thereof; and (C) if such Borrowing is to be a Eurocurrency Revolving Borrowing, the Interest Period with respect thereto. If no election as to the Type of Revolving Borrowing is specified in any such notice, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurocurrency Revolving Borrowing is specified in any such notice, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. Notwithstanding any other provision of this Agreement to the contrary, no Revolving Borrowing shall be requested if the Interest Period with respect thereto would end after the Maturity Date in effect for any Lender. The Administrative Agent shall promptly advise each of the Lenders of any notice given pursuant to this Section 2.04 and of each Lender's portion of the requested Borrowing.

SECTION 2.05. *Letters of Credit.* (a) *General.* The Borrowers may request the issuance of Letters of Credit, in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, appropriately completed, for the accounts of the Borrowers, at any time and from time to time while the Commitments remain in effect. All Letters of Credit shall be denominated in Dollars. This Section shall not be construed to impose an obligation upon any Issuing Bank to issue any Letter of Credit that is inconsistent with the terms and conditions of this Agreement.

(b) *Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions.* In order to request the issuance of a Letter of Credit (or to amend, renew or extend an existing Letter of Credit), the applicable Borrower shall hand deliver or fax to the applicable Issuing Bank and the Administrative Agent (reasonably in advance of, but not later than 10:00 a.m., New York City time, five Business Days before, the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) below), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare such Letter of Credit. Following receipt of such notice and prior to the issuance of the requested Letter of Credit or the applicable amendment, renewal or extension, the Administrative Agent shall notify the Borrowers, each Lender and the applicable Issuing Bank of the amount of the Aggregate Credit Exposure after giving effect to (i) the issuance, amendment, renewal or extension of such Letter of Credit, (ii) the issuance or expiration of any other Letter of Credit that is to be issued or will expire prior to the requested date of issuance of such Letter of Credit and (iii) the borrowing or repayment of any Loans that (based upon notices delivered to the Administrative Agent by the Borrowers) are to be borrowed or repaid prior to the requested date of issuance of such Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if, and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrowers shall be deemed to represent and warrant that, (i) after giving effect to such issuance, amendment, renewal or extension (A) the L/C Exposure shall not exceed \$100,000,000 and (B) the Aggregate Credit

Exposure shall not exceed the Total Commitment, (ii) in the case of a Letter of Credit that will expire later than the first anniversary of such issuance, amendment, renewal or extension, the applicable Borrower, the applicable Issuing Bank and the Required Lenders shall have reached agreement on the fees to be applicable thereto as contemplated by the last sentence of Section 2.07(c) and (iii) in the event the Maturity Date shall have been extended as provided in Section 2.12(d), the sum of the LC Exposures attributable to Letters of Credit expiring after any Existing Maturity Date (as defined in Section 2.12(d)) and the Competitive Loan Exposures attributable to Competitive Loans maturing after such Existing Maturity Date shall not exceed the aggregate Commitments that have been extended to a date after the expiration date of the last of such Letters of Credit and the maturity of the last of such Competitive Loans.

(c) *Expiration Date.* Each Letter of Credit shall expire at the close of business on the earlier of (x) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) or such longer period as may be agreed to between the applicable Borrower and the Issuing Bank and (y) the date that is five Business Days prior to the Maturity Date, unless such Letter of Credit expires by its terms on an earlier date; *provided* that any Letter of Credit with a one-year tenor may provide for renewal thereof under procedures reasonably satisfactory to the applicable Issuing Bank for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(d) *Participations.* By the issuance of a Letter of Credit and without any further action on the part of the applicable Issuing Bank or the Lenders, the applicable Issuing Bank hereby grants to each Lender, and each such Lender hereby acquires from the applicable Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Share from time to time of the aggregate amount available to be drawn under such Letter of Credit, effective upon the issuance of such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank, such Lender's Applicable Share from time to time of each L/C Disbursement made by such Issuing Bank and not reimbursed by the applicable Borrower (or, if applicable, another party pursuant to its obligations under any other Loan Document) by the time provided in Section 2.02(d). Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) *Reimbursement.* If an Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, the applicable Borrower shall pay to the Administrative Agent such L/C Disbursement not later than (i) if such Borrower shall have received notice of such L/C Disbursement prior to 10:00 a.m., New York City time, on any Business Day, 2:00 p.m., New York City time, on such Business Day or (ii) otherwise, 12:00 noon, New York City time, on the Business Day next following the day on which the Borrower shall have received notice from such Issuing Bank that payment of such draft will be made.

(f) *Obligations Absolute*. The Borrowers' obligations to reimburse L/C Disbursements as provided in paragraph (e) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under any and all circumstances whatsoever, and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit or any Loan Document, or any term or provision therein;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of any Letter of Credit or any Loan Document;

(iii) the existence of any claim, setoff, defense or other right that the Borrowers, any other party guaranteeing, or otherwise obligated with, the Borrowers, any Subsidiary or other Affiliate thereof or any other Person may at any time have against the beneficiary under any Letter of Credit, any Issuing Bank, the Administrative Agent or any Lender or any other Person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreement or transaction;

(iv) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by the applicable Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; and

(vi) any other act or omission to act or delay of any kind of any Issuing Bank, the Lenders, the Administrative Agent or any other Person or any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrowers' obligations hereunder.

Without limiting the generality of the foregoing, it is expressly understood and agreed that the absolute and unconditional obligation of the Borrowers hereunder to reimburse L/C Disbursements will not be excused by the gross negligence or wilful misconduct of any Issuing Bank, the Administrative Agent or any Lender. However, the foregoing shall not be construed to excuse any Issuing Bank from liability to the Borrowers to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrowers to the extent permitted by applicable law) suffered by the Borrowers that are caused by such Issuing Bank's gross negligence or wilful misconduct in determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof; it is understood that each Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary and, in making any payment under any Letter of Credit (i) an Issuing Bank's exclusive reliance on the documents presented to it under such Letter of Credit as to any and all matters set forth therein, including reliance on the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary thereunder

equals the amount of such draft and whether or not any document presented pursuant to such Letter of Credit proves to be insufficient in any respect, if such document on its face appears to be in order, and whether or not any other statement or any other document presented pursuant to such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever and (ii) any noncompliance in any immaterial respect of the documents presented under such Letter of Credit with the terms thereof shall, in each case, be deemed not to constitute wilful misconduct or gross negligence of an Issuing Bank.

(g) *Disbursement Procedures.* The applicable Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall as promptly as possible give telephonic notification, confirmed by fax, to the Administrative Agent and the applicable Borrower of such demand for payment and whether such Issuing Bank has made or will make an L/C Disbursement thereunder; *provided* that any failure to give or delay in giving such notice shall not relieve such Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such L/C Disbursement. The Administrative Agent shall promptly give each Lender notice thereof.

(h) *Interim Interest.* If an Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, then, unless the applicable Borrower shall reimburse such L/C Disbursement in full on the date such L/C Disbursement is made, the unpaid amount thereof shall bear interest for the account of such Issuing Bank, for each day from and including the date of such L/C Disbursement, to but excluding the earlier of the date of payment or the date on which interest shall commence to accrue on Loans made to reimburse such L/C Disbursements provided in Section 2.02(d).

(i) *Resignation or Removal of an Issuing Bank.* An Issuing Bank may resign at any time by giving 180 days' prior written notice to the Administrative Agent, the Lenders and the Company, and may be removed at any time by the Company by notice to the Issuing Bank, the Administrative Agent and the Lenders. Subject to the next succeeding paragraph, upon the acceptance of any appointment as an Issuing Bank hereunder by a successor Issuing Bank, such successor shall succeed to and become vested with all the interests, rights and obligations of the retiring Issuing Bank and the retiring Issuing Bank shall be discharged from its obligations to issue additional Letters of Credit hereunder. At the time such removal or resignation shall become effective, the Borrowers shall pay all accrued and unpaid fees pursuant to Section 2.07(c)(ii). The acceptance of any appointment as an Issuing Bank hereunder by a successor Lender shall be evidenced by an agreement entered into by such successor, in a form satisfactory to the Company and the Administrative Agent, and, from and after the effective date of such agreement, (i) such successor Lender shall have all the rights and obligations of the previous Issuing Bank under this Agreement and the other Loan Documents and (ii) references herein and in the other Loan Documents to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the resignation or removal of an Issuing Bank hereunder, the retiring Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement and the other Loan Documents with respect to Letters of Credit issued by

it prior to such resignation or removal, but shall not be required to issue additional Letters of Credit.

(j) *Additional Issuing Banks*. The Company may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and such Lender, designate one or more additional Lenders to act as an issuing bank under the terms of this Agreement. Any Lender designated as an issuing bank pursuant to this paragraph shall, upon entering into an Issuing Bank Agreement with the Company, be deemed to be an "Issuing Bank" (in addition to being a Lender) hereunder.

(k) *Issuing Bank Reports*. Unless otherwise agreed by the Administrative Agent, each Issuing Bank shall report in writing to the Administrative Agent (i) on or prior to each Business Day on which such Issuing Bank issues, amends, renews or extends any Letter of Credit, the date of such issuance, amendment, renewal or extension, and the aggregate face amount of the Letters of Credit issued, amended, renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension (and whether the amount thereof shall have changed), it being understood that such Issuing Bank shall not effect any issuance, renewal, extension or amendment resulting in an increase in the aggregate amount of the Letters of Credit issued by it without first obtaining written confirmation from the Administrative Agent that such increase is then permitted under this Agreement, (ii) on each Business Day on which such Issuing Bank makes any L/C Disbursement, the date and amount of such L/C Disbursement, (iii) on any Business Day on which a Borrower fails to reimburse an L/C Disbursement required to be reimbursed to such Issuing Bank on such day, the date of such failure and the amount of such L/C Disbursement and (iv) on any other Business Day, such other information as the Administrative Agent shall reasonably request as to the Letters of Credit issued by such Issuing Bank.

SECTION 2.06. *Conversion and Continuation of Revolving Loans*. Each Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (i) not later than 10:30 a.m., New York City time, on the day of the conversion, to convert all or any part of any Eurocurrency Revolving Loan into an ABR Loan, and (ii) not later than 10:30 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Loan into a Eurocurrency Revolving Loan or to continue any Eurocurrency Revolving Loan as a Eurocurrency Revolving Loan for an additional Interest Period, subject in each case to the following:

(a) if less than all the outstanding principal amount of any Revolving Borrowing shall be converted or continued, the aggregate principal amount of the Revolving Borrowing converted or continued shall be an integral multiple of \$5,000,000 and not less than \$10,000,000;

(b) accrued interest on a Revolving Borrowing (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(c) if any Eurocurrency Revolving Loan is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.16;

(d) any portion of a Revolving Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurocurrency Revolving Loan;

(e) any portion of a Eurocurrency Revolving Loan which cannot be continued as a Eurocurrency Revolving Loan by reason of clause (d) above shall be automatically converted at the end of the Interest Period in effect for such Eurocurrency Revolving Loan into an ABR Borrowing;

(f) no Interest Period may be selected for any Eurocurrency Revolving Borrowing that would end later than the Maturity Date in effect for any Lender; and

(g) at any time when there shall have occurred and be continuing any Default or Event of Default, if the Administrative Agent or the Required Lenders shall so notify the Company, no Revolving Loan may be converted into or continued as a Eurocurrency Revolving Loan.

Each notice pursuant to this Section shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Revolving Borrowing to be converted or continued, (ii) whether such Revolving Borrowing is to be converted to or continued as a Eurocurrency Revolving Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Revolving Borrowing is to be converted to or continued as a Eurocurrency Revolving Borrowing, the Interest Period with respect thereto. If no Interest Period is specified in any such notice with respect to any conversion to or continuation as a Eurocurrency Revolving Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. If no notice shall have been given in accordance with this Section 2.06 to convert or continue any Revolving Borrowing, such Revolving Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing.

SECTION 2.07. *Fees.* (a) The Company agrees to pay to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 (with the first payment being due on September 30, 2011) and on each date on which the Commitment of such Lender shall be terminated as provided herein (and any subsequent date on which such Lender shall cease to have any Revolving Credit Exposure or L/C Exposure), a facility fee (a "*Facility Fee*"), at a rate per annum equal to the Applicable Percentage from time to time in effect, on the amount of the Commitment of such Lender, whether used or unused, during the preceding quarter (or other period commencing on the Closing Date, or ending with the Maturity Date or any date on which the Commitment of such Lender shall be terminated) or, if such Lender continues to have any Revolving Credit Exposure or L/C Exposure after its Commitment terminates, on the daily amount of such Lender's Revolving Credit Exposure and L/C Exposure. All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be. The Facility Fee due to each Lender shall commence to accrue on the Closing Date and shall cease to accrue on the earlier of the Maturity Date and the termination of the Commitment of such Lender as provided herein.

(b) The Company agrees to pay the Administrative Agent, for its own account, the administrative and other fees separately agreed to by the Company and the Administrative Agent (the “*Administrative Fees*”).

(c) The Company agrees to pay (i) to each Lender, through the Administrative Agent, on each March 31, June 30, September 30 and December 31 and on the date on which the Commitment of such Lender shall be terminated as provided herein, a fee (an “*L/C Participation Fee*”) calculated on such Lender’s average daily L/C Exposure (excluding the portion thereof attributable to unreimbursed L/C Disbursements) during the preceding quarter (or shorter period commencing with the Effective Date or ending with the later of (A) the Maturity Date or the date on which the Commitment of such Lender shall be terminated and (B) the date on which such Lender shall cease to have any L/C Exposure) at a rate equal to the Applicable Percentage from time to time, and (ii) to each Issuing Bank with respect to each Letter of Credit issued by it the fees agreed upon by the Company and such Issuing Bank plus, in connection with the issuance, amendment or transfer of any Letter of Credit or any L/C Disbursement, such Issuing Bank’s customary documentary and processing charges (collectively, the “*Issuing Bank Fees*”). All L/C Participation Fees and Issuing Bank Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. Notwithstanding the foregoing, in the case of any Letter of Credit that will expire later than the first anniversary of the issuance, amendment, renewal or extension thereof, the L/C Participation Fee and Issuing Bank Fees shall be increased by an amount to be agreed upon prior to such issuance, amendment, renewal or extension by the applicable Borrower, the applicable Issuing Bank and the Required Lenders.

(d) The Company agrees to pay to each Lender, through the Administrative Agent, on the earlier of the Closing Date and the date on which the Commitments terminate (if such earlier date is later than November 30, 2011), a ticking fee (the “*Ticking Fee*”) equal to 0.15% per annum of the daily aggregate principal amount of the Commitment of such Lender for the period commencing on and including November 30, 2011, and ending on but excluding the Closing Date.

(e) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders, except that the Issuing Bank Fees shall be paid directly to the applicable Issuing Banks and the Administrative Fees shall be paid pursuant to paragraph (b) above. Once paid, none of the Fees shall be refundable under any circumstances in the absence of demonstrable error.

SECTION 2.08. *Repayment of Loans; Evidence of Debt.* (a) Each Borrower hereby agrees that the outstanding principal balance of each Revolving Loan shall be payable on the Maturity Date and that the outstanding principal balance of each Competitive Loan shall be payable on the last day of the Interest Period applicable thereto. Each Loan shall bear interest on the outstanding principal balance thereof as set forth in Section 2.09.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness to such Lender resulting from each Loan

made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the currency of each Loan, the Borrower of each Loan, the Type of each Loan made and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from each Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations therein recorded; *provided, however*, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrowers to repay the Loans in accordance with their terms.

(e) Any Lender may request that Loans made by it be evidenced by promissory notes. In such event, the Borrowers shall prepare, execute and deliver to such Lender promissory notes payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory notes and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09. *Interest on Loans.* (a) Subject to the provisions of Section 2.10, the Loans comprising each Eurocurrency Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Eurocurrency Revolving Loan, the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage from time to time in effect, and (ii) in the case of each Eurocurrency Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the applicable Borrower pursuant to Section 2.03.

(b) Subject to the provisions of Section 2.10, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, for periods during which the Alternate Base Rate is determined by reference to the Prime Rate and 360 days for other periods) at a rate per annum equal to the Alternate Base Rate plus the Applicable Percentage.

(c) Subject to the provisions of Section 2.10, each Fixed Rate Loan shall bear interest at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 360 days) equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the applicable Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on each Interest Payment Date applicable to such Loan except as otherwise provided in this Agreement. The applicable Adjusted LIBO Rate, LIBO Rate or Alternate Base Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.10. *Default Interest.* If a Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, whether at scheduled maturity, by notice of prepayment, by acceleration or otherwise, such Borrower shall on demand from time to time from the Administrative Agent pay interest, to the extent permitted by law, on such defaulted amount up to (but not including) the date of actual payment (after as well as before judgment) at a rate per annum (computed as provided in Section 2.09(b)) equal to the Alternate Base Rate plus 2%.

SECTION 2.11. *Alternate Rate of Interest.* In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurocurrency Borrowing, the Administrative Agent shall have determined (i) that deposits in the currency and principal amounts of the Eurocurrency Loans comprising such Borrowing are not generally available in the London market or (ii) that reasonable means do not exist for ascertaining the Adjusted LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give fax notice of such determination to the Borrowers and the Lenders. In the event of any such determination under clause (i) or (ii) above, until the Administrative Agent shall have advised the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (x) any request by a Borrower for a Eurocurrency Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent, and (y) any request by a Borrower for a Eurocurrency Revolving Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing. In the event the Required Lenders notify the Administrative Agent that the rates at which Dollar deposits are being offered will not adequately and fairly reflect the cost to such Lenders of making or maintaining Eurocurrency Loans in Dollars during such Interest Period, the Administrative Agent shall notify the applicable Borrower of such notice and until the Required Lenders shall have advised the Administrative Agent that the circumstances giving rise to such notice no longer exist, any request by such Borrower for a Eurocurrency Revolving Borrowing shall be deemed a request for an ABR Borrowing. Each determination by the Administrative Agent hereunder shall be made in good faith and shall be conclusive absent manifest error.

SECTION 2.12. *Termination, Reduction, Extension and Increase of Commitments.* (a) The Commitments shall be automatically terminated (i) on March 31, 2012, if the Effective Date shall not have occurred by such date, and (ii) otherwise, on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable fax notice to the Administrative Agent, the Company may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Total Commitment; *provided, however,* that (i) each partial reduction of the Total Commitment shall be in an integral multiple of \$10,000,000 and (ii) no such termination or reduction shall be made (A) which would

reduce the Total Commitment to an amount less than the Aggregate Credit Exposure or (B) which would reduce any Lender's Commitment to an amount that is less than the sum of such Lender's Revolving Credit Exposure and L/C Exposure.

(c) Each reduction in the Total Commitment hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrowers shall pay to the Administrative Agent for the account of the Lenders, on the date of each reduction or termination of the Total Commitment, the Facility Fees on the amount of the Commitments terminated accrued through the date of such termination or reduction.

(d) The Company may, by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) not less than 30 days and not more than 90 days prior to any anniversary of the date hereof, request that the Lenders extend the Maturity Date and the Commitments for an additional period of one year. Each Lender shall, by notice to the Company and the Administrative Agent given not later than the 20th day after the date of the Administrative Agent's receipt of the Company's extension request, advise the Company whether or not it agrees to the requested extension (each Lender agreeing to a requested extension being called a "*Consenting Lender*" and each Lender declining to agree to a requested extension being called a "*Declining Lender*"). Any Lender that has not so advised the Company and the Administrative Agent by such day shall be deemed to have declined to agree to such extension and shall be a Declining Lender. If Lenders constituting the Required Lenders shall have agreed to an extension request, then the Maturity Date shall, as to the Consenting Lenders, be extended to the first anniversary of the Maturity Date theretofore in effect. The decision to agree or withhold agreement to any Maturity Date extension shall be at the sole discretion of each Lender. The Commitment of any Declining Lender shall terminate on the Maturity Date in effect prior to giving effect to any such extension (such Maturity Date being called the "*Existing Maturity Date*"). The principal amount of any outstanding Loans made by Declining Lenders, together with any accrued interest thereon and any accrued fees and other amounts payable to or for the accounts of such Declining Lenders hereunder, shall be due and payable on the Existing Maturity Date, and on the Existing Maturity Date, the Borrowers shall also make such other prepayments of their Loans as shall be required in order that, after giving effect to the termination of the Commitments of, and all payments to, Declining Lenders pursuant to this sentence, the Aggregate Credit Exposures shall not exceed the Total Commitment. Notwithstanding the foregoing provisions of this paragraph, the Company shall have the right, pursuant to Section 10.04, at any time prior to the Existing Maturity Date, to replace a Declining Lender with a Lender or other financial institution that will agree to a request for the extension of the Maturity Date, and any such replacement Lender shall for all purposes constitute a Consenting Lender. Notwithstanding the foregoing, no extension of the Maturity Date pursuant to this paragraph shall become effective unless (i) the Administrative Agent shall have received documents consistent with those delivered with respect to the Company and the Borrowers under Section 4.02(a) and (b) and Section 4.03(a), giving effect to such extension and (ii) on the anniversary of the date hereof that immediately follows the date on which the Company delivers the applicable request for extension of the Maturity Date, the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied (with all references in such paragraphs to a

Borrowing being deemed to be references to such extension and without giving effect to the parenthetical in Section 4.01(b)) and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company.

(e) The Company may, by written notice to the Administrative Agent, executed by the Company and one or more financial institutions (any such financial institution referred to in this Section being called an “*Increasing Lender*”), which may include any Lender, cause Commitments to be extended by the Increasing Lenders (or cause the Commitments of the Increasing Lenders to be increased, as the case may be) in an amount for each Increasing Lender set forth in such notice, *provided, however*, that (a) the aggregate amount of all new Commitments and increases in existing Commitments pursuant to this paragraph during the term of this Agreement shall in no event exceed \$200,000,000, (b) each Increasing Lender, if not already a Lender hereunder, (x) shall have a Commitment, immediately after the effectiveness of such increase, of at least \$25,000,000, (y) shall be subject to the approval of the Administrative Agent and each Issuing Bank (which approval shall not be unreasonably withheld) and (z) shall become a party to this Agreement by completing and delivering to the Administrative Agent a duly executed accession agreement in a form satisfactory to the Administrative Agent and the Company (an “*Accession Agreement*”) and (c) the decision of any existing Lender to become an Increasing Lender shall be in the sole discretion of such Lender, and no existing Lender shall be required to increase its Commitment hereunder. New Commitments and increases in Commitments pursuant to this Section shall become effective on the date specified in the applicable notices delivered pursuant to this Section. Upon the effectiveness of any Accession Agreement to which any Increasing Lender is a party, (i) such Increasing Lender shall thereafter be deemed to be a party to this Agreement and shall be entitled to all rights, benefits and privileges accorded a Lender hereunder and subject to all obligations of a Lender hereunder and (ii) Schedule 2.01 shall be deemed to have been amended to reflect the Commitment of such Increasing Lender as provided in such Accession Agreement. Upon the effectiveness of any increase pursuant to this Section in the Commitment of a Lender already a party hereto, Schedule 2.01 shall be deemed to have been amended to reflect the increased Commitment of such Lender. Notwithstanding the foregoing, no increase in the aggregate Commitments (or in the Commitment of any Lender) shall become effective under this Section unless, on the date of such increase, (i) the Administrative Agent shall have received documents consistent with those delivered with respect to the Company and the Borrowers under Section 4.02(a) and (b) and Section 4.03(a), giving effect to such increase and (ii) the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied (with all references in such paragraphs to a Borrowing being deemed to be references to such increase and without giving effect to the parenthetical in Section 4.01(b)) and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company. Following any extension of a new Commitment or increase of a Lender’s Commitment pursuant to this paragraph, any Revolving Loans outstanding prior to the effectiveness of such increase or extension shall continue outstanding until the ends of the respective Interests Periods applicable thereto, and shall then be repaid or refinanced with new Revolving Loans made pursuant to Section 2.01.

SECTION 2.13. *Prepayment.* (a) Each Borrower shall have the right at any time and from time to time to prepay any Revolving Borrowing, in whole or in part, upon giving fax notice (or telephone notice promptly confirmed by fax) to the Administrative Agent: (i) before 10:00 a.m., New York City time, three Business Days prior to prepayment, in the case of Eurocurrency Revolving Loans, and (ii) before 10:00 a.m., New York City time, one Business Day prior to prepayment, in the case of ABR Loans; *provided, however,* that in the case of any Revolving Borrowing, each partial prepayment shall be in an amount which is an integral multiple of \$10,000,000 and not less than \$50,000,000.

(b) On the date of any termination or reduction of the Commitments pursuant to Section 2.12, the Borrowers shall pay or prepay so much of the Revolving Borrowings as shall be necessary in order that the Aggregate Credit Exposure will not exceed the Total Commitment after giving effect to such termination or reduction.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the applicable Borrower to prepay such Borrowing (or portion thereof) by the amount stated therein on the date stated therein. All prepayments under this Section shall be subject to Section 2.16 but otherwise without premium or penalty. All prepayments under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.14. *Reserve Requirements; Change in Circumstances.* (a) Notwithstanding any other provision herein, if after the date of this Agreement any Change in Law shall result in the imposition, modification or applicability of any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Credit Party, or shall result in the imposition on any Credit Party or the London interbank market of any other condition affecting this Agreement, such Credit Party's Commitment or any Eurocurrency Loan or Fixed Rate Loan made by such Credit Party or any Letter of Credit, and the result of any of the foregoing shall be to increase the cost to such Credit Party of making or maintaining any Eurocurrency Loan or Fixed Rate Loan or of issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Credit Party hereunder (whether of principal, interest or otherwise) by an amount deemed by such Credit Party to be material, then such additional amount or amounts as will compensate such Credit Party for such additional costs or reduction will be paid by the Borrowers to such Credit Party upon demand. Notwithstanding the foregoing, no Credit Party shall be entitled to request compensation under this paragraph, (A) with respect to any Competitive Loan made by such Credit Party if the Change in Law giving rise to such request was applicable to such Credit Party at the time of submission of the Competitive Bid pursuant to which such Competitive Loan was made or issued, or (B) with respect to any Change in Law in respect of costs imposed on such Lender or Issuing Bank under the Dodd-Frank Wall Street Reform and Consumer Protection Act or Basel III (x) if the applicable Change in Law and the resulting costs shall have become fully effective without the need for any further legislative or regulatory action, and such increased costs shall have been determined by such Credit Party, in each case prior to July 20, 2011, or (y) if it shall not be the general policy or practice of such Credit Party to seek compensation in similar

circumstances under similar provisions in comparable credit facilities, as determined in good faith by such Credit Party.

(b) If any Credit Party shall have determined that any Change in Law regarding capital adequacy has or would have the effect of reducing the rate of return on such Credit Party's capital or on the capital of such Credit Party's holding company, if any, as a consequence of this Agreement, such Credit Party's Commitment or the Loans made or Letters of Credit issued by such Credit Party pursuant hereto to a level below that which such Credit Party or such Credit Party's holding company could have achieved but for such Change in Law (taking into consideration such Credit Party's policies and the policies of such Credit Party's holding company with respect to capital adequacy) by an amount deemed by such Credit Party to be material, then from time to time such additional amount or amounts as will compensate such Credit Party for such reduction will be paid by the Borrowers to such Credit Party.

(c) A certificate of any Credit Party setting forth such amount or amounts as shall be necessary to compensate such Credit Party or its holding company as specified in paragraph (a) or (b) above, as the case may be, shall be delivered to the Company and shall be conclusive absent manifest error. The Borrowers shall pay such Credit Party the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Failure on the part of any Credit Party to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Credit Party's right to demand compensation with respect to such period or any other period; *provided* that the Borrowers shall not be required to compensate any Credit Party pursuant to this Section for any increased costs or expenses incurred or reductions suffered more than 90 days prior to the date that such Credit Party notifies the Company of the Change in Law giving rise to such increased costs or expenses or reductions and of such Credit Party's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or expenses or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof. The protection of this Section shall be available to each Credit Party regardless of any possible contention of the invalidity or inapplicability of the Change in Law which shall have occurred or been imposed.

SECTION 2.15. *Change in Legality.* (a) Notwithstanding any other provision herein, if any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender or any of its Affiliates to make or maintain any Eurocurrency Loan or to give effect to its obligations as contemplated hereby with respect to any Eurocurrency Loan, then, by written notice to the Company and to the Administrative Agent, such Lender may:

(i) declare that Eurocurrency Loans will not thereafter be made by such Lender hereunder, whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurocurrency Competitive Borrowing, and any request for a Eurocurrency Revolving Borrowing shall, as to such Lender only, be

deemed a request for an ABR Loan, unless such declaration shall be subsequently withdrawn; and

(ii) require that all outstanding Eurocurrency Loans denominated in Dollars made by it be converted to ABR Loans (which ABR Loans shall, for purposes of this Section 2.15, be determined at a rate per annum by reference to the greater of clause (a) or (b) of the definition of the term "Alternate Base Rate") and that all outstanding Eurocurrency Loans denominated in the affected Non-US Currency be promptly prepaid, in which event all such Eurocurrency Loans in Dollars shall be automatically converted to ABR Loans (at a rate per annum as so determined) as of the effective date of such notice as provided in paragraph (b) below and all such Non-US Currency Loans shall be promptly prepaid.

In the event any Lender shall exercise its rights under (i) or (ii) above with respect to Eurocurrency Loans, all payments and prepayments of principal which would otherwise have been applied to repay the Eurocurrency Loans that would have been made by such Lender or the converted Eurocurrency Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurocurrency Loans.

(b) For purposes of this Section 2.15, a notice by any Lender shall be effective as to each Eurocurrency Loan, if lawful, on the last day of the Interest Period currently applicable to such Eurocurrency Loan; in all other cases such notice shall be effective on the date of receipt.

SECTION 2.16. *Indemnity.* The Borrowers shall indemnify each Lender against any out-of-pocket loss or reasonable expense which such Lender may sustain or incur as a consequence of (a) any failure to borrow or to refinance, convert or continue any Loan hereunder after irrevocable notice of such borrowing, refinancing, conversion or continuation has been given pursuant to Section 2.03, 2.04 or 2.06, (b) any payment, prepayment or conversion, or assignment required under Section 2.21, of a Eurocurrency Loan required by any other provision of this Agreement or otherwise made or deemed made on a date other than the last day of the Interest Period, if any, applicable thereto, (c) any default in payment or prepayment of the principal amount of any Loan or any part thereof or interest accrued thereon, as and when due and payable (at the due date thereof, whether by scheduled maturity, acceleration, irrevocable notice of prepayment or otherwise) or (d) the occurrence of any Event of Default, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Loan or any part thereof as a Eurocurrency Loan. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Lender, of (i) its cost of obtaining the funds for the Loan being paid, prepaid, refinanced or not borrowed (assumed to be the Adjusted LIBO Rate applicable thereto) for the period from the date of such payment, prepayment, refinancing or failure to borrow or refinance to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow or refinance the Interest Period for such Loan which would have commenced on the date of such failure) over (ii) the amount of interest (as reasonably determined by such Lender) that would be realized by such Lender in reemploying the funds so paid, prepaid or not borrowed or refinanced for such period or Interest Period, as the case may be. A

certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section as a result of any loss shall be delivered to such Borrower and shall be conclusive absent manifest error; *provided* that any expenses related to any such loss that are incurred by such Lender and reported under such certificate shall be required to be reasonably documented.

SECTION 2.17. *Pro Rata Treatment*. Except as required under Sections 2.15 and 2.21, each payment of the Facility Fees and each reduction of the Commitments shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Revolving Loans). Except as required under Section 2.15, each payment or repayment of principal of any Revolving Borrowing and each refinancing or conversion of any Revolving Borrowing shall be allocated pro rata among the Lenders in accordance with the respective principal amounts of their outstanding Revolving Loans comprising such Borrowing, and each payment of interest on any Revolving Borrowing shall be allocated pro rata among the Lenders in accordance with the respective amounts of accrued and unpaid interest on their outstanding Revolving Loans comprising such Borrowing. Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with their respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

SECTION 2.18. *Sharing of Setoffs*. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means (other than pursuant to Sections 2.14, 2.16 or 2.20), obtain payment (voluntary or involuntary) in respect of any Revolving Loans or amounts owed to it in respect of L/C Disbursements as a result of which the unpaid principal portion of its Revolving Loans and the amounts owed to it in respect of L/C Disbursements shall be proportionately less than the unpaid principal portion of the Revolving Loans and amounts owed in respect of L/C Disbursements of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Revolving Loans and amounts owed in respect of L/C Disbursements of such other Lender, so that the aggregate unpaid principal amount of the Revolving Loans and participations in the Revolving Loans and amounts owed in respect of L/C Disbursements of each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Revolving Loans and

amounts owed in respect of L/C Disbursements then outstanding as the principal amount of its Revolving Loans and the amounts owed to it in respect of L/C Disbursements prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Revolving Loans and amounts owed in respect of L/C Disbursements outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; *provided, however*, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.18 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. Any Lender holding a participation in a Revolving Loan or amount owed in respect of an L/C Disbursement deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing to such Lender by reason thereof as fully as if such Lender had made a Revolving Loan in the amount of such participation.

SECTION 2.19. *Payments.* (a) Except to the extent that any Tax is required to be withheld or deducted under applicable law or regulation, but subject to the provisions of Section 2.20, the Borrowers shall make each payment (including principal of or interest on any Borrowing or any L/C Disbursement and any Fees or other amounts) hereunder without deduction, counter-claim or setoff in immediately available funds from an account in the United States not later than 12:00 noon, local time at the place of payment, on the date when due in immediately available funds to the Administrative Agent at its offices at 383 Madison Avenue, New York, New York. Each such payment (other than principal of and interest on Non-US Currency Loans, which shall be made in the applicable Non-US Currencies) shall be made in Dollars. The Administrative Agent shall promptly distribute all payments for the accounts of the Lenders received by it to the Lenders.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

(c) Notwithstanding any contrary provision hereof, if any Lender shall fail to make any payment required to be made by it hereunder to or for the account of the Administrative Agent or any Issuing Bank, the Administrative Agent may, in its discretion, until such time as all such unsatisfied obligations of such Lender have been fully paid, (i) apply any amounts received by the Administrative Agent for the account of such Lender for the benefit of the Administrative Agent or the applicable Issuing Bank to satisfy such Lender's obligations to it under each such Section and/or (ii) hold any such amounts in a segregated account as cash collateral for, and for application to, any future obligations of such Lender under any such Section, in each case in any order as determined by the Administrative Agent in its discretion.

SECTION 2.20. *Taxes.* (a) Each payment by each applicable Borrower under this Agreement shall be made without withholding for any Taxes, unless such

withholding is required by any law. If any Withholding Agent determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Withholding Agent may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by the applicable Borrower shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the applicable Credit Party receives the amount it would have received had no such withholding been made.

(b) Each applicable Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) As soon as practicable after any payment of Indemnified Taxes by any Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Each Borrower shall indemnify each Credit Party for any Indemnified Taxes that are paid or payable by such Credit Party in connection with this Agreement (including amounts paid or payable under this Section 2.20(d)) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority, except to the extent that such Borrower has paid additional amounts with respect to such Taxes pursuant to Section 2.20(a) of this Agreement. The indemnity under this Section 2.20(d) shall be paid within 10 days after the Credit Party delivers to the applicable Borrower a certificate stating the amount of any Indemnified Taxes so paid or payable by such Credit Party. Such certificate shall be conclusive of the amount so paid or payable absent manifest error. Such Credit Party shall deliver a copy of such certificate to the Administrative Agent.

(e) Each Lender shall severally indemnify the Administrative Agent for any Taxes (but, in the case of any Indemnified Taxes, only to the extent that the Borrowers have not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of any Borrower to do so) attributable to such Lender that are paid or payable by the Administrative Agent in connection with this Agreement and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.20(e) shall be paid within 10 days after the Administrative Agent delivers to the applicable Lender a certificate stating the amount of Taxes or expenses so paid or payable by the Administrative Agent. Such certificate shall be conclusive of the amount so paid or payable absent manifest error.

(f) (i) Any Lender that is entitled to an exemption from, or reduction of, any applicable withholding Tax with respect to any payments under this Agreement or the Loan Documents shall deliver to the Borrowers and the Administrative Agent, on or prior to the date such Lender becomes a party to this Agreement and at the time or times reasonably requested by any Borrower or the Administrative Agent, such properly

completed and executed documentation reasonably requested by such Borrower or the Administrative Agent as will permit such payments to be made without, or at a reduced rate of, withholding. In addition, any Lender shall, on or prior to the date such Lender becomes a party to this Agreement and at the time or times reasonably requested by any Borrower or the Administrative Agent, deliver such other documentation prescribed by law or reasonably requested by such Borrower or the Administrative Agent as will enable such Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Upon the reasonable request of any Borrower or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.20(f). If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within 10 days after such expiration, obsolescence or inaccuracy) notify such Borrower and the Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so.

(ii) Without limiting the generality of the foregoing, if any Borrower is a US Person, any Lender with respect to such Borrower shall, if it is legally eligible to do so, deliver to such Borrower and the Administrative Agent (in such number of copies reasonably requested by such Borrower and the Administrative Agent) on or prior to the date on which such Lender becomes a party hereto, duly completed and executed copies of whichever of the following is applicable (including any applicable substitute or successor forms):

(A) in the case of a Lender that is a US Person, IRS Form W-9 certifying that such Lender is exempt from US Federal backup withholding tax;

(B) in the case of a Non-US Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under this Agreement, IRS Form W-8BEN establishing an exemption from, or reduction of, US Federal withholding Tax pursuant to the “interest” article of such tax treaty and (2) with respect to any other applicable payments under this Agreement or the Loan Documents, IRS Form W-8BEN establishing an exemption from, or reduction of, US Federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(C) in the case of a Non-US Lender for whom payments under this Agreement constitute income that is effectively connected with such Lender’s conduct of a trade or business in the United States, IRS Form W-8ECI;

(D) in the case of a Non-US Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN and (2) a certificate substantially in the form of Exhibit G (a “*US Tax Certificate*”) to the effect that such Lender is not (a) a “bank” within the meaning of Section 881(c)(3)(A) of the Code, (b) a “10 percent shareholder” of such Borrower within the meaning of

Section 881(c)(3)(B) of the Code (c) a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code and (d) conducting a trade or business in the United States with which the relevant interest payments are effectively connected;

(E) in the case of a Non-US Lender that is not the beneficial owner of payments made under this Agreement (including a partnership or a participating Lender) (1) an IRS Form W-8IMY on behalf of itself and (2) the relevant forms prescribed in clauses (A), (B), (C), (D) and (F) of this paragraph (f)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; *provided, however*, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under Section 881(c) of the Code, such Lender may provide a US Tax Certificate on behalf of such partners; or

(F) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, US Federal withholding Tax together with such supplementary documentation necessary to enable such Borrower or the Administrative Agent to determine the amount of Tax (if any) required by law to be withheld.

(iii) Each Lender shall deliver to the Withholding Agent, at the time or times prescribed by law (including as prescribed as a result of any change in law or the taking effect of any law occurring after the date hereof) and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code and as prescribed by any change in law or the taking effect of any law occurring after the date hereof) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent (A) to comply with its obligations under FATCA, (B) to determine that such Lender has complied with such Lender’s obligations under FATCA and (C) to determine the amount to deduct and withhold from such payment. For purposes of this Section 2.20(f)(iii), FATCA shall include any regulations or official interpretations thereof.

(g) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.20 (including additional amounts paid pursuant to this Section 2.20), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made and additional amounts paid under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including any Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid to such indemnified party pursuant to the previous sentence (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such indemnified party is required to repay such refund to such Governmental Authority. This Section 2.20(g) shall not be construed to require any party to make

available its Tax returns (or any other information relating to its Taxes which it deems confidential) to any other party or any other Person.

(h) Each Lender shall severally indemnify the Administrative Agent and each Borrower for any Taxes incurred or asserted against the Administrative Agent or such Borrower by any Governmental Authority and any reasonable expenses arising therefrom as a result of the failure by such Lender to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by such Lender to the Administrative Agent or such Borrower pursuant to Section 2.20(f). The indemnity under this Section 2.20(h) shall be paid within 10 days after the Administrative Agent or such Borrower delivers to the applicable Lender a certificate stating the amount of Taxes or expenses so paid or payable by the Administrative Agent or such Borrower. Such certificate shall be conclusive of the amount so paid or payable absent manifest error.

(i) Each party's obligations under this Section 2.20 shall survive any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other obligations under this Agreement.

(j) For purposes of Sections 2.20(e), (f), (h) and (i), the term "Lender" includes any (i) Issuing Bank and (ii) assignee and Participant under Section 10.04.

SECTION 2.21. *Duty to Mitigate; Assignment of Commitments Under Certain Circumstances*. (a) Any Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank claiming any additional amounts payable pursuant to Section 2.14 or Section 2.20 or exercising its rights under Section 2.15 shall use reasonable efforts (consistent with legal and regulatory restrictions) to file any certificate or document requested by the Company or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue or avoid the circumstances giving rise to such exercise and would not, in the sole determination of such Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank, be otherwise disadvantageous to such Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank.

(b) In the event that any Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank shall have delivered a notice or certificate pursuant to Section 2.14 or 2.15, or any Borrower shall be required to make additional payments to any Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank under Section 2.20, the Company shall have the right, at its own expense, upon notice to such Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank and the Administrative Agent, to require such Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank to transfer and assign without recourse, representation or warranty (in accordance with and subject to the restrictions contained in Section 10.04) all interests, rights and obligations contained hereunder to another financial institution approved by the Administrative Agent (which approval shall not be unreasonably withheld) which shall assume such obligations; *provided* that (i) no such assignment shall conflict with any law,

rule or regulation or order of any Governmental Authority and (ii) the assignee or the Company, as the case may be, shall pay to the affected Lender (including any assignee and any Lender for the benefit of a Participant) or Issuing Bank in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans and L/C Disbursements made by it hereunder and all other amounts accrued for its account or owed to it hereunder and shall cause all Letters of Credit issued by it to be canceled on such date.

SECTION 2.22. *Defaulting Lenders*. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Facility Fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.07(a);

(b) the Commitment and Revolving Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 10.07); *provided*, that this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender affected thereby;

(c) if any L/C Exposure exists at the time such Lender becomes a Defaulting Lender then:

(i) unless a Default or an Event of Default shall have occurred and be continuing, all or any part of the L/C Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Shares, but only to the extent the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's L/C Exposure does not exceed the total of all non-Defaulting Lenders' Commitments;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, each Borrower shall within two Business Days following notice by the Administrative Agent cash collateralize for the benefit of the applicable Issuing Bank only such Borrower's obligations corresponding to such Defaulting Lender's L/C Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Article VII for so long as such L/C Exposure is outstanding;

(iii) if a Borrower cash collateralizes any portion of such Defaulting Lender's L/C Exposure pursuant to clause (ii) above, such Borrower shall not be required to pay any L/C Participation Fees to such Defaulting Lender pursuant to Section 2.07(c) with respect to such Defaulting Lender's L/C Exposure during the period such Defaulting Lender's L/C Exposure is cash collateralized;

(iv) if the L/C Exposure of the Defaulting Lender is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Section

2.07(a) and Section 2.07(c) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Shares; and

(v) if all or any portion of such Defaulting Lender's L/C Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the applicable Issuing Bank or any other Lender hereunder, all Facility Fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such L/C Exposure) and L/C Participation Fees payable under Section 2.07(c) with respect to such Defaulting Lender's L/C Exposure shall be payable to such Issuing Bank until and to the extent that such L/C Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, each Issuing Bank shall not be required to issue, amend or increase any Letter of Credit unless it is satisfied that the related exposure and the Defaulting Lender's then outstanding L/C Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the applicable Borrowers in accordance with Section 2.22(c), and participating interests in any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.22(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event with respect to a Lender Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) any Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, such Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless such Issuing Bank shall have entered into arrangements with the applicable Borrowers or such Lender satisfactory to such Issuing Bank to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Borrowers and each Issuing Bank each agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the L/C Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Competitive Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Share.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to each of the Lenders as follows (it being agreed that each Borrower other than the Company makes the following representations only as to itself, but that the Company makes such representations as to all the Borrowers):

SECTION 3.01. *Organization; Powers.* Each Borrower and each of the Significant Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (d) in the case of each Borrower, has the corporate power and authority to execute, deliver and perform its obligations under the Loan Documents and to borrow hereunder and thereunder.

SECTION 3.02. *Authorization.* The execution, delivery and performance by each Borrower of each Loan Document to which it is or will be a party and the Borrowings hereunder (collectively, the “*Transactions*”) (i) have been or, upon execution and delivery thereof, will be duly authorized by all requisite corporate action and (ii) will not (A) violate (x) any provision of any law, statute, rule or regulation (including the Margin Regulations) or of the certificate of incorporation or other constitutive documents or by-laws of such Borrower, (y) any order of any Governmental Authority or (z) any provision of any indenture, material agreement or other instrument to which any Borrower is a party or by which it or any of its property is or may be bound, where such violation is reasonably likely to result in a Material Adverse Effect, (B) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, material agreement or other instrument, where such default is reasonably likely to result in a Material Adverse Effect or (C) result in the creation or imposition of any lien upon any property or assets of any Borrower.

SECTION 3.03. *Enforceability.* This Agreement and each other Loan Document to which any Borrower is a party constitutes a legal, valid and binding obligation of such Borrower enforceable in accordance with its terms.

SECTION 3.04. *Governmental Approvals.* No action, consent or approval of, registration or filing with or other action by any Governmental Authority, other than those which have been taken, given or made, as the case may be, is or will be required with respect to any Borrower in connection with the Transactions.

SECTION 3.05. *Financial Statements and Projections.* (a) The Company has heretofore furnished to the Administrative Agent and the Lenders copies of its consolidated balance sheet and statements of income, cash flow and retained earnings as of and for the year ended December 31, 2010, and the three months ended March 31, 2011, and June 30, 2011. Such financial statements present fairly, in all material respects, the consolidated financial condition and the results of operations of the Company and its subsidiaries as of such dates and for such periods in accordance with GAAP.

(b) The Company has heretofore furnished to the Lenders its unaudited pro forma consolidated balance sheet and statements of income, cash flow and retained earnings as of and for the year ended December 31, 2010, and the three months ended March 31, 2011, and June 30, 2011, prepared giving effect to the Spin-Offs and the Transactions as if the Spin-Offs and the Transactions had occurred, with respect to each such balance sheet, on the date thereof and, with respect to such other financial

statements for each period, on the first day of such period. Such unaudited pro forma financial statements, and any other pro forma financial statements contained in the Xylem Form 10 (as amended prior to the date hereof) (i) have been prepared by the Company in good faith, based on the assumptions used to prepare the pro forma consolidated financial statements included in the Confidential Information Memorandum (which assumptions are believed by the Company on the date hereof to be reasonable), (ii) are based on the best information available to the Company as of the date of delivery thereof after due inquiry and (iii) subject to clauses (i) and (ii) above, (A) accurately reflect all adjustments necessary to give effect to the Spin-Offs and the Transactions and (B) present fairly, in all material respects, subject to the qualifications described therein and in the accompanying notes, the pro forma financial position, results of operations and cash flows of the Company and the consolidated Subsidiaries as of such date and for such period as if the Spin-Offs and the Transactions had occurred on each such date or at the beginning of each such period, as the case may be.

(c) There has been no material adverse change in the consolidated financial condition of the Company and the Subsidiaries taken as a whole from the financial condition reported in the pro forma financial statements referred to in paragraph (b) of this Section.

SECTION 3.06. *Litigation; Compliance with Laws*. (a) There are no actions, proceedings or investigations filed or (to the knowledge of any Borrower) threatened or affecting any Borrower or any Subsidiary in any court or before any Governmental Authority or arbitration board or tribunal which question the validity or legality of this Agreement, the Transactions or any action taken or to be taken pursuant to this Agreement and no order or judgment has been issued or entered restraining or enjoining any Borrower or any Subsidiary from the execution, delivery or performance of this Agreement nor is there any other action, proceeding or investigation filed or (to the knowledge of any Borrower or any Subsidiary) threatened against any Borrower or any Subsidiary in any court or before any Governmental Authority or arbitration board or tribunal which would be reasonably likely to result in a Material Adverse Effect or materially restrict the ability of any Borrower to comply with its obligations under the Loan Documents.

(b) Neither any Borrower nor any Subsidiary is in violation of any law, rule or regulation (including any law, rule or regulation relating to the protection of the environment or to employee health or safety), or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default would be reasonably likely to result in a Material Adverse Effect.

(c) Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, none of the Company or any Subsidiary has received notice of any claim with respect to or is otherwise aware of any environmental liability to which it is or is reasonably likely to become subject.

SECTION 3.07. *Federal Reserve Regulations*. (a) Neither any Borrower nor any Subsidiary that will receive proceeds of the Loans hereunder is engaged

principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry Margin Stock or to refund indebtedness originally incurred for such purpose, or for any other purpose which entails a violation of, or which is inconsistent with, the provisions of the Margin Regulations.

SECTION 3.08. *Investment Company Act*. No Borrower is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940 (the “1940 Act”).

SECTION 3.09. *Use of Proceeds*. All proceeds of the Loans and Letters of Credit shall be used for the purposes referred to in the recitals to this Agreement and in accordance with the provisions of Section 3.07.

SECTION 3.10. *Full Disclosure; No Material Misstatements*. None of the representations or warranties made by any Borrower in connection with this Agreement as of the date such representations and warranties are made or deemed made, and neither the Confidential Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of any Borrower to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or the credit facilities established hereby, contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or will be made, not misleading; *provided* that, with respect to forecasts or projected financial information contained in the documents referred to above, the Company represents only that such information was prepared in good faith based upon assumptions believed by it to be reasonable at the time made and at the time so furnished and as of the date hereof (it being understood that such forecasts and projections may vary from actual results and that such variances may be material).

SECTION 3.11. *Taxes*. Each Borrower and each of the Significant Subsidiaries has filed or caused to be filed all Federal, state and local tax returns which are required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, other than any taxes or assessments the validity of which is being contested in good faith by appropriate proceedings, and with respect to which appropriate accounting reserves have to the extent required by GAAP been set aside.

SECTION 3.12. *Employee Pension Benefit Plans*. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of FASB ASC Topic 715) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect, and the

present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of FASB ASC Topic 715) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans by an amount that could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.13. *OFAC*. None of the Borrowers, nor any of their respective Affiliates, is in violation of (i) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, (ii) Executive Order No. 13,224, 66 Fed Reg 49,079 (2001), issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) or (iii) the anti-money laundering provisions of the USA PATRIOT Act (Title III of Pub. L. 107-56) (the “*USA PATRIOT Act*”) amending the Bank Secrecy Act, 31 U.S.C. Section 5311 et seq and any other laws relating to terrorism or money laundering.

ARTICLE IV CONDITIONS OF LENDING

The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder are subject to the Closing Date having occurred and the satisfaction of the following conditions:

SECTION 4.01. *All Extensions of Credit*. On the date of each Borrowing and on the date of each issuance of a Letter of Credit:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or Section 2.04, as applicable, or, in the case of the issuance of a Letter of Credit, the applicable Issuing Bank shall have been requested to issue such Letter of Credit as contemplated by Section 2.05.

(b) The representations and warranties set forth in Article III hereof (except those contained in Sections 3.05(c) and 3.06(a)) shall be true and correct in all material respects on and as of the date of such Borrowing or issuance of a Letter of Credit with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date.

(c) At the time of and immediately after such Borrowing or issuance of a Letter of Credit no Event of Default or Default shall have occurred and be continuing.

Each Borrowing and issuance of a Letter of Credit shall be deemed to constitute a representation and warranty by each Borrower on the date of such Borrowing or issuance of a Letter of Credit as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. *Effective Date.* On the Effective Date:

(a) The Administrative Agent shall have received favorable written opinions of (i) Dewey & LeBoeuf, counsel for the Company, to the effect set forth in Exhibit C-1 hereto and (ii) Frank R. Jimenez, General Counsel and Corporate Secretary of the Company, to the effect set forth in Exhibit C-2 hereto, each dated the Effective Date and addressed to the Administrative Agent, the Lenders and the Issuing Banks and satisfactory to the Lenders, the Administrative Agent and Cravath, Swaine & Moore LLP, counsel for the Administrative Agent.

(b) The Administrative Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Company, certified as of a recent date by the Secretary of State of its state of incorporation, and a certificate as to the existence of the Company as of a recent date from such Secretary of State; (ii) a certificate of the Secretary or an Assistant Secretary of the Company dated the Effective Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Company as in effect on the Effective Date and at all times since a date prior to the date of the resolutions described in (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Company authorizing the execution, delivery and performance of the Loan Documents to which the Company is a party and the Borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation referred to in clause (i) above has not been amended since the date of the last amendment thereto shown on the certificate of existence furnished pursuant to such clause (i) and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Company; and (iii) a certificate of another officer of the Company as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above.

(c) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by a Financial Officer of the Company, confirming compliance with the conditions precedent set forth in paragraph (e), the second sentence of paragraph (g) and paragraphs (h), (i), (k), (l), (m), (n) and (o) of this Section and in paragraphs (b) and (c) of Section 4.01 (without giving effect to the parenthetical in such paragraph (b)).

(d) The Administrative Agent shall have received all Fees and other amounts due and payable for the accounts of the Lenders or for its own account on or prior to the Effective Date and, to the extent invoiced prior to the Effective Date, all fees, charges and disbursements of counsel that the Borrowers have agreed to pay or reimburse.

(e) The Credit Parties shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act.

(f) The Administrative Agent and the Lenders shall have received (by inclusion in amendments to the Xylem Form 10 prior to the date hereof, or otherwise) the

historical and pro forma financial statements and projections referred to in Section 3.05, as well as unaudited consolidated balance sheets and related statements of income and cash flows of the Company and the subsidiaries for each fiscal quarter (if any) ended after June 30, 2011, but at least 60 days before the Effective Date, which financial statements shall not be materially inconsistent with the pro forma financial statements or projections previously provided to the Lenders or included in the Xylem Form 10.

(g) The Administrative Agent and the Lenders shall have received true and complete copies of the Distribution Agreement and all other material agreements required to be delivered thereunder or in connection therewith. The terms of the Distribution Agreement shall be consistent in all material respects with the information set forth in the Form 10s, and no term or condition of the Distribution Agreement or any related agreement shall have been waived, amended or otherwise modified in a manner material and adverse to the rights or interests of the Lenders, except as previously approved by the Lead Arrangers.

(h) All conditions to the Spin-Offs set forth in the Form 10s shall have been satisfied, and the Spin-Offs and all related transactions shall have been consummated on terms consistent with applicable law and, except for changes not materially detrimental to the creditworthiness of the Company and the Subsidiaries or to the rights of the Lenders, with the information set forth in the Form 10s and the pro forma financial information and projections delivered to the Lenders.

(i) There shall not have been any material payments by the Company to ITT Corporation in connection with the Spin-Offs other than the payment of a cash dividend to ITT Corporation, which shall have been determined in a manner heretofore disclosed to the Administrative Agent and the Lenders, and the assets, liabilities and capitalization of the Company after giving effect to such dividend and all related transactions shall be consistent in all material respects with the historical and pro forma financial statements and projections referred to in Section 3.05.

(j) The Administrative Agent and the Lenders shall have received copies of, and the Lead Arrangers shall have been reasonably satisfied with, (i) the solvency opinion delivered to the Board of Directors of ITT Corporation and (ii) the legal opinion and any private letter ruling delivered to or obtained by ITT Corporation as to the tax-free nature of the Spin-Offs.

(k) Other than as set forth in the Xylem Form 10, after giving effect to the Spin-Offs and the Transactions, the Company and the Subsidiaries shall have outstanding no Indebtedness, committed credit facilities, guarantees or other material contingent obligations, letters of credit, preferred stock or contingent obligations other than (a) the Commitments, Loans and Letters of Credit, (b) the Xylem Notes, (c) commercial letters of credit obtained in the ordinary course of business and (d) other Indebtedness and contingent obligations of the Company (i) set forth in the Xylem Form 10 as being outstanding after giving effect to the Spin-Offs and (ii) to the extent not set forth in the Xylem Form 10, in an aggregate amount not greater than \$50,000,000.

(l) All conditions precedent to the effectiveness of the ITT Corporation Credit Agreement and the Exelis Credit Agreement shall have been satisfied.

(m) There shall not have occurred since December 31, 2010, any event, condition or circumstance that has had or could be reasonably be expected to have a material adverse effect on the business, results of operations, properties, assets or financial condition of the Company and the Subsidiaries, taken as a whole.

(n) There shall be no litigation or administrative proceeding that could reasonably be expected to have a material adverse effect on the Spin-Offs or on the business, results of operations, properties, assets or financial condition of the Company and the Subsidiaries, taken as a whole.

(o) All requisite Governmental Authorities and material third parties shall have approved or consented to the Spin-Offs and the Transactions to the extent required, all applicable notice or appeal periods shall have expired and there shall be no governmental or judicial action, actual or threatened, that could reasonably be expected to restrain, prevent or impose burdensome conditions on the Spin-Offs or the Transactions.

SECTION 4.03. *First Borrowing by Each Borrowing Subsidiary.* On or prior to the first date on which Loans are made to or Letters of Credit are issued for the benefit of any Borrowing Subsidiary:

(a) The Credit Parties shall have received the favorable written opinion of counsel satisfactory to the Administrative Agent, addressed to the Credit Parties and satisfactory to the Credit Parties and to Cravath, Swaine & Moore LLP, counsel for the Administrative Agent, addressing such legal issues as the Administrative Agent or such counsel may reasonably request.

(b) The Administrative Agent shall have received a copy of the Borrowing Subsidiary Agreement executed by such Borrowing Subsidiary.

(c) It shall not be unlawful for such Subsidiary to become a Borrower hereunder or for any Lender to make Loans or otherwise extend credit to such Subsidiary as provided herein or for any Issuing Bank to issue Letters of Credit for the account of such Subsidiary.

(d) The Credit Parties shall have received (i) all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act and (ii) such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of such Borrowing Subsidiary, the authorization of the Transactions insofar as they relate to such Borrowing Subsidiary and any other legal matters relating to such Borrowing Subsidiary, its Borrowing Subsidiary Agreement or such Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

ARTICLE V
AFFIRMATIVE COVENANTS

Each Borrower covenants and agrees with each Lender and the Administrative Agent that so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other amounts payable hereunder shall be unpaid or any Letters of Credit have not been canceled or have not expired or any amounts drawn thereunder have not been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, it will, and will cause each of the Significant Subsidiaries to:

SECTION 5.01. *Existence*. Do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, except as expressly permitted under Section 6.01; *provided, however*, that nothing in this Section shall prevent the abandonment or termination of the existence, rights or franchises of any Significant Subsidiary or any rights or franchises of any Borrower if such abandonment or termination is in the best interests of the Borrowers and is not disadvantageous in any material respect to the Lenders.

SECTION 5.02. *Business and Properties*. Comply in all material respects with all applicable laws, rules, regulations and orders of any Governmental Authority (including any of the foregoing relating to the protection of the environment or to employee health and safety), whether now in effect or hereafter enacted; and at all times maintain and preserve all property material to the conduct of its business and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

SECTION 5.03. *Financial Statements, Reports, etc.* In the case of the Company, furnish to the Administrative Agent for distribution to each Lender:

(a) within 90 days after the end of each fiscal year, its consolidated balance sheet and the related consolidated statements of income and cash flows showing its consolidated financial condition as of the close of such fiscal year and the consolidated results of its operations during such year, all audited by Deloitte & Touche LLP or another independent registered public accounting firm of recognized national standing selected by the Company and accompanied by an opinion of such accountants (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements fairly present its financial condition and results of operations on a consolidated basis in accordance with GAAP (it being agreed that the requirements of this paragraph may be satisfied by the delivery pursuant to paragraph (d) below of an annual report on Form 10-K containing the foregoing);

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheet and related consolidated statements of income, cash flow and stockholders’ equity, showing its consolidated financial condition

as of the close of such fiscal quarter and the consolidated results of its operations during such fiscal quarter and the then elapsed portion of the fiscal year, all certified by one of its Financial Officers as fairly presenting its financial condition and results of operations on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments (it being agreed that the requirements of this paragraph may be satisfied by the delivery pursuant to paragraph (d) below of a quarterly report on Form 10-Q containing the foregoing);

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of a Financial Officer (i) certifying that, to the best of such Financial Officer's knowledge, no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.06;

(d) promptly after the same become publicly available, copies of all reports on forms 10-K, 10-Q and 8-K filed by it with the SEC, or any Governmental Authority succeeding to any of or all the functions of the SEC, or, in the case of the Company, copies of all reports distributed to its shareholders, as the case may be; and

(e) promptly, from time to time, such other information as any Lender shall reasonably request through the Administrative Agent.

Information required to be delivered to the Administrative Agent pursuant to this Section 5.03 shall be deemed to have been distributed to the Lenders if such information, or one or more annual or quarterly reports containing such information, shall have been posted by the Administrative Agent on an IntraLinks or similar site to which the Lenders have been granted access or shall be available on the website of the Securities and Exchange Commission at <http://www.sec.gov> (and a confirming electronic correspondence shall have been delivered or caused to be delivered to the Lenders providing notice of such posting or availability). Information required to be delivered pursuant to this Section 5.03 may also be delivered by electronic communications pursuant to procedures approved by the Administrative Agent.

SECTION 5.04. *Insurance.* Keep its insurable properties adequately insured at all times by financially sound and reputable insurers, and maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies similarly situated and in the same or similar businesses (it being understood that the Borrowers and the Significant Subsidiaries may self-insure to the extent customary with companies similarly situated and in the same or similar businesses).

SECTION 5.05. *Obligations and Taxes.* Pay and discharge promptly when due all taxes, assessments and governmental charges imposed upon it or upon its income or profits or in respect of its property, as well as all other material liabilities, in each case before the same shall become delinquent or in default and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by

appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside.

SECTION 5.06. *Litigation and Other Notices*. Give the Administrative Agent prompt written notice of the following (which the Administrative Agent shall promptly provide to the Lenders):

(a) the filing or commencement of, or any written threat or written notice of intention of any Person to file or commence, any action, suit or proceeding which is reasonably likely to result in a Material Adverse Effect;

(b) any Event of Default or Default, specifying the nature and extent thereof and the action (if any) which is proposed to be taken with respect thereto; and

(c) any change in any of the Ratings.

SECTION 5.07. *Maintaining Records; Access to Properties and Inspections*. Maintain financial records in accordance with GAAP and, upon reasonable notice, at all reasonable times, permit any authorized representative designated by the Administrative Agent or any Lender to visit and inspect the properties of the Company and of any Significant Subsidiary and to discuss the affairs, finances and condition of the Company and any Significant Subsidiary with a Financial Officer of the Company and such other officers as the Company shall deem appropriate.

SECTION 5.08. *Use of Proceeds*. Use the proceeds of the Loans only for the purposes set forth in the recitals to this Agreement.

SECTION 5.09. *Distribution Agreement and Related Agreements*. Comply with all its obligations under the Distribution Agreement and all other agreements with ITT Corporation, Exelis Inc. or their subsidiaries entered into pursuant thereto or in connection therewith.

ARTICLE VI NEGATIVE COVENANTS

Each Borrower covenants and agrees with each Lender and the Administrative Agent that so long as this Agreement shall remain in effect or the principal of or interest on any Loan, any Fees or any other amounts payable hereunder shall be unpaid or any Letters of Credit have not been canceled or have not expired or any amounts drawn thereunder have not been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, it will not, and will not cause or permit any of the Subsidiaries to:

SECTION 6.01. *Priority Indebtedness*. Create, incur, assume or permit to exist any Priority Indebtedness other than:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness existing on the date hereof and set forth on Schedule 6.01, and extensions, renewals or replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; *provided* that no additional Subsidiaries will be added as obligors or guarantors in respect of any Indebtedness referred to in this clause (b) and no such Indebtedness shall be secured by any additional assets (other than as a result of any Lien covering after-acquired property in effect on the date hereof);

(c) Indebtedness of any Subsidiary to the Company or any other Subsidiary, or Indebtedness of the Company to any Subsidiary; *provided* that no such Indebtedness shall be assigned to, or subjected to any Lien in favor of, a Person other than the Company or a Subsidiary;

(d) Indebtedness (including Capital Lease Obligations and obligations under conditional sale or other title retention agreements) incurred to finance the acquisition, construction or improvement of, and secured only by, any fixed or capital assets acquired, constructed or improved by the Company or any Subsidiary, and extensions, renewals or replacements of any such Indebtedness that do not increase the outstanding principal amount thereof or add additional Subsidiaries as obligors or guarantors in respect thereof and that are not secured by any additional assets; *provided* that such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement and does not exceed the cost of acquiring, constructing or improving such fixed or capital assets;

(e) Indebtedness of any Person that becomes a Subsidiary after the date hereof; *provided* that such Indebtedness and any Liens securing the same exist at the time such Person becomes a Subsidiary and are not created in contemplation of or in connection with such Person becoming a Subsidiary, and any such Liens do not extend to additional assets of the Company or any Subsidiary, and extensions, renewals or replacements of any of the Indebtedness referred to above in this clause that do not increase the outstanding principal amount thereof or add additional Subsidiaries as obligors or guarantors in respect thereof and that are not secured by any additional assets;

(f) Indebtedness of any Foreign Subsidiary incurred after the date hereof, the net proceeds of which are promptly divided to the Company or one or more Domestic Subsidiaries; *provided* that such Indebtedness is not secured by assets of the Company or any Domestic Subsidiary; and

(g) other Priority Indebtedness to the extent the sum, without duplication, of (i) the aggregate amount thereof outstanding at any time and (ii) the aggregate sales price for the assets transferred in all sale and lease-back arrangements permitted under Section 6.03 and in effect at any time shall not exceed the greater of (i) \$150,000,000 and (ii) 10% of Consolidated Net Tangible Assets.

SECTION 6.02. *Liens*. Create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) Liens existing on the date hereof and set forth on Schedule 6.02, and extensions or renewals of any such Liens that do not extend to additional assets or increase the amount of the obligations secured thereby;

(c) any Lien securing indebtedness of a Subsidiary to the Company or another Subsidiary or of the Company to a Subsidiary, *provided* that in the case of any sale or other disposition of such indebtedness by the Company or a Subsidiary, such sale or other disposition shall be deemed to constitute the creation of another Lien not permitted by this clause (c);

(d) Liens deemed to exist in connection with sale and lease-back transactions permitted under Section 6.03;

(e) Liens on fixed or capital assets acquired, constructed or improved by the Company or any Subsidiary; provided that (i) such Liens secure only Indebtedness (including Capital Lease Obligations and obligations under conditional sale or other title retention agreements) permitted by Section 6.01(d) and obligations relating thereto not constituting Indebtedness and (ii) such Liens shall not extend to any other asset of the Company or any Subsidiary (other than the proceeds and products thereof); provided further that in the event purchase money obligations are owed to any Person with respect to financing of more than one purchase of any fixed or capital assets, such Liens may secure all such purchase money obligations and may apply to all such fixed or capital assets financed by such Person;

(f) any Lien existing on any asset prior to the acquisition thereof by the Company or any Subsidiary or existing on any asset of any Person that becomes a Subsidiary (or of any Person not previously a Subsidiary that is merged or consolidated with or into a Subsidiary in a transaction permitted hereunder) after the date hereof prior to the time such Person becomes a Subsidiary (or is so merged or consolidated); provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary (or such merger or consolidation), (ii) such Lien shall not extend to any other asset of the Company or any Subsidiary and (C) such Lien shall secure only those obligations that it secures on the date of such acquisition or the date such Person becomes a Subsidiary (or is so merged or consolidated) and any extensions, renewals and refinancings thereof that do not increase the outstanding principal amount thereof;

(g) sales of accounts receivable and interests therein pursuant to Securitization Transactions constituting Priority Indebtedness permitted under Section 6.01; and

(h) Liens securing other Priority Indebtedness to the extent such Priority Indebtedness and such Liens are permitted under Section 6.01.

SECTION 6.03. *Sale and Lease-Back Transactions*. Enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property used or useful in its business, whether now owned or hereafter acquired, and

thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred, except (a) any such arrangement entered into with respect to a property within 180 days after the acquisition thereof and (b) other such arrangements to the extent the sum, without duplication, of (a) the aggregate sales price for the assets transferred in all such arrangements in effect at any time and (b) the aggregate amount of Priority Indebtedness permitted under Section 6.01(g) and outstanding at such time shall not exceed the greater of (i) \$150,000,000 and (ii) 10% of Consolidated Net Tangible Assets.

SECTION 6.04. *Fundamental Changes*. (a) In the case of the Company or any other Borrower, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions and including by means of any merger or sale of capital stock or otherwise) all or substantially all of its assets (whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing or would result from such transaction, (a) the Company or any Borrower may merge or consolidate with any Person if (i) in the case of any such merger involving the Company, the Company is the surviving Person and (ii) in the case of any other such Merger, a Borrower is the surviving Person and (b) any Borrower other than the Company may sell, transfer, lease or otherwise dispose of all or substantially all of its assets to, or liquidate or dissolve into, the Company.

(b) Remain engaged primarily in businesses of the type conducted by the Company and the Subsidiaries on the date of this Agreement and businesses reasonably related thereto.

SECTION 6.05. *Restrictive Agreements*. Directly or indirectly enter into, incur or permit to exist any agreement or other arrangement that restricts the ability of any Subsidiary to pay dividends or other distributions with respect to its Equity Interests or to make or repay loans or advances to the Company or any Subsidiary or to guarantee Indebtedness of the Company or any Subsidiary; *provided* that the foregoing shall not apply to (A) restrictions on and conditions to the assignment of agreements between the Company or any Subsidiary and any Governmental Authority or amounts owed under such agreements, including those restrictions and conditions imposed by 31 USCS § 3727 and FAR Subpart 32.8 and any such assignments shall be in full compliance with 31 USCS § 3727 and FAR Subpart 32.8 or any successor law or regulation, (B) other restrictions and conditions imposed by law or by any Loan Document, (C) restrictions and conditions existing on the date hereof identified on Schedule 6.05 (but shall apply to any amendment or modification expanding the scope of any such restriction or condition), (D) in the case of any Subsidiary that is not a wholly-owned Subsidiary, restrictions and conditions imposed by its organizational documents or any related joint venture or similar agreement, *provided* that such restrictions and conditions apply only to such Subsidiary and to any Equity Interests in such Subsidiary, (E) customary restrictions and conditions contained in agreements relating to the sale of any asset, *provided* that such restrictions and conditions apply only to the asset that is to be sold, (F) restrictions and conditions imposed by agreements relating to Indebtedness of any Subsidiary in existence at the time such Subsidiary became a Subsidiary (but shall apply to any

amendment or modification expanding the scope of, any such restriction or condition), *provided* that such restrictions and conditions apply only to such Subsidiary or (G) restrictions and conditions imposed by agreements relating to Indebtedness of Foreign Subsidiaries permitted under Section 6.01, *provided* that such restrictions and conditions apply only to Foreign Subsidiaries.

SECTION 6.06. *Leverage Ratio*. At any time permit the Leverage Ratio to be greater than 3.50 to 1.00.

ARTICLE VII

EVENTS OF DEFAULT

In case of the happening of any of the following events (each an “*Event of Default*”):

- (a) any representation or warranty made or deemed made in or in connection with the execution and delivery of this Agreement or the Borrowings or issuances of Letters of Credit hereunder shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;
- (b) default shall be made in the payment of any principal of any Loan or the reimbursement with respect to any L/C Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;
- (c) default shall be made in the payment of any interest on any Loan or L/C Disbursement or any Fee or any other amount (other than an amount referred to in paragraph (b) above) due hereunder, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five days;
- (d) default shall be made in the due observance or performance of any covenant, condition or agreement contained in Section 5.01 or Article VI;
- (e) default shall be made in the due observance or performance of any covenant, condition or agreement contained herein or in any other Loan Document (other than those specified in clauses (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Company;
- (f) the Company or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness beyond the period of grace, if any, provided in the agreement or instrument under which such Indebtedness was created, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any Material Indebtedness, or any other event shall occur or condition shall exist, beyond the period of grace, if any, provided in such agreement or instrument referred to in this clause (ii), if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Material Indebtedness or a trustee on its

or their behalf or the applicable counterparty to cause, an acceleration of the maturity of such Indebtedness or a termination or similar event in respect thereof;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Company, or of a substantial part of the property or assets of the Company or any Subsidiary with assets having gross book value in excess of \$25,000,000, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of the property or assets of the Company or any Subsidiary with assets having gross book value in excess of \$25,000,000 or (iii) the winding up or liquidation of the Company; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Company or any Subsidiary with assets having a gross book value in excess of \$25,000,000 shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of the property or assets of the Company, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more final judgments shall be entered by any court against the Company or any of the Subsidiaries for the payment of money in an aggregate amount in excess of \$50,000,000 and such judgment or judgments shall not have been paid, covered by insurance, discharged or stayed for a period of 60 days, or a warrant of attachment or execution or similar process shall have been issued or levied against property of the Company or any of the Subsidiaries to enforce any such judgment or judgments;

(j) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect; or

(k) a Change in Control shall occur;

then, and in every such event (other than an event with respect to any Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent, at the request of the Required Lenders, shall, by notice to the Company, take any or all of the following actions, at the same or different times: (i) terminate forthwith the Commitments, (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid

accrued Fees and all other liabilities of the Borrowers accrued hereunder, shall become due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived anything contained herein to the contrary notwithstanding, (iii) require the Borrowers to deposit with the Administrative Agent cash collateral in an amount equal to the aggregate L/C Exposures to secure the Borrowers' reimbursement obligations under Section 2.05; and, in the case of any event with respect to any Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrowers accrued hereunder shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding, and the Borrowers shall deposit with the Administrative Agent cash collateral in an amount equal to the aggregate L/C Exposure to secure the Borrowers' reimbursement obligations under Section 2.05.

ARTICLE VIII

GUARANTEE

The Company unconditionally and irrevocably guarantees the due and punctual payment and performance, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, of the Obligations. The Company further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligations.

To the fullest extent permitted by applicable law, the Company waives presentment to, demand of payment from and protest to the Borrowing Subsidiaries of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of the Company hereunder shall not be affected by (a) the failure of the Administrative Agent, any Issuing Bank or any Lender to assert any claim or demand or to enforce or exercise any right or remedy against the Borrowing Subsidiaries under the provisions of any Loan Document or otherwise; or (b) any rescission, waiver, amendment or modification of, or any release from, any of the terms or provisions of any Loan Document, any guarantee or any other agreement.

The Company further agrees that its guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent, any Issuing Bank or any Lender to any of the security, if any, held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent, any Issuing Bank or any Lender, in favor of the Borrowing Subsidiaries or any other Person.

Except to the extent that any Tax is required to be withheld or deducted under applicable law or regulation, but subject to the provisions of Section 2.20, the obligations of the Company hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release,

surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Company hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent, any Issuing Bank or any Lender to assert any claim or demand or to enforce any remedy under any Loan Document, any guarantee or any other agreement, by any law or regulation of any jurisdiction or any other event affecting any term of the Obligations, by any waiver or modification of any provision thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of the Company or that would otherwise operate as a discharge of the Company as a matter of law or equity.

To the fullest extent permitted by applicable law, the Company waives any defense based on or arising out of any defense available to the Borrowing Subsidiaries, including any defense based on or arising out of any disability of the Borrowing Subsidiaries, or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrowing Subsidiaries or any other circumstances that might constitute a defense of any of the Borrowing Subsidiaries, other than final and indefeasible payment in full in cash of the Obligations. The Administrative Agent, the Issuing Banks and the Lenders may, at their election, foreclose on any security held by one or more of them by one or more judicial or non-judicial sales, compromise or adjust any part of the Obligations, make any other accommodation with any of the Borrowing Subsidiaries or exercise any other right or remedy available to them against the Borrowing Subsidiaries, or any security without affecting or impairing in any way the liability of the Company hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, the Company waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of the Company against the Borrowing Subsidiaries or any security.

The Company further agrees that its guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored by any Lender upon the bankruptcy or reorganization of any Borrowing Subsidiary or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent, any Issuing Bank or any Lender may have at law or in equity against the Company by virtue hereof, upon the failure of any Borrowing Subsidiary to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay or cause to be paid to the Administrative Agent in cash the amount of such unpaid Obligation.

The Company hereby irrevocably waives and releases any and all rights of subrogation, indemnification, reimbursement and similar rights which it may have against or in respect of the Borrowing Subsidiaries at any time relating to the Obligations, including all rights that would result in its being deemed a “creditor” of the Borrowing Subsidiaries under the United States Code as now in effect or hereafter amended, or any comparable provision of any successor statute.

ARTICLE IX

THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Any bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender or an Issuing Bank as any other Lender or Issuing Bank and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or to exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in the Loan Documents), *provided* that the Administrative Agent shall not be required to take any action that, in its opinion, could expose the Administrative Agent to liability or be contrary to any Loan Document or applicable law, and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any Subsidiary that is communicated to or obtained by any bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in the Loan Documents) or in the absence of its own gross negligence or wilful misconduct, as determined by a court of competent jurisdiction by a final and non-appealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent

by the Company, a Lender or an Issuing Bank, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall not incur any liability for relying, upon any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any of and all its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any of and all their duties and exercise their rights and powers through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the terms of this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and the Company. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent, which shall be a Lender with an office in the United States of America, having a combined capital and surplus of at least \$500,000,000, or an Affiliate of any such Lender. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Company to the successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such

successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.02, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent or as sub-agent, as the case may be.

Each Lender and Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or Issuing Bank, or any of the Related Parties of any of the foregoing, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or Issuing Bank, or any of the Related Parties of any of the foregoing, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

Each Lender, by delivering its signature page to this Agreement and funding its Loans on the Effective Date, or delivering its signature page to an Assignment and Assumption or an Accession Agreement pursuant to which it shall become a Lender hereunder, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on the Effective Date.

No Lender or Issuing Bank shall have any right individually to enforce any guarantee of the Obligations, it being understood and agreed that all powers, rights and remedies under the Loan Documents may be exercised solely by the Administrative Agent on behalf of the Lenders and the Issuing Bank in accordance with the terms thereof. Each Lender and each Issuing Bank will be deemed, by its acceptance of the benefits of the guarantees of the Obligations provided under the Loan Documents, to have agreed to the foregoing provisions.

Notwithstanding anything herein to the contrary, neither the Lead Arrangers nor any Person named on the cover page of this Agreement as a Syndication Agent, a Documentation Agent or a Joint Bookrunner shall have any duties or obligations under this Agreement or any other Loan Document (except in its capacity, as applicable, as a Lender or an Issuing Bank), but all such Persons shall have the benefit of the indemnities provided for hereunder.

ARTICLE X MISCELLANEOUS

SECTION 10.01. *Notices.* (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph

(b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax or by electronic communication, as follows:

(i) if to any Borrower, to Xylem Inc., 1133 Westchester Avenue, White Plains, New York 10604, Attention of Mike Speetzen, Chief Financial Officer (Fax No. 914-696-2930; E-mail: mike.speetzen@itt.com), as agent for such Borrower;

(ii) if to the Administrative Agent, to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin Street, Floor 10, Houston, TX 77022, Attention of Jeremy Jones (Fax No. 713-750-2878; E-mail: jeremy.m.jones@jpmorgan.com), with a copy to JPMorgan Chase Bank, N.A. at 383 Madison Avenue, New York, New York 10179, Attention of Robert Bryant (Fax No. 212-270-6539; E-mail: rob.d.bryant@jpmorgan.com) and JPMorgan Chase Bank, N.A., Loan and Agency Group (London) at 125 London Wall, Floor 9, London, EC2Y 5AJ, United Kingdom, Attention of Loan and Agency London (Fax No. +44 207 777 2360; Email: Loan_and_Agency_London@jpmorgan.com) Re: Xylem Inc.; and

(iii) if to any Issuing Bank, to it at its address (or fax number or e-mail address) most recently specified by it in a notice delivered to the Administrative Agent and the Company (or, in the absence of any such notice, to the address (or fax number or e-mail address) set forth in the Administrative Questionnaire of the Lender that is serving as such Issuing Bank or is an Affiliate thereof);

(iv) if to any other Lender, to it at its address (or fax number or e-mail address) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by fax shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient); and notices delivered through electronic communications to the extent provided in this clause (a) and paragraph (b) below shall be effective as provided in such paragraph.

(b) Notices and other communications to the Lenders and Issuing Banks hereunder may be delivered or furnished by electronic communications (including email and Internet and intranet websites) pursuant to procedures approved by the Administrative Agent; *provided* that the foregoing shall not apply to notices under Article II to any Lender or Issuing Bank if such Lender or Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. Any notices or other communications to the Administrative Agent or the Company may be delivered or furnished by electronic communications pursuant to procedures approved by the recipient thereof prior thereto; *provided* that approval of such procedures may be limited or rescinded by any such Person by notice to each other such Person.

SECTION 10.02. *Survival of Agreement.* All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and the Issuing Banks and shall survive the making by the Lenders of the Loans and issuance of Letters of Credit regardless of any investigation made by the Lenders or the Issuing Banks or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid, any Letter of Credit is outstanding or the Commitments have not been terminated. The provisions of Sections 2.14, 2.16, 2.20 and 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of any Letter of Credit, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent or any Lender.

SECTION 10.03. *Binding Effect.* This Agreement shall become effective on the Effective Date and when it shall have been executed by the Company and the Administrative Agent and when the Administrative Agent shall have received copies hereof (teletyped or otherwise) which, when taken together, bear the signature of each Lender, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrowers shall not have the right to assign any rights hereunder or any interest herein without the prior consent of all the Lenders.

SECTION 10.04. *Successors and Assigns.* (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any party that are contained in this Agreement shall bind and inure to the benefit of its successors and assigns.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); *provided, however*, that (i) such assignment shall be subject to the prior written consent (not to be unreasonably withheld or delayed) of: (1) the Company, unless (x) the assignee is a Lender, an Affiliate of a Lender or an Approved Fund, or (y) an Event of Default has occurred and is continuing; *provided* that the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof, (2) the Administrative Agent, and (3) each Issuing Bank, (ii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, and a processing and recordation fee of \$3,500, (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire, (iv) the amount of the Commitment assigned (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000, except in the event that the amount of the Commitment

of such assigning Lender remaining after such assignment shall be zero and (v) without providing (1) prior notice to the Administrative Agent and (2) information reasonably requested by the Administrative Agent so that it may comply with information reporting requirements under the Code, no assignment shall be made to a prospective assignee that bears a relationship to any Borrower described in Section 108(e)(4) of the Code. Upon acceptance and recording pursuant to paragraph (e) of this Section, from and after the effective date specified in each Assignment and Assumption, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto (but shall continue to be entitled to the benefits of Sections 2.14, 2.16, 2.20 and 10.05, as well as to any Fees accrued for its account hereunder and not yet paid)). Notwithstanding the foregoing, any Lender assigning its rights and obligations under this Agreement may retain any Competitive Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

(c) By executing and delivering an Assignment and Assumption, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto or the financial condition of the Borrowers or the performance or observance by the Borrowers of any obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Assumption; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at one of its offices in The City of New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and the principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the “*Register*”). The entries in the Register shall be conclusive in the absence of manifest error and the Borrowers, the Administrative Agent, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by each party hereto, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee together with an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and the written consent of the Company to such assignment (if required under paragraph (a) above), the Administrative Agent shall (i) accept such Assignment and Assumption and (ii) record the information contained therein in the Register. Each assignee, by its execution and delivery of an Assignment and Assumption, shall be deemed to have represented to the assigning Lender and the Administrative Agent that such assignee is an Eligible Assignee.

(f) Each Lender may sell participations to one or more banks or other entities (each, a “*Participant*”) in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided, however*, that (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) each Participant shall be entitled to the benefit of the cost protection provisions contained in Sections 2.14, 2.16 and 2.20 to the same extent as if it were the selling Lender (and limited to the amount that could have been claimed by the selling Lender had it continued to hold the interest of such Participant), except that all claims made pursuant to such Sections shall be made through such selling Lender, (iv) the Borrowers, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such selling Lender in connection with such Lender’s rights and obligations under this Agreement and (v) without providing (1) prior notice to the Administrative Agent and (2) information reasonably requested by the Administrative Agent so that it may comply with information reporting requirements under the Code, no participation shall be made to a prospective Participant that bears a relationship to any Borrower described in Section 108(e)(4) of the Code. In no event shall a Lender that sells a participation agree with the Participant to take or refrain from taking any action hereunder except that such Lender may agree with the Participant that it will not, without the consent of the Participant, agree to (i) increase or extend the term of such Lender’s Commitment, or extend the time or waive any requirement for the reduction or termination, of such Lender’s Commitment, (ii) extend the date fixed for the payment of principal or of interest on the related Loans or any portion of any fee hereunder payable to the Participant, (iii) reduce the amount of any such payment of principal or (iv) reduce the rate at which interest is payable thereon, or any fee hereunder payable to the Participant, to a level below the rate at which the

Participant is entitled to receive such interest or fee. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers (solely for tax purposes), maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement (the "*Participant Register*"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under this Agreement) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrowers furnished to such Lender; *provided* that, prior to any such disclosure, each such assignee or participant or proposed assignee or participant shall execute an agreement for the benefit of the Company whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of any such information.

(h) The Borrowers shall not assign or delegate any rights and duties hereunder without the prior written consent of all Lenders.

(i) Any Lender may at any time pledge all or any portion of its rights under this Agreement to a Federal Reserve Bank or any central bank; *provided* that no such pledge shall release any Lender from its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, each Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to such Borrower by the assigning Lender hereunder in the form of Exhibit F.

SECTION 10.05. *Expenses; Indemnity.* (a) The Borrowers agree to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Lead Arrangers and the Joint Bookrunners named on the cover of this Agreement and their Affiliates in connection with the arrangement and syndication of the credit facility established hereby and the preparation, negotiation, execution and delivery of the Loan Documents (and all related commitment or fee letters) or in connection with any amendments, modifications or waivers of the provisions hereof or thereof, or incurred by the Administrative Agent or any Lender in connection with the administration, enforcement or protection of their rights in connection with the Loan Documents (including all such out-of-pocket expenses incurred during any workout or restructuring) or in connection with the Loans made or Letters of Credit issued hereunder, including the reasonable fees and disbursements of counsel for the Administrative Agent and each

Lead Arranger and Joint Bookrunner or, in the case of enforcement or protection of their rights, the Lenders (which, in the case of preparation, negotiation, execution, delivery and administration of the Loan Documents, but not the enforcement or protection of rights thereunder, shall be limited to a single counsel for the Administrative Agent, the Lead Arrangers and the Joint Bookrunners).

(b) The Borrowers agree to indemnify the Administrative Agent, the Lead Arrangers, the Syndication Agent and the Joint Bookrunners named on the cover page of this Agreement, the Issuing Banks, each Lender, each of their Affiliates and the directors, officers, employees and agents of the foregoing (each such Person being called an “*Indemnitee*”) against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related reasonable expenses, including reasonable counsel fees and expenses, incurred by or asserted against any Indemnitee arising out of (i) the arrangement and syndication of the credit facility established hereby and the preparation, negotiation, execution and delivery of the Loan Documents (and all related commitment or fee letters) or consummation of the transactions contemplated thereby, (ii) the use of the proceeds of the Loans or issuance of Letters of Credit or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether initiated by any third party or by any Borrower and whether or not any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a final and non-appealable judgment of a court of competent jurisdiction to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of any Letter of Credit, the invalidity or unenforceability of any term or provision of this Agreement or any investigation made by or on behalf of the Administrative Agent, the Issuing Banks or any Lender. All amounts due under this Section shall be payable on written demand therefor.

(d) Notwithstanding any other provision, this Section 10.05 shall not apply with respect to any matters, liabilities or obligations relating to Taxes.

SECTION 10.06. *APPLICABLE LAW.* THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

SECTION 10.07. *Waivers; Amendment.* (a) No failure or delay of the Administrative Agent, the Issuing Banks or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have. No waiver of any provision of this Agreement or

consent to any departure therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Borrower or any Subsidiary in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders; *provided* that no such agreement shall (i) increase the Commitment or L/C Exposure of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or L/C Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date of any scheduled payment of the principal amount of any Loan or L/C Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.17, or change any other provision of any Loan Document in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change Section 10.04(h), (vi) limit or release the guarantee set forth in Article VIII, without the written consent of each Lender, or (vii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; *provided further* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Issuing Bank hereunder without the prior written consent of the Administrative Agent or the Issuing Bank, as the case may be. Notwithstanding the foregoing, any provision of this Agreement may be amended by an agreement in writing entered into by the Borrowers, the Required Lenders and the Administrative Agent (and, if its rights or obligations are affected thereby, the Issuing Bank) if (i) by the terms of such agreement the Commitment of each Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and (ii) at the time such amendment becomes effective, each Lender not consenting thereto receives payment in full of the principal of and interest accrued on each Loan made by it and all other amounts owing to it or accrued for its account under this Agreement.

SECTION 10.08. *Entire Agreement.* This Agreement and the agreements referenced in Section 2.07(b) constitute the entire contract among the parties relative to the subject matter hereof. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 10.09. *Severability.* In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in

good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.10. *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective as provided in Section 10.03.

SECTION 10.11. *Headings*. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 10.12. *Right of Setoff*. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or obligations of the Company and any Borrowing Subsidiary now or hereafter existing under any Loan Document held by such Lender, irrespective of whether or not such Lender shall have made any demand thereunder and although such obligations may be unmatured. Each Lender agrees promptly to notify the Company and the Administrative Agent after such setoff and application made by such Lender, but the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.13. ***JURISDICTION; CONSENT TO SERVICE OF PROCESS.*** (A) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK COUNTY, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY LETTER OF CREDIT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(B) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY

LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR THEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT IN ANY NEW YORK STATE OR FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(C) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.01. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

SECTION 10.14. *WAIVER OF JURY TRIAL.* EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATION IN THIS SECTION.

SECTION 10.15. *Borrowing Subsidiaries.* Within two Business Days after the receipt by the Administrative Agent of a Borrowing Subsidiary Agreement executed by a Subsidiary and the Company, the Administrative Agent shall deliver to each Lender a notice of such request to become a Borrowing Subsidiary under this Agreement. If the designation of such Borrowing Subsidiary obligates the Administrative Agent or a Lender to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Administrative Agent or such Lender shall deliver to the Company, (a) within five Business Days after the receipt of such a Borrowing Subsidiary Agreement in respect of a Domestic Subsidiary or (b) within 10 Business Days after the receipt of such a Borrowing Subsidiary Agreement in respect of a Foreign Subsidiary, a request to that effect, and the Company shall, promptly upon receipt of such request, supply such documentation and other evidence as is reasonably requested by the Administrative Agent or such Lender in order for the Administrative Agent or such Lender to carry out and comply with the requirements of the USA PATRIOT Act or any other applicable laws and regulations, and, unless the results of such inquiry conflict with the requirements of such laws and regulations, or if no such request by the Administrative Agent or any Lender is made within the time period set forth above, such Borrowing Subsidiary shall become a party hereto and a Borrower hereunder with the same effect as

if it had been an original party to this Agreement. Notwithstanding the foregoing, no Subsidiary shall become a Borrower Subsidiary if it shall be unlawful for such Subsidiary to become a Borrower hereunder or for any Lender to make Loans or otherwise extend credit to such Subsidiary as provided herein or for any Issuing Bank to issue Letters of Credit for the account of such Subsidiary. Upon the execution by the Company and a Borrowing Subsidiary and delivery to the Administrative Agent of a Borrowing Subsidiary Termination with respect to such Borrowing Subsidiary, such Borrowing Subsidiary shall cease to be a Borrowing Subsidiary hereunder; *provided* that no Borrowing Subsidiary Termination will become effective as to any Borrowing Subsidiary (other than to terminate such Borrowing Subsidiary's right to obtain further Loans or Letters of Credit under this Agreement) at a time when any principal of or interest on any Loan to such Borrowing Subsidiary or any Letter of Credit issued for the account of such Borrowing Subsidiary shall be outstanding hereunder. Promptly following receipt of any Borrowing Subsidiary Termination, the Administrative Agent shall send a copy thereof to each Lender.

SECTION 10.16. *Conversion of Currencies.* (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the Borrowers in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "*Applicable Creditor*") shall, notwithstanding any judgment in a currency (the "*Judgment Currency*") other than the currency in which such sum is stated to be due hereunder (the "*Agreement Currency*"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrowers agree, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this Section 10.16 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 10.17. *USA PATRIOT Act.* Each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of each Borrower and other information that will allow such Lender to identify the Borrowers in accordance with its requirements.

SECTION 10.18. *No Fiduciary Relationship.* The Company, on behalf of itself and its subsidiaries, agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, the Company, the Subsidiaries and their Affiliates, on the one hand, and the Administrative Agent, the

Lenders, the Issuing Banks and their Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, the Lenders, the Issuing Banks or their Affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications.

SECTION 10.19. *Non-Public Information.* Each Lender acknowledges that all non-public information, including requests for waivers and amendments, furnished by the Company or the Administrative Agent pursuant to or in connection with, or in the course of administering, this Agreement will be syndicate-level information, which may contain MNPI. Each Lender hereby advises the Company and the Administrative Agent that (a) it has developed compliance procedures regarding the use of MNPI and that it will handle MNPI in accordance with such procedures and applicable law, including Federal, state and foreign securities laws, and (b) it has identified in its Administrative Questionnaire a credit contact who may receive information that may contain MNPI in accordance with its compliance procedures and applicable law, including Federal, state and foreign securities laws.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

XYLEM INC., as Borrower,

by _____

Name:

Title:

[Xylem Inc. Credit Agreement Signature Page]

JPMORGAN CHASE BANK, N.A.,
individually and as Administrative Agent,

by _____

Name:

Title:

[Xylem Inc. Credit Agreement Signature Page]

CITIBANK, N.A.,

by _____
Name:
Title:

[Xylem Inc. Credit Agreement Signature Page]

SIGNATURE PAGE TO XYLEM INC.
CREDIT AGREEMENT DATED AS OF _____, 2011

Lender: _____,

by

Name:
Title:

For any Lender requiring a second signature line:

by _____
Name:
Title:

[Xylem Inc. Credit Agreement Signature Page]

[FORM OF]
COMPETITIVE BID REQUEST

JPMorgan Chase Bank, N.A., as Administrative Agent
for the Lenders referred to below,
383 Madison Avenue
New York, NY 10179

[Date]

Attention: []

Ladies and Gentlemen:

The undersigned, _____ (the "*Borrower*"), refers to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.03(a) of the Credit Agreement that it requests a Competitive Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Competitive Borrowing is requested to be made:

- (A) Date of Competitive Borrowing (which is a Business Day) _____
- (B) Currency of Competitive Borrowing¹ _____
- (C) Principal amount of Competitive Borrowing² _____
- (D) Interest rate basis³ _____
- (E) Interest Period and the last day thereof⁴ _____

¹ Dollar or a Non-US Currency.

² An integral multiple of 1,000,000 units of the applicable currency with a Dollar Equivalent of at least \$10,000,000 but not greater than the Total Commitment then available.

³ A Eurocurrency Borrowing or a Fixed Rate Borrowing.

⁴ Shall be subject to the definition of the term "Interest Period" and end not later than the Maturity Date.



Upon acceptance of any or all of the Loans offered by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the conditions to lending specified in Section 4.01(b) and (c) of the Credit Agreement have been satisfied.

Very truly yours,

[NAME OF BORROWER],

by _____

Name:

Title: [Financial Officer]

[FORM OF]
 NOTICE OF COMPETITIVE BID REQUEST

[Name of Lender]
 [Address]

[Date]

Attention: []

Ladies and Gentlemen:

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. _____ (the “*Borrower*”) made a Competitive Bid Request on , 20[], pursuant to Section 2.03(a) of the Credit Agreement, and in that connection you are invited to submit a Competitive Bid by [Date]/[Time].¹ Your Competitive Bid must comply with Section 2.03(b) of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made:

- (A) Date of Competitive Borrowing _____
- (B) Currency of Competitive Borrowing _____
- (C) Principal amount of Competitive Borrowing _____
- (D) Interest rate basis _____
- (E) Interest Period and the last day thereof. _____

¹ The Competitive Bid must be received by the Administrative Agent (i) in the case of Eurocurrency Competitive Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the day of a proposed Competitive Borrowing.

Very truly yours,

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent,

by _____
Name:
Title:

[FORM OF]
COMPETITIVE BID

JPMorgan Chase Bank, N.A., as Administrative Agent
for the Lenders referred to below,
383 Madison Avenue
New York, NY 10179

[Date]

Attention: []

Ladies and Gentlemen:

The undersigned, [Name of Lender], refers to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes a Competitive Bid pursuant to Section 2.03(b) of the Credit Agreement, in response to the Competitive Bid Request made by _____ (the “*Borrower*”) on , 20[], and in that connection sets forth below the terms on which such Competitive Bid is made:

- | | | |
|-----|--------------------------------------|-------|
| (A) | Principal Amount ¹ | _____ |
| (B) | Competitive Bid Rate ² | _____ |
| (C) | Interest Period and last day thereof | _____ |

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement, to extend credit to the Borrower upon acceptance by the Borrower of this bid in accordance with Section 2.03(d) of the Credit Agreement.

¹ An integral multiple of 1,000,000 units of the applicable currency and may be equal to the entire principal amount of the Competitive Borrowing requested. Multiple bids will be accepted by the Administrative Agent.

² *i.e.*, LIBO Rate + or - _% , in the case of Eurocurrency Competitive Loans, or ___% , in the case of Fixed Rate Loans.

Very truly yours,

[NAME OF LENDER],

by _____

Name:

Title:

[FORM OF]
COMPETITIVE BID ACCEPT/REJECT LETTER

JPMorgan Chase Bank, N.A., as Administrative Agent
for the Lenders referred to below
383 Madison Avenue
New York, NY 10179

[Date]

Attention: []

Ladies and Gentlemen:

The undersigned, _____, refers to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

In accordance with Section 2.03(c) of the Credit Agreement, we have received a summary of bids in connection with our Competitive Bid Request dated _____, and in accordance with Section 2.03(d) of the Credit Agreement, we hereby accept the following bids for maturity on [date]:

Principal Amount	Currency	Fixed Rate/Margin [%]/[+/-.%]	Lender
------------------	----------	----------------------------------	--------

We hereby reject the following bids:

Principal Amount	Currency	Fixed Rate/Margin [%]/[+/-.%]	Lender
------------------	----------	----------------------------------	--------

The Competitive Loans should be deposited in JPMorgan Chase Bank, N.A. account number [] on [date].



Very truly yours,

[NAME OF BORROWER],

by _____
Name:
Title:

[FORM OF]
REVOLVING BORROWING REQUEST

JPMorgan Chase Bank, N.A., as Administrative Agent
for the Lenders referred to below,
383 Madison Avenue
New York, NY 10179

[Date]

Attention: []

Ladies and Gentlemen:

The undersigned, _____ (the "*Borrower*"), refers to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.04 of the Credit Agreement that it requests a Revolving Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Revolving Borrowing is requested to be made:

- (A) Date of Revolving Borrowing (which is a Business Day) _____
- (B) Principal amount of Revolving Borrowing¹ _____
- (C) Interest rate basis² _____
- (D) Interest Period and the last day thereof³ _____

Upon acceptance of any or all of the Loans made by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the conditions to lending specified in Section 4.01(b) and (c) of the Credit Agreement have been satisfied.

¹ An integral multiple of \$5,000,000 and not less than \$10,000,000 (or an aggregate principal amount equal to the Total Commitment then available) but not greater than the Total Commitment then available.

² Eurocurrency Revolving Loan or ABR Loan.

³ Shall be subject to the definition of the term "Interest Period."

Very truly yours,

[NAME OF BORROWER],

by _____

Name:

Title: [Financial Officer]

[FORM OF]

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this “*Assignment and Assumption*”) is dated as of the Effective Date set forth below and is entered into by and between the Assignor (as defined below) and the Assignee (as defined below). Capitalized terms used in this Assignment and Assumption and not otherwise defined herein have the meanings specified in the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the facility identified below (including any Competitive Loans or Letters of Credit included in such facility) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other rights of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “*Assigned Interest*”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor (the “*Assignor*”):
2. Assignee (the “*Assignee*”):

Assignee is an Affiliate of: [Name of Lender]

- 3. Borrowers:
- 4. Administrative Agent:
- 5. Assigned Interest:

	Aggregate Amount of Commitment/Loans of all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/ Loans ¹
Commitment Assigned	\$	\$	%
Revolving Loans	\$	\$	%
Competitive Loans	\$	\$	%

Effective Date: __, 200[] [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR].

¹ Set forth, to at least nine decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

The terms set forth in this Assignment and Assumption are hereby agreed to:

[NAME OF ASSIGNOR], as
Assignor,

by _____
Name:
Title:

[NAME OF ASSIGNEE], as
Assignee,

by _____
Name:
Title:

Consented to:

JPMORGAN CHASE BANK, N.A.
as Administrative Agent,

by _____
Name:
Title:

Consented to:

[], as Issuing Bank,

by _____
Name:
Title:

[Consented to:

Xylem Inc.,
as the Company,

by _____
Name:
Title:]²

² No consent of the Company shall be required for an assignment to a Lender, an Affiliate of a Lender or, if an Event of Default has occurred and is continuing, any other assignee.

**STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION**

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, (iii) the financial condition of the Company, the Borrowing Subsidiaries, or any of their Subsidiaries or Affiliates or any other Person obligated in respect of the Credit Agreement or (iv) the performance or observance by the Company, the Borrowing Subsidiaries, or any of their Subsidiaries or Affiliates or any other Person of any of their respective obligations under the Credit Agreement.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date under the Assignment and Assumption, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 thereof (or, prior to the first such delivery, the financial statements referred to in Section 3.05 thereof), and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on any agent or any other Lender, and (v) if the Assignee is organized under the laws of a jurisdiction outside the United States, attached to this Assignment and Assumption is any documentation required to be delivered by it pursuant to Section 2.20 of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Assignor, any agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Assumption shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be construed in accordance with and governed by the law of the State of New York without regard to conflict of laws principles thereof other than Section 5-1401 and 5-1402 of the New York General Obligations Law.

[FORM OF]

OPINION OF DEWEY & LEBOEUF, COUNSEL FOR XYLEM INC.

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

1 The execution, delivery and performance by Xylem Inc. of the Loan Documents¹, and the borrowings of Xylem Inc. under the Credit Agreement will not violate any provision of law, statute, rule or regulation (including without limitation, the Margin Regulations) of the United States of America or the State of New York.

2. Each Loan Document constitutes a legal, valid and binding obligation of Xylem Inc. enforceable against Xylem Inc. in accordance with its terms, subject to any applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent transfer or conveyance or other similar laws of general application relating to or affecting the enforcement of creditors’ rights from time to time in effect, and to general principles of equity, regardless of whether such principles are considered in any proceeding in equity or at law.

¹ For opinion purposes, Loan Documents will be defined as those Loan Documents to be executed and delivered as of the Effective Date.

[FORM OF]

OPINION OF FRANK R. JIMENEZ, GENERAL COUNSEL AND CORPORATE
SECRETARY FOR XYLEM INC.

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

1. Xylem Inc. (i) is a corporation duly organized and validly existing under the laws of the [State of Indiana], (ii) has all requisite corporate power and authority to own its property and assets and to carry on its business as now conducted, (iii) is qualified to do business in every jurisdiction within the United States where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (iv) has all requisite corporate power and authority to execute, deliver and perform its obligations under the Loan Documents to which it is a party, and to borrow funds thereunder.

2. The execution, delivery and performance by Xylem Inc. of the Loan Documents, and the borrowings of Xylem Inc. under the Credit Agreement, (collectively, the “*Transactions*”) (i) have been duly authorized by all requisite corporate action and (ii) will not (a) violate (1) any provision of law, statute, rule or regulation of the Indiana Business Corporation Law, or of the articles of incorporation or other constitutive documents or by-laws of Xylem Inc., (2) any order known to me of any governmental authority or (3) any provision of any indenture, material agreement or other material instrument to which Xylem Inc. is a party or by which it or its property is or may be bound, (b) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (c) result in the creation or imposition of any lien upon any property or assets of Xylem Inc., other than pursuant to the Loan Documents.

3. Each Loan Document has been duly executed and delivered by Xylem Inc.

4. No action, consent or approval of, registration or filing with, or any other action by, any government authority is or will be required in connection with the Transactions, except such as have been made or obtained and are in full force and effect.

5. Neither Xylem Inc. nor any of its subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

[FORM OF]

BORROWING SUBSIDIARY AGREEMENT

BORROWING SUBSIDIARY AGREEMENT dated as of [], [], among XYLEM INC., an Indiana corporation (the “*Company*”), [Name of Subsidiary], a [] corporation (the “*Subsidiary*”), and JPMORGAN CHASE BANK, N.A., as administrative agent (the “*Administrative Agent*”) for the lenders (the “*Lenders*”) party to the Credit Agreement referred to below.

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Company, the Borrowing Subsidiaries party thereto, the Lenders party thereto, the Administrative Agent and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Under the Credit Agreement, the Lenders have agreed, upon the terms and subject to the conditions therein set forth, to make competitive advance and revolving credit loans to, and to issue Letters of Credit for the account of, the Company and its subsidiaries that execute and deliver to the Administrative Agent a Borrowing Subsidiary Agreement in the form hereof. The Company represents that the Subsidiary is a subsidiary of the Company and that the guarantee of the Company contained in Article VIII of the Credit Agreement applies to the obligations of the Subsidiary. In consideration of being permitted to borrow, and to have Letters of Credit issued for its account, under the Credit Agreement upon the terms and subject to the conditions set forth therein, the Subsidiary agrees that from and after the date of this Borrowing Subsidiary Agreement it will be, and will be liable for the observance and performance of all the obligations of, a Borrowing Subsidiary under the Credit Agreement to the same extent as if it had been one of the original parties to the Credit Agreement and that it will furnish to the Administrative Agent and the Lenders copies of its financial statements on an annual basis.

IN WITNESS WHEREOF, the Company and the Subsidiary have caused this Borrowing Subsidiary Agreement to be duly executed by their authorized officers as of the date first appearing above.

XYLEM INC.,

by _____
Name:
Title:

[NAME OF SUBSIDIARY],

by _____
Name:
Title:

Accepted as of the date first appearing above:

JPMORGAN CHASE BANK N.A.,
as Administrative Agent,

by _____
Name:
Title:

[FORM OF]

BORROWER TERMINATION AGREEMENT

JPMorgan Chase Bank, N.A., as Administrative Agent
for the Lenders referred to below,
383 Madison Avenue
New York, NY 10179

[], 20[]

Re: Borrower Termination Agreement

Ladies and Gentlemen:

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Xylem Inc., an Indiana corporation (the "*Company*"), the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Citibank, N.A., as Syndication Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Company hereby terminates the status of [NAME OF TERMINATED BORROWING SUBSIDIARY] (the "*Terminated Borrower*") as a "Borrower" under the Credit Agreement. [The Company represents and warrants that all Loans made to the Terminated Borrower have been repaid, all Letters of Credit issued for the account of the Terminated Borrower have been drawn in full or have expired and all amounts payable by the Terminated Borrower in respect of any drawings under any Letter of Credit issued for the account of such Terminated Borrower, interest and/or fees (and, to the extent notified by the Administrative Agent or any Lender, any other amounts payable under the Credit Agreement by the Terminated Borrower) have been paid in full on or prior to the date hereof.][The Company and the Terminated Borrower acknowledge that the Terminated Borrower shall continue to be a Borrower until such time as all Loans made to the Terminated Borrower have been repaid, all Letters of Credit issued for the account of the Terminated Borrower have been drawn in full or have expired and all amounts payable by the Terminated Borrower in respect of any drawings under any Letter of Credit issued for the account of such Terminated Borrower, interest and/or fees (and, to the extent notified by the Administrative Agent or any Lender, any other amounts payable under the Credit Agreement by the Terminated Borrower) have been paid in full.] The execution and delivery of this Borrower Termination Agreement shall be immediately effective to terminate the right of the Terminated Borrower to request or receive further extensions of credit under the Credit Agreement.

THIS INSTRUMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

XYLEM INC.,

by _____

Name:

Title:

[FORM OF]

ISSUING BANK AGREEMENT

ISSUING BANK AGREEMENT dated as of [], [] (this “*Agreement*”), between XYLEM INC., an Indiana corporation (the “*Company*”) and the financial institution identified on Schedule I hereto as the Issuing Bank (the “*Issuing Bank*”).

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Company, the Borrowing Subsidiaries party thereto, the Lenders party thereto, the Administrative Agent and Citibank, N.A., as Syndication Agent. Accordingly, the parties hereto agree as follows:

SECTION 1. *Defined Terms*. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The rules of construction set forth in Section 1.02 of the Credit Agreement shall apply to this Agreement, *mutatis mutandis*.

SECTION 2. *Letter of Credit Commitment*. The Issuing Bank hereby agrees to be an “Issuing Bank” under, and subject to the terms and conditions hereof and of the Credit Agreement, to issue Letters of Credit under, the Credit Agreement; *provided, however*, that Letters of Credit issued by the Issuing Bank hereunder shall be subject to the limitations, if any, set forth on Schedule I hereto, in addition to the limitations set forth in the Credit Agreement.

SECTION 3. *Issuance Procedure*. In order to request the issuance of a Letter of Credit hereunder, the applicable Borrower (or the Company on behalf of the applicable Borrower) shall hand deliver or fax a notice (specifying the information required by Section 2.05(b) of the Credit Agreement) to the Issuing Bank, at its address or fax number specified on Schedule I hereto (or such other address or fax number as the Issuing Bank may specify by notice to the Company), not later than the time of day (local time at such address) specified on Schedule I hereto prior to the proposed date of issuance of such Letter of Credit. A copy of such notice shall be sent, concurrently, by the applicable Borrower (or the Company on behalf of the applicable Borrower) to the Administrative Agent in the manner specified for Borrowing Requests under the Credit Agreement. Upon receipt of such notice, the Issuing Bank shall consult the Administrative Agent by telephone in order to determine (i) whether the conditions specified in the last sentence of Section 2.05(b) of the Credit Agreement will be satisfied in connection with the issuance of such Letter of Credit and (ii) whether the requested expiration date for such Letter of Credit complies with the proviso to Section 2.05(c) of the Credit Agreement.

SECTION 4. *Issuing Bank Fees, Interest and Payments*. The Issuing Bank Fees payable to the Issuing Bank in respect of Letters of Credit issued hereunder are specified on Schedule I hereto (and such fees shall be in addition to the Issuing Bank’s customary documentary and processing charges in connection with the issuance, amendment or transfer of any Letter of Credit issued hereunder). Each payment of Issuing Bank Fees payable hereunder shall be made not later than 12:00 (noon), local time at the place of payment, on the date when

due, in immediately available funds, to the account of the Issuing Bank specified on Schedule I hereto (or to such other account of the Issuing Bank as it may specify by notice to the Company).

SECTION 5. *Credit Agreement Terms.* Notwithstanding any provision hereof which may be construed to the contrary, it is expressly understood and agreed that (a) this Agreement is supplemental to the Credit Agreement and is intended to constitute an Issuing Bank Agreement, as defined therein (and, as such, constitutes an integral part of the Credit Agreement as though the terms of this Agreement were set forth in the Credit Agreement), (b) each Letter of Credit issued hereunder and each and every L/C Disbursement made under any such Letter of Credit shall constitute a “Letter of Credit” and an “L/C Disbursement”, respectively, for all purposes of the Credit Agreement and the other Loan Documents, (c) the Issuing Bank’s commitment to issue Letters of Credit hereunder and each and every Letter of Credit requested or issued hereunder shall be subject to the terms and conditions of the Credit Agreement and entitled to the benefits of the Loan Documents and (d) the terms and conditions of the Credit Agreement are hereby incorporated herein as though set forth herein in full and shall supersede any contrary provisions hereof.

SECTION 6. *Assignment.* The Issuing Bank may not assign its commitment to issue Letters of Credit hereunder without the consent of the Company and prior notice to the Administrative Agent. In the event of an assignment by the Issuing Bank of all its other interests, rights and obligations under the Credit Agreement, then the Issuing Bank’s commitment to issue Letters of Credit hereunder shall terminate unless the Issuing Bank, the Company and the Administrative Agent otherwise agree.

SECTION 7. *Effectiveness.* This Agreement shall not be effective until counterparts hereof executed on behalf of each of the Company and the Issuing Bank have been delivered to and accepted by the Administrative Agent.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

XYLEM INC.,

by _____

Name:

Title:

[ISSUING BANK],

by _____

Name:

Title:

Accepted:

JPMORGAN CHASE BANK N.A., as
Administrative Agent,

by

Name:

Title:

SCHEDULE I to
Issuing Bank Agreement

- A. Issuing Bank:
- B. Issuing Bank's Address and Telecopy Number for Notices:
- C. Time of Day by Which Notices Must be Received
- D. Special Terms:
- E. Issuing Bank Fronting Fee:
- F. Issuing Bank's Account for Payment of Issuing Bank Fees:
- A notice requesting the issuance of a Letter of Credit must be received by the Issuing Bank by 10:00 a.m. (New York time) not less than five Business Days prior to the proposed date of issuance.
- The aggregate L/C Exposure in respect of Letters of Credit issued pursuant to this Agreement shall not exceed \$[].
- []% per annum on the average daily undrawn amount of the Letters of Credit, payable on the same dates that L/C Participation Fees are payable under the Credit Agreement.
-

[FORM OF]
PROMISSORY NOTE

New York, New York
[Date]

For value received, [NAME OF BORROWER], a [] corporation (the “*Borrower*”), promises to pay to the order of [name of Lender] (the “*Lender*”) (i) the unpaid principal amount of each Loan made by the Lender to the Borrower under the Credit Agreement referred to below, when and as due and payable under the terms of the Credit Agreement, and (ii) interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in the currencies and to the accounts specified in the Credit Agreement, in immediately available funds.

All Loans made by the Lender, and all repayments of the principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding shall be endorsed by the Lender on the schedule attached hereto, or on a continuation of such schedule attached hereto and made a part hereof; *provided* that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the promissory notes issued pursuant to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, the Administrative Agent and Citibank, N.A., as Syndication Agent. Reference is made to the Credit Agreement for provisions for the mandatory and optional prepayment hereof and the acceleration of the maturity hereof.

[NAME OF BORROWER],

by _____
Name:
Title:

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Amount of Principal Repaid	Unpaid Principal Balance	Notations Made By
------	----------------	-------------------------------	-----------------------------	----------------------

[FORM OF]
U.S. TAX CERTIFICATE

(For Non-U.S. Lenders That Are Not
Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent.

Pursuant to the provisions of Section 2.20 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code and (v) the interest payments in question are not effectively connected with the undersigned’s conduct of U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

[FORM OF]
U.S. TAX CERTIFICATE

(For Non-U.S. Lenders That Are Partnerships
For U.S. Federal Income Tax Purposes)

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent.

Pursuant to the provisions of Section 2.20 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned’s or its partners/members’ conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]



[FORM OF]
U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are
Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent.

Pursuant to the provisions of Section 2.20 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

[FORM OF]
U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are
Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Four-Year Competitive Advance and Revolving Credit Facility Agreement dated as of [], [2011] (as amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among Xylem Inc., the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Citibank, N.A., as Syndication Agent.

Pursuant to the provisions of Section 2.20 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned’s or its partners/members’ conduct of a U.S. trade or business.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

SCHEDULE 2.01

Commitments

Lender	Commitment
JPMorgan Chase Bank, N.A.	\$ 50,000,000
Citibank, N.A.	\$ 50,000,000
Barclays Bank PLC	\$ 50,000,000
Société Générale	\$ 50,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch	\$ 40,000,000
The Royal Bank of Scotland plc	\$ 40,000,000
U.S. Bank National Association	\$ 40,000,000
Wells Fargo Bank, N.A.	\$ 40,000,000
BNP Paribas	\$ 25,000,000
ING Bank N.V. Dublin Branch	\$ 25,000,000
Mizuho Corporate Bank (USA)	\$ 25,000,000
Svenska Handelsbanken Ab (publ)	\$ 25,000,000
The Northern Trust Company	\$ 25,000,000
UBS Loan Finance LLC	\$ 25,000,000
Australia and New Zealand Banking Group Limited	\$ 15,000,000
Crédit Industriel et Commercial	\$ 15,000,000
Intesa Sanpaolo S.p.A. — New York	\$ 15,000,000
SEB AG	\$ 15,000,000
The Bank of New York Mellon	\$ 15,000,000
The Governor and Company of the Bank of Ireland	\$ 15,000,000
Total	\$ 600,000,000

Xylem – SCHEDULE 6.01

Existing Indebtedness

Borrower	Lender	Balance
ITT do Brasil Ltda	Banco Citibank SA	BRL 22,332,497.81

Xylem – SCHEDULE 6.02

Existing Liens

None.

Xylem – SCHEDULE 6.05
Existing Restrictive Agreements

None



Scott A. Crum
Senior Vice President and
Director, Human Resources

ITT Corporation

1133 Westchester Avenue
White Plains, NY 10604
tel 914 641 2010
fax 914 696 2964
scott.crum@itt.com

April 2, 2009

Mr. Frank R. Jimenez

Dear Frank:

I am pleased to confirm our offer to join ITT Corporation as General Counsel at ITT Headquarters in White Plains, New York. In this position you will report directly to Steven R. Loranger, Chairman, President and CEO. It will be recommended to the Compensation and Personnel Committee that you be elected a Vice President of the Company by the ITT Board of Directors at the earliest possible date following your date of hire.

- Annual Base Salary: Your starting base salary will be \$400,000 annually, payable in bi-weekly installments.
 - Annual Incentive: You will be eligible for participation in the ITT annual executive incentive program for performance year 2009 according to the approved parameters of the plan. Your standard bonus will be calculated at 60% of base salary. This discretionary bonus program is based on company and individual performance. For 2009, your bonus will be guaranteed at \$200,000. Approved bonus awards for performance year 2009 will be payable in March 2010.
 - Sign-On Payment: You will receive a cash sign-on payment of \$100,000 following completion of one month of service. This payment is not pensionable and will be subject to normal withholding.
 - Automobile Allowance: You will be eligible for a monthly automobile allowance of \$1,300 under the ITT Corporate Policy 30-18, Company Vehicles and Allowances (U.S. Operations), attached.
-

- Long-Term Incentives: You will be eligible to participate in the ITT Long-Term Incentive Award Program annually, according to the approved parameters of the program and approval by the Compensation and Personnel Committee of the Board of Directors.

For 2009, you will be granted a total target long-term incentive award of \$500,000 which will be comprised as follows:

- One third of your total award will be in the form of a target cash award under the ITT 1997 Long-Term Incentive Plan. The measurement period for this award will be January 1, 2009 through December 31, 2011. Payment, if any, will be made early in the first quarter of 2012. The ultimate value of this award will be determined based on ITT's Total Shareholder Return (TSR) relative performance as measured against the S&P Industrials, in accordance with the terms of the Plan, administrative rules and award documents.
 - One-third of your total award will be in the form of an ITT restricted stock award under the ITT 2003 Equity Incentive Plan. These shares will be subject to a three-year period of restriction, subject to your continued employment and the terms of the Plan.
 - One-third of your total award will be in the form of a non-qualified stock option award under the ITT 2003 Equity Incentive Plan. The option exercise price will be the closing price of ITT common shares on the date of grant. These options will vest in one-third cumulative annual installments and will expire seven years from the date of grant, subject to your continued employment and the terms of the Plan.
- Relocation: Your relocation costs will be reimbursed in accordance with Section 30-11 of the attached ITT Policy. ITT will pay all appropriate closing costs associated with the purchase of a residence in the White Plains area as well as the referenced fees associated with the sale of your current home (if applicable) and the move of your household goods to your new residence. In conjunction with your relocation, we have agreed to provide you with a one-month "settling in" allowance on a tax protected basis.
 - Severance: You will be covered under the terms of the ITT Corporation Senior Executive Severance Pay Plan, copy attached. You will also be covered under the ITT Corporation Special Senior Executive Severance Pay Plan, copy attached. In the event of a change of control, you would receive severance pay
-

equivalent to the sum of two times the highest annual base salary rate paid and two times the highest bonus paid in respect of the three years preceding an Acceleration Event.

- Fitness Subsidy: You will be eligible for an annual fitness subsidy of \$500 for membership in a health club.
 - Senior Financial Counseling and Tax Planning: You will be eligible to receive financial counseling and tax planning services which will be reimbursed by ITT on a tax-protected basis.
 - Vacation: You will be eligible for four weeks of paid vacation under the ITT Headquarters vacation policy. For 2009, you will be eligible for three weeks of paid vacation provided you join on June 8, 2009. In addition, please note that the ITT Corporate Headquarters will close for the December holiday from Thursday, December 24, through Thursday, December 31, 2009. Further explanation of our vacation policy and other corporate policies will be provided to you on your first day of work.
 - Benefits Plans: You will be eligible for coverage under the various plans comprising the ITT Corporation Salaried Benefits Program when you satisfy the participation conditions. The 2009 Benefits Highlights is enclosed and should provide valuable information concerning our plans and estimated health plan contributions. More detailed information describing the following plans will be provided on your first day of work:
 - ❖ Salaried Medical Plan through Empire BlueCross BlueShield and Medco
 - ❖ Salaried Vision Plan through EyeMed
 - ❖ Salaried Dental Plan through Met Life
 - ❖ Salaried Life Insurance Plan
 - ❖ Salaried Investment and Savings Plan
 - ❖ Salaried Short-Term Disability Plan
 - ❖ Salaried Long-Term Disability Insurance Plan
 - ❖ Salaried Retirement Plan
 - ❖ Life Plus program — (through Marsh@WorkSolutions)
 - ❖ Long-Term Care Plan — (through John Hancock)
 - ❖ Flexible Spending Account Plan
-

Medical and dental coverage requires employee contributions and commences on your first day of work for you and your eligible dependents. It is required that you furnish a marriage certificate (if applicable) and the birth certificates of each dependent being covered on your start date.

Basic Life and Accidental Death and Dismemberment Insurance are provided for you under the ITT Corporation Salaried Life Insurance Plan. You are eligible to elect optional life insurance coverage through Life Plus, an individual program sponsored by Marsh at Work Solutions and Long-Term Care coverage offered through John Hancock. You may also elect to participate in the contributory Long-Term Disability Plan as of your first day of work. These plans offer you attractive rates through convenient payroll deductions.

Please note that membership in the ITT Corporation Salaried Retirement Plan begins for all eligible employees on the first day of the month after completing one year of eligibility service. Upon completion of the membership requirements for plan participation, Benefit Service will be recognized from your first day of employment.

Group Accident Insurance: You will also be covered by the Group Accident Insurance Program for Officers and Directors which provides significant automatic and optional accidental death and dismemberment benefits. Details and conditions are provided in the enclosed brochure.

The terms and conditions of your employment will be governed by standard ITT policy. This offer is contingent upon successful completion of the placement process, which includes a background check and a pre-placement medical examination including a drug-screening test. In order to comply with the Immigration Control Reform Act of 1986, each employee must complete the enclosed 1-9 form verifying employment eligibility. This offer of employment is also contingent upon completion of this form and providing required documentation.

Miscellaneous: We will reimburse you for reasonable expenses and dues associated with your licenses to practice in Washington, D.C., Florida, and New York, CLE programs and your ABA membership.

Frank, we look forward to your joining ITT on June 8, 2009. We are all convinced you have a great deal to contribute to our organization and believe your association with ITT will prove to be a mutually beneficial one.

Mr. Frank R. Jimenez

-5-

April 2, 2009

Please acknowledge your acceptance of our offer by signing one copy of this letter and returning it to my attention as soon as possible. A return envelope is enclosed for your convenience. You may retain the additional copy for your personal files. We would appreciate it if you would fax a signed copy of this letter to me at (914) 696-2964.

Very truly yours,

Enclosures

/s/ Scott A. Crum

The above offer is accepted subject to the forgoing conditions.

/s/ Frank R. Jimenez

Frank R. Jimenez

6 APRIL 2009

Date

8 JUNE 2009

Start Date



, 2011

Dear ITT Corporation Shareholder:

I am pleased to inform you that on January 11, 2011, the Board of Directors of ITT Corporation (“ITT”) approved a plan to separate ITT into three independent, publicly traded companies. Under the plan, ITT would execute tax-free spin-offs of its Defense and Information Solutions business, Exelis Inc. (“Exelis”), and its water-related businesses, Xylem Inc. (“Xylem”). Following completion of the transaction, ITT will continue to trade on the New York Stock Exchange as a highly engineered industrial products company that supplies solutions in the aerospace, transportation and energy markets. Immediately following the completion of the spin-offs, ITT shareholders will own all of the outstanding shares of common stock of Exelis and Xylem. We believe that this separation is in the best interest of our company and its constituents, as these three businesses are well-positioned to create significant value for shareholders as standalone companies.

ITT has a long history of knowing when the time is right to take transformational steps to create more value for our shareholders. We did this in 1995, and we are doing it again. We are taking the actions necessary to turn one powerful multi-industrial into three strong standalone businesses — each with a mandate to grow and each with the ability and the resources to make that happen. I am confident that each of these businesses will leave the gate with all it needs to succeed — first and foremost, talented leadership teams who know what it takes to excel; second, an employee base that always puts our customers first, and that takes a proud tradition of engineering excellence and innovation very seriously; and third, a will to win in the marketplace that is second to none. I am confident in the CEOs we have chosen to take us forward. They are all seasoned ITT executives. They are all ready, willing and able. They are all motivated by our history and have a keen focus on the future. They are ready to launch these companies, and they are ready to take them to the next level.

The spin-offs will be completed by way of a pro rata distribution of Exelis and Xylem common stock to our shareholders of record as of 5:00 p.m., New York time, on _____, 2011, the spin-off record date. Each ITT shareholder will receive one share of Exelis common stock, and one share of Xylem common stock, for each share of ITT common stock held by such shareholder on the record date. The distribution of these shares will be made in book-entry form, which means that no physical share certificates will be issued. Following the spin-offs, shareholders may request that their shares of Exelis and Xylem common stock be transferred to a brokerage or other account at any time.

The spin-off is subject to certain customary conditions. Shareholder approval of the distribution is not required, nor are you required to take any action to receive your shares of Exelis and Xylem common stock.

Immediately following the spin-offs, you will own common stock in ITT, Exelis and Xylem. ITT’s common stock will continue to trade on the New York Stock Exchange under the symbol “ITT.” Both Exelis and Xylem intend to have their common stock listed on the New York Stock Exchange under the symbols “XLS” and “XYL”, respectively.

We expect the spin-offs to be tax-free to the shareholders of ITT. The spin-offs are conditioned on, among other things, the receipt of a ruling from the Internal Revenue Service and an opinion of counsel confirming that the spin-offs will not result in the recognition, for U.S. Federal income tax purposes, of income, gain or loss to ITT or its shareholders.

The enclosed Information Statements, which are being mailed to all ITT shareholders, describe the spin-offs in great detail and contain important information about Exelis and Xylem, including historical combined financial statements. We urge you to read the Information Statements carefully.

[Table of Contents](#)

I want to thank you for your continued support of ITT. We look forward to your support of all three companies in the future. We aim to continue earning your trust by delivering excellent results that will propel our companies — and your investment — into a very bright future.

Yours sincerely,

Steven R. Loranger
Chairman, President and Chief Executive Officer
ITT Corporation

[Xylem Logo]

Xylem Inc.

, 2011

Dear Xylem Inc. Shareholder:

It is our pleasure to welcome you as a shareholder of our company, Xylem Inc., a world leader in the design, manufacturing, and application of highly engineered technologies for the water industry.

As an independent, publicly traded company, we will have the flexibility and focus to pursue growth opportunities within our industry, and thus bring more value to you as a shareholder, than we could as an important business within ITT Corporation.

We expect to have Xylem common stock listed on the New York Stock Exchange under the symbol “XYL” in connection with the distribution of Xylem common stock by ITT.

Our teams across the globe are excited about the launch of our new business. We never forget the importance of what we do. Water is our business. And water is essential to life. We are meeting the most critical water challenges by engineering the broadest portfolio of products and applications to create efficient systems and sustainable solutions. We are energized by the breadth of our product line and about our singular ability to transport, treat and test water. We care about our customers, our constituencies and our communities. And we want to make a difference.

We invite you to learn more about Xylem by reviewing the enclosed Information Statement. We look forward to our future as an independent, publicly traded company and to your support as a holder of Xylem common stock.

Very truly yours,

Gretchen W. McClain
Chief Executive Officer
Xylem Inc.

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SUBJECT TO COMPLETION, DATED SEPTEMBER 26, 2011

INFORMATION STATEMENT

Xylem Inc.

**1133 Westchester Avenue
White Plains, New York 10604**

Common Stock (par value \$0.01 per share)

This Information Statement is being sent to you in connection with the separation of Xylem Inc. (“Xylem”) from ITT Corporation (“ITT”), following which Xylem will be an independent, publicly traded company. As part of the separation, ITT will undergo an internal reorganization, after which it will complete the separation by distributing all of the shares of Xylem common stock on a pro rata basis to the holders of ITT common stock. We refer to this pro rata distribution as the “distribution” and we refer to the separation, including the internal reorganization and distribution, as the “spin-off.” We expect that the spin-off will be tax-free to ITT shareholders for U.S. Federal income tax purposes. Each share of ITT common stock outstanding as of 5:00 p.m., New York time, on _____, 2011, the record date for the distribution, will entitle the holder thereof to receive one share of Xylem common stock. The distribution of shares will be made in book-entry form. The distribution will be effective as of 12:01 a.m., New York time, on _____, 2011. Immediately after the distribution becomes effective, we will be an independent, publicly traded company.

No vote or other action of ITT shareholders is required in connection with the spin-off. We are not asking you for a proxy and you should not send us a proxy. ITT shareholders will not be required to pay any consideration for the shares of Xylem common stock they receive in the spin-off, and they will not be required to surrender or exchange shares of their ITT common stock or take any other action in connection with the spin-off. Concurrently with the Xylem spin-off, ITT will spin-off its Defense and Information Solutions business into a separate independent, publicly traded company to be called Exelis Inc. (“Exelis”). You are invited to also read the detailed information about Exelis in the accompanying Information Statement for Exelis.

All of the outstanding shares of Xylem common stock are currently owned by ITT. Accordingly, there is no current trading market for Xylem common stock. We expect, however, that a limited trading market for Xylem common stock, commonly known as a “when-issued” trading market, will develop at least two trading days prior to the record date for the distribution, and we expect “regular-way” trading of Xylem common stock will begin the first trading day after the distribution date. We intend to list Xylem common stock on the New York Stock Exchange under the ticker symbol “XYL”.

In reviewing this Information Statement, you should carefully consider the matters described in “Risk Factors” beginning on page 17 of this Information Statement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Information Statement is truthful or complete. Any representation to the contrary is a criminal offense.

This Information Statement is not an offer to sell, or a solicitation of an offer to buy, any securities.

This Information Statement was first mailed to ITT shareholders on or about _____, 2011.

The date of this Information Statement is _____, 2011.

TABLE OF CONTENTS

	<u>Page</u>
Summary	1
Risk Factors	17
Special Note About Forward-Looking Statements	29
The Spin-Off	30
Trading Market	39
Dividend Policy	41
Capitalization	42
Selected Historical Condensed Combined Financial and Other Data	43
Unaudited Pro Forma Condensed Combined Financial Statements	44
Management's Discussion and Analysis of Financial Condition and Results of Operations	51
Business	70
Management	86
Executive Compensation	94
Certain Relationships and Related Party Transactions	151
Description of Material Indebtedness	156
Security Ownership of Certain Beneficial Owners and Management	159
Description of Capital Stock	161
Where You Can Find More Information	166
Index to Financial Statements	F-1

SUMMARY

This summary highlights information contained in this Information Statement and provides an overview of our company, our separation from ITT and the distribution of Xylem common stock by ITT to its shareholders. For a more complete understanding of our business and the spin-off, you should read the entire Information Statement carefully, particularly the discussion set forth under “Risk Factors” and our audited historical combined financial statements, our unaudited interim historical condensed combined financial statements, our unaudited pro forma condensed combined financial statements and the respective notes to those statements appearing in this Information Statement.

Except as otherwise indicated or unless the context otherwise requires, “Xylem,” “we,” “us” and “our” refer to Xylem Inc. and its subsidiaries after giving effect to the internal reorganization preceding the distribution described in this Information Statement. Except as otherwise indicated or unless the context otherwise requires, the information included in this Information Statement assumes the completion of the internal reorganization preceding the distribution.

Unless otherwise indicated, references in this Information Statement to fiscal years are to Xylem’s fiscal years ended December 31. Xylem’s quarterly financial periods end on the Saturday closest to the last day of the calendar quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. For ease of presentation, the quarterly financial statements included herein are described as ending on the last day of the calendar quarter.

Our Company

Our Company is a world leader in the design, manufacturing, and application of highly engineered technologies for the water industry. We are a leading equipment and service provider for water and wastewater applications with a broad portfolio of products and services addressing the full cycle of water, from collection, distribution and use to the return of water to the environment, and we have leading market positions among equipment and service providers in the core application areas of the water equipment industry: transport, treatment, test, building services, industrial processing and irrigation. Our Company’s brands, such as Bell & Gossett and Flygt, are well known throughout the industry and have served the water market for many years. Over the years, we have leveraged our heritage strength in wastewater pumping technologies to expand into wastewater treatment, and later into clean water treatment and water quality analysis. We believe we are strongly positioned to use our deep applications expertise and offer our customers a full spectrum of service offerings in the transportation, treatment and testing of water. Net sales and operating income for the twelve months ended December 31, 2010 were \$3.2 billion and \$388 million, respectively, and for the six months ended June 30, 2011 were \$1.9 billion and \$216 million, respectively.

We operate in two segments, Water Infrastructure and Applied Water. The Water Infrastructure segment focuses on the transportation, treatment and testing of water, offering a range of products including water and wastewater pumps, treatment and testing equipment, and controls and systems. Key brands include Flygt, Wedeco, Godwin Pumps, WTW, Sanitaire, AADI and Leopold. The Applied Water segment encompasses all the uses of water and focuses on the residential, commercial, industrial and agricultural markets. The segment’s major products include pumps, valves, heat exchangers, controls and dispensing equipment. Key brands in this segment include Goulds, Bell & Gossett, AC Fire, Standard, Flojet, Lowara, Jabsco and Flowtronex. In both our segments, we benefit from a large and growing installed base of products driving growth in aftermarket sales for replacement parts and services.

Our global manufacturing footprint enables us to optimize sourcing, lower production costs and localize products. We serve a global customer base across diverse end markets while offering localized expertise. We sell our products in more than 140 countries through a balanced distribution network consisting of our direct sales force and independent channel partners. In 2010, approximately 65% of our revenues were generated outside the United States.

We believe our company’s operational structure and strategy will drive sustained, profitable growth in the markets we serve. We have a seasoned management team that has demonstrated its ability to strategically

grow a global engineering and manufacturing enterprise while expanding positions throughout the global water industry. We believe our businesses are well positioned to continue to grow by enhancing our product and application offerings and expanding our customer base in each of our strategic markets.

Our Competitive Strengths

Our leading positions in the markets we serve result from the following competitive strengths:

Leading Brands in a Diversified Product Portfolio

We are among the world's largest water equipment and services companies and have global leading product positions in core applications across the water cycle, from the manufacturing of submersible pumps under our Flygt brand to the key products used in plumbing and water-based heating and air conditioning markets manufactured through our Bell & Gossett brand. Although other equipment and services companies are diversified, in that they serve markets outside of water as well, we are one of the largest water companies in the industry that is exclusively focused on water equipment and services. In addition, we have capabilities in transport, treatment and testing of water and have consistently demonstrated the ability to develop new offerings that anticipate the manufacturing, installation and servicing needs of our customers, such as the innovative water collection and distribution systems that used Goulds pumps and a Bell & Gossett pumping package to conserve clean water at the 2010 Vancouver Olympics, and the Lowara water booster sets used to even water supply pressure in the world's tallest building, "Burj Dubai," in the United Arab Emirates. Our brands, such as Flygt, Bell & Gossett, Wedeco, Sanitaire, Lowara, Godwin Pumps, Goulds, WTW and Jabsco, among others, have been in existence in some cases for as many as 150 years and are globally recognized as leading brands for quality in the markets they serve.

Culture of Innovation and Strong Application Expertise

Our business invented the first submersible sewage pump, and we remain the world's largest manufacturer of submersible wastewater pumps. We have built upon this deep legacy and expertise by developing new, more efficient designs and more advanced application solutions. In 1999, we led the industry in wastewater pumps with the launch of the Flygt N-pump, guaranteeing at least a 25% improvement in energy consumption compared to any installed, non-Flygt system. In recent years, we designed a standardized range of lift stations, called The Optimal Pumping (TOP) Station, to quickly and simply install full lift stations, rather than design, order, and assemble all the components needed at various pipeline locations. The TOP Station is now a staple of our product line. In 2009, we launched the next generation N-pump, called the Adaptive N-pump, which eliminates virtually all forms of clogging, and therefore improves maintenance and efficiency costs, even under the most difficult conditions. Similarly, we also launched the next generation vertical multi-stage pump in 2011, called eSV, which brings benefits in energy efficiency and maintenance costs to water boosting in multiple end uses. This innovation around new technology and application solutions is an expertise we deploy across all product lines and brands, and we continuously seek to improve our products and invest in the development of new, differentiated technologies to best fit our customers' needs.

Large Installed Base Driving Strong Aftermarket Revenues

By virtue of our global scale and tenure, we have one of the largest installed bases in the water equipment market. This provides us with a highly profitable and recurring revenue stream from the sale of parts, repair services, and end of lifecycle product replacements. During their lifecycle, installed products require maintenance, repair services and parts due to the harsh environments in which they operate. In 2010, 16% of our total revenue was derived from sales of repair parts and services. In addition, depending on the type of product, median lifecycles range from 5 years to over 50 years, at which time the products must be replaced. Many of our products are precisely selected and applied within a larger network of equipment, driving a strong preference by customers and installers to replace them with the same exact brand and model when they reach the end of their lifecycle. This dynamic establishes a large recurring revenue stream for our business.

Diverse Customer Base and Established International Distribution Channels

Our customer base spans numerous industries and regions, with no single customer representing more than 2% of our revenue and approximately 65% of our 2010 revenues derived from operations outside of the United States, including 18% from emerging market countries. We sell our products through a balanced distribution network, with more than 1,800 direct sales employees and more than 2,700 independent distributors in more than 140 countries. Our global reach within the highly fragmented global water industry allows us to align our sales strategy to meet the needs of our customers in specific end markets, as we are better able to optimize sourcing, lower our production costs, and enable product localization and application expertise. In our Water Infrastructure segment, we maintain close customer relationships through our direct sales force, allowing us to quickly respond to a dynamic and highly regulated environment in which some of our customers operate, including public utility and industrial clients. In our Applied Water segment, we use distributors from our global independent distribution network, several of whom are exclusive distributors, to sell our products.

Proven Operating Performance

Our strong profit margins, combined with our disciplined approach to investing and managing our capital and our focus on higher-margin business opportunities, enable us to generate strong and recurring cash flow. Following our 2008 restructuring, implemented prior to the recent economic downturn, we positioned the cost structure of our company to realize strong margin improvements driven by robust sales growth. For instance, in 2010, our operating margin increased 240 basis points to 12.1% as compared to the prior year. We focus on productivity and efficiency within our manufacturing facilities by driving operational efficiencies through the application of Lean Six Sigma and other continuous improvement programs.

Experienced Management Team

Our senior management team is highly regarded in the water equipment and services industry and has significant experience in leadership roles. Collectively, our executive officers have an average of 20 years of experience in managing large global organizations. They have a successful track record of enabling our company to recognize and capitalize upon attractive opportunities in the key markets we serve, and our executive management teams have a strong record of winning new business, reducing costs, improving working capital and executing operating efficiencies.

Our Growth Strategy

Our strategy is focused on enhancing shareholder value by providing solutions for our customers, and by growing revenues, both organically and through strategic acquisitions. Key elements of our strategy are summarized below:

Grow Our Product Offerings and Solutions through Portfolio Differentiation

We will continue to extend leading market positions where we have a strong competitive position, cost leadership and proven technology. In addition, we will invest in the differentiation of our core product lines to build on our strong product and application expertise. We also plan to expand into adjacent and complementary technologies as demonstrated by the recent acquisitions of analytical instrumentation and dewatering solutions businesses.

Focus on Organic Growth Initiatives

We have launched a global commercial excellence initiative, deploying people, processes and tools to make our sales and marketing teams more effective and efficient. We have trained over 500 front-line sales agents under this initiative and have 30 dedicated commercial excellence leaders to service our most profitable accounts. In addition, we have launched digital selling tools, which improve our value propositions, and have built a strategic accounts program to focus on our most important customers. These efforts have already

improved the revenues generated per sales agent across our businesses. We will continue to make investments in customer relationship management, mobile technologies, customer applications and other technologies that improve our knowledge of customers and the critical activities that drive growth.

Investing in New Technology and Innovation

We will continue to make targeted investments in research and development activities to develop breakthrough products and solutions. We will pursue and execute a robust pipeline of opportunities in core and emerging markets. We have established a wastewater Center of Excellence, in Stockholm, Sweden, with over 100 research, development and engineering employees. We have launched engineering Centers of Excellence in India and China, where we are accelerating the customization of our application expertise to local needs. Our engineers will continue to work closely with our customers in an effort to identify new applications for our products and develop new technologies and solutions to expand our current portfolio further.

Build on Our Presence in Fast-Growing Emerging Markets

Urbanization trends and growth in the middle class in developing countries are generating significant demand for water applications. We intend to continue to capture this growth by further expanding into emerging markets, such as China, India and Brazil, increasing our existing presence of over 40 facilities. We plan to leverage our strong global reach, manufacturing footprint and extensive distribution network to capitalize on growth opportunities in these regions. We will continue to establish and reinforce local capabilities by growing our local presence in these markets with investments in sales, marketing and manufacturing capabilities globally.

Growth through Disciplined Acquisitions

Acquisitions are an important part of our growth strategy. Certain segments of the global water industry we serve are highly fragmented, providing numerous acquisition opportunities. We have successfully completed and integrated 20 acquisitions over the past five years, including Godwin Pumps, Nova Analytics, and OI Corporation, and we will selectively pursue highly targeted acquisitions that will broaden our core product portfolio, expand our geographic footprint and enhance our position in strategic markets.

Recent Developments

On September 1, 2011, we acquired YSI Incorporated (“YSI”) for an aggregate purchase price of \$310 million (the “YSI acquisition”). YSI is a leading developer and manufacturer of sensors, instruments, software, and data collection platforms for environmental water monitoring. YSI reported 2010 global revenues of \$101 million and employs 390 people at several facilities in the United States, Europe and Asia. On September 20, 2011 we issued \$1.2 billion aggregate principal amount of notes. See “The Spin-off — Incurrence of Debt” and “Description of Material Indebtedness.”

Other Information

Xylem Inc. was incorporated in Indiana on May 4, 2011. Our principal executive offices are located at 1133 Westchester Avenue, White Plains, New York 10604. Our telephone number is (914) 304-1700.

The Spin-Off

Overview

On January 11, 2011, the Board of Directors of ITT Corporation (“ITT”) approved a plan to spin-off Xylem and Exelis from ITT, following which Xylem and Exelis will be independent, publicly traded companies.

Before our spin-off from ITT, we will enter into a Distribution Agreement and several other agreements with ITT and Exelis related to the spin-off. These agreements will govern the relationship between and among

us, ITT and Exelis after completion of the spin-off and provide for the allocation between us and ITT and Exelis of various assets, liabilities, rights and obligations (including employee benefits, intellectual property, information technology, insurance and tax-related assets and liabilities). These agreements will also govern Xylem's relationship with ITT and Exelis following the spin-off and will provide arrangements for benefits and compensation matters, tax matters, intellectual property matters, insurance matters and other specified liabilities, rights and obligations attributable to periods before and, in some cases, after the spin-off. These agreements will also include arrangements with respect to transitional services to be provided by any of ITT, Xylem or Exelis to any other of them. See "Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off." Additionally, on September 20, 2011 we issued \$1.2 billion aggregate principal amount of senior notes, the net proceeds of which have funded a net cash transfer of approximately \$817 million (the "Contribution") to ITT, with the balance to be used in connection with the YSI acquisition and for general corporate purposes.

The distribution of Xylem common stock as described in this Information Statement is subject to the satisfaction or waiver of certain conditions. In addition, ITT has the right not to complete the spin-off if, at any time prior to the distribution, the Board of Directors of ITT determines, in its sole discretion, that the spin-off is not in the best interests of ITT or its shareholders or other constituents, that a sale or other alternative is in the best interests of ITT or its shareholders or other constituents, or that it is not advisable at that time for Xylem to separate from ITT. See "The Spin-Off — Conditions to the Spin-Off."

Questions and Answers About the Spin-Off

The following provides only a summary of the terms of the spin-off. For a more detailed description of the matters described below, see "The Spin-Off."

Q: *What is the spin-off?*

A: The spin-off is the series of transactions by which Xylem will separate from ITT. To complete the spin-off, ITT will distribute to its shareholders all of the shares of Xylem common stock. We refer to this as the distribution. Following the spin-off, Xylem will be a separate company from ITT, and ITT will not retain any ownership interest in Xylem.

Q: *What will I receive in the spin-off?*

A: As a holder of ITT stock, you will retain your ITT shares and will receive one share of Xylem common stock for each share of ITT common stock you own as of the record date. You will also receive one share of common stock of Exelis Inc. in connection with the concurrent spin-off of that company. Your proportionate interest in ITT will not change as a result of the spin-off. See "The Spin-Off."

Q: *What is Xylem?*

A: Xylem is a world leader in the design, manufacturing, and application of highly engineered technologies for the water industry. Xylem is currently a wholly owned subsidiary of ITT whose shares will be distributed to ITT shareholders if the spin-off is completed. After the spin-off is completed, Xylem will be a public company.

Q: *Why is the separation of Xylem structured as a spin-off?*

A: On January 11, 2011, the Board of Directors of ITT approved a plan to spin off its water-related businesses, which we refer to as ITT's Water business, and its Defense and Information Solutions segment, which we refer to as ITT's Defense business. ITT currently believes a spin-off is the most efficient way to accomplish a separation of the Water business for various reasons, including: (i) a spin-off would be a tax-free distribution of Xylem common stock to shareholders; (ii) a spin-off offers a higher degree of certainty of completion in a timely manner, lessening disruption to current Water business operations; and (iii) a spin-off provides greater assurance that decisions regarding Xylem's capital structure support future financial stability. After consideration of strategic alternatives, including a sale, ITT believes that a tax-free spin-off will enhance the long-term value of both ITT and Xylem. See "The Spin-Off — Reasons for the Spin-Off."

Q: *Can ITT decide to cancel the distribution of the Xylem common shares even if all the conditions have been met?*

A: Yes. The distribution of Xylem common stock is subject to the satisfaction or waiver of certain conditions. See “The Spin-Off — Conditions to the Spin-Off.” ITT has the right not to complete the spin-off if, at any time prior to the distribution, the Board of Directors of ITT determines, in its sole discretion, that the spin-off is not in the best interests of ITT or its shareholders or other constituents, that a sale or other alternative is in the best interests of ITT or its shareholders or other constituents, or that it is not advisable at that time for Xylem to separate from ITT.

Q: *What is being distributed in the spin-off?*

A: Approximately 184 million shares of Xylem common stock will be distributed in the spin-off, based on the number of shares of ITT common stock expected to be outstanding as of [redacted], 2011, the record date. The exact number of shares of Xylem common stock to be distributed will be calculated on the record date, and assuming a distribution ratio of one-to-one. The shares of Xylem common stock to be distributed by ITT will constitute all of the issued and outstanding shares of Xylem common stock immediately prior to the distribution. For more information on the shares being distributed in the spin-off, see “Description of Capital Stock — Common Stock.”

Q: *How will options and stock held by Xylem employees be affected as a result of the spin-off?*

A: At the time of the distribution, the exercise price of and number of shares subject to any outstanding option to purchase ITT stock, as well as the number of shares subject to any restricted stock right or other ITT equity award held by Xylem’s current and former employees on the distribution date, will be adjusted to reflect the value of the distribution such that the intrinsic value of such awards at the time of separation is held constant. In addition, existing performance criteria applicable to such awards will be modified appropriately to reflect the spin-off.

Additionally, Xylem’s current and former employees who hold accounts in the ITT 401(k) Plan on [redacted], 2011 will have their accounts transferred to the Xylem 401(k) Plan, as of [redacted], 2011, including any shares of ITT common stock held in the ITT Stock Fund under the ITT 401(k) Plan. On the distribution date, shares of Xylem common stock (as well as shares of Exelis common stock), based on the distribution ratio for each share of ITT common stock held in such employee’s ITT stock fund account, will be included in a new Xylem stock fund account under the Xylem 401(k) Plan. However, in conformity with the fiduciary responsibility requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”), remaining shares of ITT common stock held in Xylem’s employees’ ITT stock fund accounts following the distribution will be disposed of and allocated to another investment alternative available under the Xylem 401(k) Plan if and when directed by participants, and any such shares remaining as of [redacted], 2012 will be automatically disposed of and the proceeds invested in another such investment alternative (but this will not prohibit diversified, collectively managed investment alternatives available under the Xylem 401(k) Plan from holding ITT common stock or prohibit employees who use self-directed accounts in the Xylem 401(k) Plan from investing their accounts in ITT common stock).

In addition, current and former ITT employees who hold shares of ITT common stock in their ITT 401(k) Plan account as of the record date will receive shares of our common stock (as well as shares of Exelis common stock) in the distribution. Our shares (as well as shares of Exelis common stock) will be included in new, temporary stock funds under the ITT 401(k) Plan. In conformity with the fiduciary responsibility requirements of ERISA, remaining shares of our common stock (as well as shares of Exelis common stock) held in these temporary stock funds following the distribution will be disposed of and allocated to another investment alternative available under the ITT 401(k) Plan when directed by participants, and any such shares remaining as of [redacted], 2012 will be automatically disposed of and the proceeds invested in another such investment alternative (but this will not prohibit diversified, collectively managed investment alternatives available under the ITT 401(k) Plan from holding our common stock or prohibit employees who use self-directed accounts in the ITT 401(k) Plan from investing their accounts in our common stock).

Q: *When is the record date for the distribution?*

A: The record date will be 5:00 p.m., New York time, on _____, 2011.

Q: *When will the distribution occur?*

A: The distribution date of the spin-off is _____, 2011. Xylem expects that it will take the distribution agent, acting on behalf of ITT, up to two weeks after the distribution date to fully distribute the shares of Xylem common stock to ITT shareholders. The ability to trade Xylem shares will not be affected during that time.

Q: *What do I have to do to participate in the spin-off?*

A: Nothing. You are not required to take any action, although you are urged to read this entire document carefully. No shareholder approval of the distribution is required or sought. You are not being asked for a proxy. No action is required on your part to receive your shares of Xylem common stock. You will neither be required to pay anything for the new shares nor be required to surrender any shares of ITT common stock to participate in the spin-off.

Q: *What are ITT's reasons for the spin-off?*

A: ITT's Board of Directors has determined that the spin-off is in the best interests of ITT and its shareholders and other constituents because the spin-off will provide the following key benefits:

- *Greater Strategic Focus of Financial Resources and Management's Efforts.* ITT's Water business represents a discrete portion of ITT's overall businesses. It has historically exhibited different financial and operating characteristics than ITT's other businesses. The spin-off will allow us to better align management's attention, compensation and resources to pursue opportunities in the water technology market and to manage our cost structure more actively.
- *Enhanced Customer Focus.* Both ITT and we believe that, as a unified, commonly managed, stand-alone water technology business, our management will be able to focus solely on the needs of our own customers, without dilution arising from a connection to a larger parent with diverse goals and incentives.
- *Direct and Differentiated Access to Capital Resources.* After the spin-off, we will no longer need to compete with ITT's other businesses for capital resources. As a long-cycle global industrial business with strong global cash flow generation, our business has different financial and operating characteristics from ITT's other businesses.
- *Enhanced Investor Choices by Offering Investment Opportunities in Separate Entities.* After the spin-off, investors should be better able to evaluate our financial performance, as well as our strategy within the context of our markets, thereby enhancing the likelihood that we will achieve an appropriate market valuation.
- *Improved Management Incentive Tools.* It is expected that we will use our equity to compensate current and future employees. In multi-business companies such as ITT, it is difficult to structure incentives that reward managers in a manner directly related to the performance of their respective business units. By granting equity linked to a specific business, equity compensation will be more in line with the financial results of the managers' direct work product. In addition, reducing the conglomerate discount that currently impacts ITT stock may provide our business with a more attractive currency for equity-based compensation.
- *Utilization of Stock as an Acquisition Currency.* Although we are not currently evaluating any acquisitions involving the use of our stock, the spin-off will enable us to use our stock as currency to pursue certain financial and strategic objectives, including tax-free merger transactions. In addition, future strategic transactions with similar businesses will be more easily facilitated through the use of our stand-alone stock as consideration.

ITT's Board of Directors also considered a number of potentially negative factors in evaluating the spin-off, including costs relating to the separation and risks relating to the capital structure of ITT and us following the spin-off. Notwithstanding these costs and risks, however, ITT's Board of Directors determined that the potential benefits of the spin-off outweighed these factors. See "Risk Factors — Risks Relating to the Spin-Off" and "The Spin-Off — Reasons for the Spin-Off."

Q: *What are the U.S. Federal income tax consequences of the spin-off?*

A: The spin-off is conditioned on the receipt by ITT of a ruling (“IRS Ruling”) from the Internal Revenue Service (“IRS”) that, for U.S. Federal income tax purposes, the distribution, together with certain related transactions, will be tax-free to ITT and ITT’s shareholders under Sections 355 and 368(c)(1) of the Internal Revenue Code of 1986 (the “Code”). In addition, the spin-off is conditioned on the receipt of an opinion of tax counsel as to the satisfaction of certain requirements necessary for the distribution, together with certain related transactions, to receive tax-free treatment under Sections 355 and 368(a)(1)(D) of the Code upon which the IRS will not rule. ITT expects to receive such opinion at the time of the consummation of the spin-off. Although ITT has no intention to do, such conditions are solely for the benefit of ITT and may be waived by ITT in its sole discretion. The tax consequences of the distribution are described in more detail under “The Spin-Off — U.S. Federal Income Tax Consequences of the Spin-Off.”

Q: *Will the Xylem common stock be listed on a stock exchange?*

A: Yes. Although there is not currently a public market for Xylem common stock, before completion of the spin-off, Xylem will apply to list its common stock on the New York Stock Exchange (“NYSE”) under the symbol “XYL”. It is anticipated that trading of Xylem common stock will commence on a “when-issued” basis at least two trading days prior to the record date. When-issued trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. When-issued trades generally settle within four trading days after the distribution date. On the first trading day following the distribution date, any when-issued trading with respect to Xylem common stock will end and “regular-way” trading will begin. “Regular-way” trading refers to trading after a security has been issued and typically involves a transaction that settles on the third full trading day following the date of the transaction. See “Trading Market.”

Q: *Will my shares of ITT common stock continue to trade?*

A: Yes. ITT common stock will continue to be listed and trade on the NYSE under the symbol “ITT.”

Q: *If I sell, on or before the distribution date, shares of ITT common stock that I held on the record date, am I still entitled to receive shares of Xylem common stock distributable with respect to the shares of ITT common stock I sold?*

A: Beginning on or shortly before the record date and continuing through the distribution date for the spin-off, ITT’s common stock will begin to trade in two markets on the NYSE: a “regular-way” market and an “ex-distribution” market. If you hold shares of ITT common stock as of the record date for the distribution and choose to sell those shares in the regular-way market after the record date for the distribution and on or before the distribution date, you also will be selling the right to receive the shares of Xylem common stock in connection with the spin-off. However, if you hold shares of ITT common stock as of the record date for the distribution and choose to sell those shares in the ex-distribution market after the record date for the distribution and on or before the distribution date, you will still receive the shares of Xylem common stock in the spin-off.

Q: *Will the spin-off affect the trading price of my ITT stock?*

A: Yes, the trading price of shares of ITT common stock immediately following the distribution is expected to be lower than immediately prior to the distribution because its trading price will no longer reflect the value of the Water and Defense businesses. However, we cannot provide you with any guarantees as to the price at which the ITT shares will trade following the spin-off.

Q: *What indebtedness will Xylem have following the spin-off?*

A: On September 20, 2011, Xylem issued \$1.2 billion aggregate principal amount of senior notes, the net proceeds of which have funded a net cash transfer of approximately \$817 million to ITT, with the balance to be used in connection with the YSI acquisition and for general corporate purposes. See “Description of Material Indebtedness.”

Q: *What is the Contribution?*

A: As part of the internal reorganization, we have funded a net cash transfer of approximately \$817 million to ITT, which is expected to be used to repay outstanding ITT indebtedness. Immediately following the Contribution, we expect that we will have approximately \$200 million in cash and cash equivalents and long-term indebtedness of approximately \$1.2 billion, which, together with the cash generated by our ongoing operations, we believe will provide us with sufficient liquidity and capital resources to meet our cash needs and allow us to finance our operations on acceptable terms and conditions. Exelis is also expected to have approximately \$200 million in cash and cash equivalents and long-term indebtedness of approximately \$890 million, which, together with the cash generated by its ongoing operations, is expected to provide Exelis, which will assume the ITT Salaried Retirement Plan and other postretirement benefit plans from ITT, with sufficient liquidity and capital resources to meet its cash needs and allow Exelis to finance its operations on acceptable terms and conditions. In addition, immediately following the Contribution, ITT is expected to have approximately \$ million in cash and cash equivalents and no long-term indebtedness, which, together with the cash generated by ITT's ongoing operations, is expected to provide ITT, which will have a larger portion of net legacy liabilities, with sufficient liquidity to meet its cash needs and permit ITT to finance its operations on acceptable terms and conditions. Although we believe that the arrangements in place at the time of the distribution will permit us, Exelis and ITT to finance our and their operations on acceptable terms and conditions, our, Exelis's and ITT's access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including credit ratings or absence of a credit rating, the liquidity of the overall capital markets, and the current state of the economy.

Q: *What will be the relationship between ITT and Xylem after the spin-off?*

A: Following the spin-off, Xylem will be an independent, publicly traded company and ITT will have no continuing stock ownership interest in Xylem. Xylem will have entered into a Distribution Agreement with ITT and Exelis and will enter into several other agreements for the purpose of allocating between Xylem, Exelis and ITT various assets, liabilities, rights and obligations (including employee benefits, intellectual property, insurance and tax-related assets and liabilities). These agreements will also govern Xylem's relationship with ITT and Exelis following the spin-off and will provide arrangements for benefits and compensation matters, tax matters, intellectual property matters, insurance matters and other specified liabilities, rights and obligations attributable to periods before and, in some cases, after the spin-off. These agreements will also include arrangements with respect to transitional services to be provided by one or more of ITT, Xylem or Exelis to any other of them. The Distribution Agreement will provide, in general, that Xylem will indemnify ITT and Exelis, as the case may be, against any and all liabilities arising out of Xylem's business as constituted in connection with the spin-offs and any other liabilities and obligations assumed by Xylem, and that ITT and Exelis will indemnify Xylem against any and all liabilities arising out of the businesses of ITT or Exelis, as the case may be, as constituted in connection with the spin-offs and any other liabilities and obligations assumed by ITT or Exelis, respectively.

Q: *What will Xylem's dividend policy be after the spin-off?*

A: Following the distribution, we expect that initially Xylem will pay a dividend, although the timing, declaration, amount and payment of future dividends to our shareholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, industry practice and other business considerations that Xylem's Board of Directors considers relevant from time to time. In addition, the terms of the agreements governing our new debt or debt that we may incur in the future may limit or prohibit the payments of dividends. See "Dividend Policy."

Q: *What are the anti-takeover effects of the spin-off?*

A: Some provisions of the amended and restated articles of incorporation of Xylem and the amended and restated by-laws of Xylem, Indiana law and possibly the agreements governing Xylem's new debt, as each will be in effect immediately following the spin-off, may have the effect of making more difficult an acquisition of

control of Xylem in a transaction not approved by Xylem’s Board of Directors. See “Description of Capital Stock — Provisions of Our Amended and Restated Articles of Incorporation and Amended and Restated By-Laws That Could Delay or Prevent a Change in Control.” In addition, under the Tax Matters Agreement, Xylem will agree not to enter into any transaction for a period of two years following the distribution involving an acquisition (including issuance) of Xylem common stock or any other transaction (or, to the extent Xylem has the right to prohibit it, to permit any such transaction) that could cause the distribution to be taxable to ITT. Xylem will also agree to indemnify ITT for any tax resulting from any such transaction. Generally, ITT will recognize a taxable gain on the distribution if there are one or more acquisitions (including issuances) of Xylem capital stock representing 50% or more of Xylem’s then-outstanding stock, measured by vote or value, and the acquisitions are deemed to be part of a plan or series of related transactions that include the distribution. Any such acquisition of Xylem common stock within two years before or after the distribution (with exceptions, including public trading by less-than-5% shareholders and certain compensatory stock issuances) generally will be presumed to be part of such a plan unless that presumption is rebutted. As a result, Xylem’s obligations may discourage, delay or prevent a change of control of Xylem.

Q: *What are the risks associated with the spin-off?*

A: There are a number of risks associated with the spin-off and ownership of Xylem common stock. These risks are discussed under “Risk Factors.”

Q: *How will the spin-off affect Xylem’s relationship with its customers?*

A: We believe we have well-established relationships with our principal customers. We believe the spin-off will enable us to better focus on those customers and to align our resources with their priorities. As we seek to enter into new contracts with our customers, we expect to continue to provide information to enable them to have ongoing confidence in our management, our workforce and our ability to perform, including our financial stability.

Q: *Where can I get more information?*

A: If you have any questions relating to the mechanics of the distribution, you should contact the distribution agent, The Bank of New York Mellon, at:

ITT Corporation
c/o BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015
Phone: 800 254 2823

Before the spin-off, if you have any questions relating to the spin-off, you should contact ITT at:

ITT Corporation
Investor Relations
Phone: +1 914 641 2030
Email: thomas.scalera@itt.com
www.itt.com

After the spin-off, if you have any questions relating to Xylem, you should contact Xylem at:

Xylem Inc.
Investor Relations
Phone: +1 914 323 5930
Email: Phil.DeSousa@itt.com

Summary of the Spin-Off	
Distributing Company	ITT Corporation, an Indiana corporation. After the distribution, ITT will not own any shares of Xylem common stock.
Distributed Company	ITT Xylem Inc., an Indiana corporation and a wholly owned subsidiary of ITT. After the spin-off, Xylem will be an independent, publicly traded company.
Distributed Securities	All of the shares of Xylem common stock owned by ITT, which will be 100% of Xylem common stock issued and outstanding immediately prior to the distribution.
Record Date	The record date for the distribution is 5:00 p.m., New York time, on , 2011.
Distribution Date	The distribution date is , 2011.
Internal Reorganization	<p>As part of the spin-off, ITT will undergo an internal reorganization, which we refer to as the “internal reorganization,” that will, among other things and subject to limited exceptions:</p> <ul style="list-style-type: none">• allocate and transfer to each of Xylem and Exelis and their respective subsidiaries, as applicable, those assets, and to allocate and assign responsibility for those liabilities, in respect of the activities of the applicable businesses of such entities; and• allocate, transfer and assign, as applicable, those assets and liabilities in respect of other current and former businesses and activities of ITT and its current and former subsidiaries. <p>After completion of the spin-off:</p> <ul style="list-style-type: none">• Xylem will own and operate ITT’s water infrastructure and applied water businesses;• Exelis will own and operate ITT’s command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) electronics and systems, and informational and technical services businesses; and• ITT will own and operate its industrial process, motion technologies, interconnect solutions and control technologies businesses. <p>See “The Spin-Off — Manner of Effecting the Spin-Off — Internal Reorganization.”</p>
Incurrence of Debt	On September 20, 2011, Xylem issued \$1.2 billion aggregate principal amount of senior notes, the net proceeds of which have funded a net cash transfer of approximately \$817 million to ITT, with the balance to be used in connection with the YSI acquisition and for general corporate purposes.
Distribution Ratio	Each holder of ITT common stock will receive one share of Xylem common stock for each share of ITT common stock held on , 2011.
The Distribution	On the distribution date, ITT will release the shares of Xylem common stock to the distribution agent to distribute to ITT shareholders. The distribution of shares will be made in book-entry form, which means that no physical share certificates will be issued. It is

Conditions to the Spin-Off

expected that it will take the distribution agent up to two weeks to issue shares of Xylem common stock to you or to your bank or brokerage firm electronically on your behalf by way of direct registration in book-entry form. Trading of our shares will not be affected during that time. Following the spin-off, shareholders whose shares are held in book-entry form may request that their shares of Xylem common stock be transferred to a brokerage or other account at any time. You will not be required to make any payment, surrender or exchange your shares of ITT common stock, or take any other action to receive your shares of Xylem common stock.

Completion of the spin-off is subject to the satisfaction or waiver by ITT of the following conditions:

- our Registration Statement on Form 10, of which this Information Statement forms a part, shall have been declared effective by the Securities and Exchange Commission (the "SEC"), no stop order suspending the effectiveness thereof shall be in effect, no proceedings for such purpose shall be pending before or threatened by the SEC, and this Information Statement shall have been mailed to the ITT shareholders;
- Xylem common stock shall have been approved for listing on the NYSE, subject to official notice of distribution;
- ITT shall have obtained an opinion from its tax counsel, in form and substance satisfactory to ITT, as to the satisfaction of certain requirements necessary for the distribution, together with certain related transactions, to qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code upon which the IRS will not rule;
- ITT shall have obtained a private letter ruling from the Internal Revenue Service, in form and substance satisfactory to ITT, and such ruling shall remain in effect as of the distribution date, to the effect, among other things, that the distribution, together with certain related transactions, will qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code;
- the Board of Directors of ITT shall have obtained opinions from a nationally recognized valuation firm, in form and substance satisfactory to ITT, with respect to the capital adequacy and solvency of each of ITT, Exelis and Xylem;
- ITT shall have obtained all government approvals and other consents necessary to consummate the distribution;
- no order, injunction or decree issued by any governmental entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of all or any portion of the distribution shall be pending, threatened, issued or in effect, and no other event outside the control of ITT shall have occurred or failed to occur that prevents the consummation of all or any portion of the distribution;

- no other events or developments shall have occurred or failed to occur that, in the judgment of the Board of Directors of ITT, would result in the distribution having a material adverse effect on ITT or its shareholders;
- the financing transactions described in this Information Statement as having occurred prior to the distribution shall have been consummated on or prior to the distribution;
- the internal reorganization shall have been completed, except for such steps as ITT in its sole discretion shall have determined may be completed after the distribution date;
- ITT shall have taken all necessary action, in the judgment of the Board of Directors of ITT, to cause the Board of Directors of Xylem to consist of the individuals identified in this Information Statement as directors of Xylem;
- ITT shall have taken all necessary action, in the judgment of the Board of Directors of ITT, to cause the officers of Xylem to be the individuals identified as such in this Information Statement;
- ITT shall have caused all its employees and any employees of its subsidiaries (excluding any employees of any of Xylem and its subsidiaries after the internal reorganization (the “Xylem Group”)) to resign, effective as of the distribution date, from all positions as officers or directors of any member of the Xylem Group in which they serve, and Xylem shall have caused all its employees and any employees of its subsidiaries to resign, effective as of the distribution date, from all positions as officers or directors of any of ITT, Exelis or any of their respective subsidiaries after the internal reorganization, in which they serve;
- all necessary actions shall have been taken to adopt the form of amended and restated articles of incorporation and amended and restated by-laws filed by Xylem with the SEC as exhibits to the Registration Statement on Form 10, of which this Information Statement forms a part;
- in the event the distribution is for any reason postponed more than one hundred twenty days after the date of the Distribution Agreement, the Board of Directors of ITT shall have redetermined, as of such postponed distribution date, that the distribution satisfies the requirements of Indiana Business Corporation Law governing distributions;
- the Board of Directors of ITT shall have approved the distribution, which approval may be given or withheld at its absolute and sole discretion; and
- each of the Distribution Agreement, the Tax Matters Agreement, the Benefits and Compensation Matters Agreement, the Intellectual Property License Agreements, the Master Transition Services Agreement and the other ancillary agreements shall have been executed by each party.

Completion of the spin-off of Exelis will be subject to similar conditions as those listed above. The fulfillment of the foregoing

	<p>conditions will not create any obligation on ITT’s part to effect the spin-off. We are not aware of any material federal, foreign or state regulatory requirements that must be complied with or any material approvals that must be obtained, other than compliance with SEC rules and regulations, the receipt of a private letter ruling from the Internal Revenue Service, approval for listing on the NYSE and the declaration of effectiveness of the Registration Statement on Form 10 by the SEC, in connection with the distribution. ITT has the right not to complete the spin-off if, at any time prior to the distribution, the Board of Directors of ITT determines, in its sole discretion, that the spin-off is not then in the best interests of ITT or its shareholders or other constituents, that a sale or other alternative is in the best interests of ITT or its shareholders or other constituents, or that it is not advisable for Xylem to separate from ITT at that time. For more information, see “The Spin-Off — Conditions to the Spin-Off.”</p>
Trading Market and Symbol	<p>We intend to file an application to list Xylem common stock on the NYSE under the ticker symbol “XYL”. We anticipate that, at least two trading days prior to the record date, trading of shares of Xylem common stock will begin on a “when-issued” basis and will continue up to and including the distribution date, and we expect “regular-way” trading of Xylem common stock will begin the first trading day after the distribution date. We also anticipate that, at least two trading days prior to the record date, there will be two markets in ITT common stock: a regular-way market on which shares of ITT common stock will trade with an entitlement for the purchaser of ITT common stock to shares of Xylem common stock to be distributed pursuant to the distribution, and an “ex-distribution” market on which shares of ITT common stock will trade without an entitlement for the purchaser of ITT common stock to shares of Xylem common stock. For more information, see “Trading Market.”</p>
Tax Consequences	<p>As a condition to the spin-off, ITT will receive an IRS Ruling stating that ITT and ITT’s shareholders will not recognize any taxable income, gain or loss for U.S. Federal income tax purposes as a result of the spin-off. In addition, the spin-off is conditioned on the receipt of an opinion of tax counsel as to the satisfaction of certain requirements necessary for the spin-off to receive tax-free treatment upon which the IRS will not rule. See “The Spin-Off — U.S. Federal Income Tax Consequences of the Spin-Off.”</p> <p>Each shareholder is urged to consult his, her or its tax advisor as to the specific tax consequences of the spin-off to such shareholder, including the effect of any state, local or non-U.S. tax laws and of changes in applicable tax laws.</p>
Relationship with ITT after the Spin-Off	<p>We will enter into a Distribution Agreement and other agreements with ITT and Exelis related to the spin-off. These agreements will govern the relationship between us, Exelis and ITT after completion of the spin-off and provide for the allocation between us, Exelis and ITT of various assets, liabilities, rights and obligations (including employee benefits, intellectual property, insurance and</p>

	<p>tax-related assets and liabilities). The Distribution Agreement will provide for the allocation of assets and liabilities among ITT, Exelis and Xylem and will establish the rights and obligations between and among the parties following the distribution. We intend to enter into one or more Transition Services Agreements with ITT and Exelis pursuant to which certain services will be provided on an interim basis following the distribution. We also intend to enter into a Benefits and Compensation Matters Agreement that will set forth the agreements between us, Exelis and ITT concerning certain employee compensation and benefit matters. Further, we intend to enter into a Tax Matters Agreement with Exelis and ITT regarding the sharing of taxes incurred before and after completion of the spin-off, certain indemnification rights with respect to tax matters and certain restrictions to preserve the tax-free status of the spin-off. In addition, to facilitate the ongoing use of various intellectual property, we intend to enter into a Technology License Agreement that will provide for certain reciprocal licensing arrangements with ITT and Exelis and certain trademark license agreements with ITT. We describe these arrangements in greater detail under “Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off,” and describe some of the risks of these arrangements under “Risk Factors — Risks Relating to the Spin-Off.”</p>
Dividend Policy	<p>Following the distribution, we expect that initially Xylem will pay a dividend, although, the timing, declaration, amount and payment of future dividends to our shareholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that Xylem’s Board of Directors considers relevant. In addition, the terms of the agreements governing our new debt or debt that we may incur in the future may limit or prohibit the payments of dividends. See “Dividend Policy.”</p>
Transfer Agent	<p>The Bank of New York Mellon</p>
Risk Factors	<p>We face both general and specific risks and uncertainties relating to our business, our relationship with ITT and Exelis and our being an independent, publicly traded company. We also are subject to risks relating to the spin-off. You should carefully read the risk factors set forth in the section entitled “Risk Factors” in this Information Statement.</p>

Summary Historical and Unaudited Pro Forma Condensed Combined Financial Data

The following table presents the summary historical condensed combined financial data for Xylem. The condensed combined statement of operations data for each of the years in the three-year period ended December 31, 2010 and the condensed combined balance sheet data as of December 31, 2010 and 2009 set forth below are derived from Xylem’s audited combined financial statements included in this Information Statement. The condensed combined financial data for the six months ended June 30, 2011 and 2010 are derived from Xylem’s unaudited condensed combined financial statements included in this Information Statement. The condensed combined balance sheet data as of December 31, 2008 is derived from Xylem’s unaudited combined financial statements that are not included in this Information Statement. The unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and, in the opinion of our management, include all adjustments necessary for a fair presentation of the information set forth herein.

The summary unaudited pro forma condensed combined financial data for the six months ended June 30, 2011 and the year ended December 31, 2010 have been prepared to reflect the acquisition of Godwin Pumps on August 3, 2010 and the spin-off, including: (i) the distribution of Xylem common stock by ITT to its shareholders; (ii) the incurrence of indebtedness in an amount estimated at \$890 million and the making of the \$817 million Contribution, with the balance to be used for general corporate purposes; and (iii) the impact of the transactions contemplated by the Tax Matters Agreement. The unaudited pro forma condensed combined income statement data presented for the six months ended June 30, 2011 and the year ended December 31, 2010 assumes the spin-off occurred on January 1, 2010. The unaudited pro forma condensed combined balance sheet data assumes the spin-off occurred on June 30, 2011. The summary unaudited pro forma condensed combined financial data do not give effect to the YSI acquisition or the \$310 million of indebtedness incurred in connection with the YSI acquisition, because such acquisition is not considered significant. The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information and we believe such assumptions are reasonable under the circumstances.

The unaudited pro forma condensed combined financial statements are not necessarily indicative of our results of operations or financial condition had the distribution and our anticipated post-spin-off capital structure been completed on the dates assumed. Also, they may not reflect the results of operations or financial condition that would have resulted had we been operating as an independent, publicly traded company during such periods. In addition, they are not necessarily indicative of our future results of operations or financial condition.

You should read this summary financial data together with “Unaudited Pro Forma Condensed Combined Financial Statements,” “Capitalization,” “Selected Historical Condensed Combined Financial and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the condensed combined financial statements and accompanying notes included in this Information Statement.

	As of and for Six Months Ended June 30			As of and for Year Ended December 31			
	Pro Forma			Pro Forma			
	2011	2011	2010	2010	2010	2009	2008
	(In millions)						
Net sales	\$ 1,861	\$ 1,861	\$ 1,461	\$ 3,347	\$ 3,202	\$ 2,849	\$ 3,291
Operating income	237	216	170	407	388	276	315
Net income	151	150	141	314	329	263	224
Total assets	4,074	3,949	2,873	N/A*	3,735	2,535	2,543
Long-term debt (including capital lease obligations)	894	4	4	N/A*	4	4	2

*N/A = Not applicable

RISK FACTORS

You should carefully consider each of the following risks, which we believe are the principal risks that we face and of which we are currently aware, and all of the other information in this Information Statement. Some of the risks described below relate to our business, while others relate to the spin-off. Other risks relate principally to the securities markets and ownership of our common stock.

Should any of the following risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially and adversely affected, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks Relating to Our Business

We face the following risks in connection with the general conditions and trends of the industry in which we operate:

Demand for our products and services is significantly affected by U.S. and European economic conditions.

We compete around the world in various geographic and product markets. In 2010, 35% and 39% of our total sales were to customers located in the United States and Europe, respectively. We expect sales into these markets to be significant for the foreseeable future. Important factors impacting our businesses include the overall strength of these economies and our customers' confidence in both local and global macro economic conditions; industrial and federal, state, local and municipal governmental spending; the strength of the residential and commercial real estate markets; interest rates; availability of commercial financing for our customers and end-users; and unemployment rates. A slowdown or downturn in these financial or macro economic conditions could have a significant adverse effect on our business, financial condition, results of operations and cash flow.

We have experienced and expect to continue to experience fluctuations in revenues and operating results due to economic and business cycles, particularly within the portion of our business that provides products and services used in residential and commercial buildings. We believe our level of business activity is influenced by residential and commercial building starts, and renovations, which are heavily influenced by interest rates, consumer debt levels, changes in disposable income, employment growth and consumer confidence. Credit market conditions greatly affect the ability of residential and commercial builders to obtain the necessary capital to complete and begin new projects. We closely monitor the credit worthiness of our customers, and evaluate their financial ability to pay for those products and services we provide to them. As it relates to our customers' ability to pay for products and services, we have not experienced any significant negative impact as a result of the recent economic downturn. If market conditions worsen, it may result in the delay or cancellation of orders from our customers or potential customers and adversely affect our revenues and our ability to manage inventory levels, collect customer receivables and maintain current levels of profitability.

Economic and other risks associated with international sales and operations could adversely affect our business.

In 2010, 65% of our total sales was to customers outside the United States. We expect our international operations and export sales to continue to be a significant portion of our revenue. Both our sales from international operations and export sales are subject in varying degrees to risks inherent to doing business outside the United States. These risks include the following:

- Possibility of unfavorable circumstances arising from host country laws or regulations;
- Currency exchange rate fluctuations and restrictions on currency repatriation;
- Potential negative consequences from changes to taxation policies;
- The disruption of operations from labor and political disturbances;

- Changes in tariff and trade barriers and import and export licensing requirements; and
- Insurrection or war.

Following the spin-off, we expect that a majority of our cash will continue to be generated by our foreign subsidiaries and repatriation of that cash to the United States may be inefficient from a tax perspective. Any payment of distributions, loans or advances to us by our foreign subsidiaries could be subject to restrictions on, or taxation of, dividends on repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate. In addition to the general risks that we face outside the United States, we now conduct more of our operations in emerging markets than we have in the past, which could involve additional uncertainties for us, including risks that governments may impose limitations on our ability to repatriate funds; governments may impose withholding or other taxes on remittances and other payments to us, or the amount of any such taxes may increase; an outbreak or escalation of any insurrection or armed conflict may occur; governments may seek to nationalize our assets; or governments may impose or increase investment barriers or other restrictions affecting our business. In addition, emerging markets pose other uncertainties, including the protection of our intellectual property, pressure on the pricing of our products, and risks of political instability. We cannot predict the impact such future, largely unforeseeable events might have on our business, financial condition, results of operations and cash flow.

Failure to compete successfully in our markets could adversely affect our business.

We provide products and services into competitive markets. We believe the principal points of competition in our markets are product performance, reliability and innovation, application expertise, brand reputation, energy efficiency, product life cycle cost, timeliness of delivery, proximity of service centers, effectiveness of our distribution channels and price. Maintaining and improving our competitive position will require continued investment by us in manufacturing, research and development, engineering, marketing, customer service and support, and our distribution networks. We may not be successful in maintaining our competitive position. Our competitors may develop products that are superior to our products, or may develop more efficient or effective methods of providing products and services or may adapt more quickly than we do to new technologies or evolving customer requirements. Pricing pressures also could cause us to adjust the prices of certain products to stay competitive. We may not be able to compete successfully with our existing or new competitors. Failure to continue competing successfully could adversely affect our business, financial condition, results of operations and cash flow.

Our strategy includes acquisitions, and we may not be able to make acquisitions of suitable candidates or integrate acquisitions successfully.

Our historical growth has included acquisitions. As part of our growth strategy, we plan to pursue the acquisition of other companies, assets and product lines that either complement or expand our existing business. We cannot assure you, however, that we will be able to identify suitable candidates successfully, negotiate appropriate acquisition terms, obtain financing that may be needed to consummate those acquisitions, complete proposed acquisitions, successfully integrate acquired businesses into our existing operations or expand into new markets. In addition, we cannot assure you that any acquisition, once successfully integrated, will perform as planned, be accretive to earnings, or prove to be beneficial to our operations or cash flow.

Acquisitions involve a number of risks and present financial, managerial and operational challenges, including: diversion of management attention from existing businesses and operations; integration of technology, operations personnel, and financial and other systems; potentially insufficient internal controls over financial activities or financial reporting at an acquired entity that could impact us on a combined basis; the failure to realize expected synergies; the possibility that we have acquired substantial undisclosed liabilities; and the loss of key employees of the acquired businesses.

Our business could be adversely affected by the inability of suppliers to meet delivery requirements.

Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. Parts and raw materials commonly used in our products include motors, fabricated parts, castings, bearings, seals, nickel, copper, aluminum, and plastics. We are exposed to the availability of these materials, which may be subject to curtailment or change due to, among other things, interruptions in production by suppliers, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, changes in exchange rates and prevailing price levels, ability to meet regulatory requirements, weather emergencies or acts of war or terrorism. Any delay in our suppliers' abilities to provide us with necessary materials could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our business could be adversely affected by inflation and other manufacturing and operating cost increases.

Our operating costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, energy and related utilities, freight, and cost of labor. In order to remain competitive, we may not be able to recuperate all or a portion of these higher costs from our customers through product price increases. Further, our ability to realize financial benefits from Six Sigma and Lean projects may not be able to mitigate fully or in part these manufacturing and operating cost increases and, as a result, could negatively impact our profitability.

Our business could be adversely affected by significant movements in foreign currency exchange rates.

With 65% of our total sales to customers outside the United States for the year ended December 31, 2010, we are exposed to fluctuations in foreign currency exchange rates, particularly with respect to the Euro, Swedish Krona, British Pound, Australian Dollar, Canadian Dollar, Polish Zloty, and Hungarian Forint. Any significant change in the value of currencies of the countries in which we do business relative to the value of the U.S. Dollar could affect our ability to sell products competitively and control our cost structure, which could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Long-lived assets, including goodwill and other intangible assets, represent a significant portion of our assets and any impairment of these assets could negatively impact our results of operations.

At December 31, 2010, our long-lived assets, including goodwill and other intangible assets, were approximately \$2.3 billion, net of accumulated amortization, which represented approximately 64% of our total assets. Goodwill and indefinite-lived intangible assets are tested for impairment on an annual basis, or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We also review the carrying value of finite-lived tangible and intangible assets for impairment when impairment indicators arise. We estimate the fair value of reporting units used in the goodwill impairment test and indefinite-lived intangible assets using an income approach, and as a result the fair value measurements depend on revenue growth rates, future operating margin assumptions, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions, and identification of appropriate market comparable data. Because of the significance of our long-lived assets, including goodwill and other intangible assets, any future impairment of these assets could have a material adverse effect on our results of operations and financial condition.

Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation could result in fines, criminal penalties and an adverse effect on our business.

We operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take action determined to be in violation of such anti-corruption laws, including

the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act of 2010 and others. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

We may be negatively impacted by litigation and regulatory proceedings.

We are subject to laws, regulations and potential liability relating to claims, complaints and proceedings, including those related to antitrust, environmental, product, and other matters.

We are subject to various laws, ordinances, regulations and other requirements of government authorities in foreign countries and in the United States, any violations of which could potentially create a substantial liability for us, and also could cause harm to our reputation. Changes in laws, ordinances, regulations or other government policies, the nature, timing, and effect of which are uncertain, may significantly increase our expenses and liabilities.

From time to time, we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings seek remedies relating to environmental matters, product liability, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. We may become subject to significant claims of which we are currently unaware, or the claims of which we are aware may result in our incurring a significantly greater liability than we anticipate or can estimate. Additionally, we may receive fines or penalties or be required to change or cease operations at one or more facilities if a regulatory agency determines that we have failed to comply with laws, regulations or orders applicable to our business.

Changes in our effective tax rates may adversely affect our financial results.

We sell our products in more than 140 countries and approximately 65% of our revenues were generated outside the United States in 2010. Given the global nature of our business, a number of factors may increase our future effective tax rates, including:

- our decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes;
- the jurisdictions in which profits are determined to be earned and taxed;
- sustainability of historical income tax rates in the jurisdictions in which we conduct business;
- the resolution of issues arising from tax audits with various tax authorities; and
- changes in the valuation of our deferred tax assets and liabilities, and changes in deferred tax valuation allowances.

Any significant increase in our future effective tax rates could reduce net income for future periods.

Our business could be adversely affected by interruptions in information technology, communications networks and operations.

Our business operations rely on information technology and communications networks, and operations that are vulnerable to damage or disturbance from a variety of sources. Regardless of protection measures, essentially all systems are susceptible to disruption due to failure, vandalism, computer viruses, security breaches, natural disasters, power outages and other events. We also have a concentration of operations on certain sites, e.g. production, and shared services centers, where business interruptions could cause material damage and costs. Transport of goods from suppliers, and to customers, could also be hampered for the reasons stated above. Although we have assessed these risks, implemented controls, and performed business continuity planning, we cannot be sure that interruptions with material adverse effects will not occur.

Weather conditions may adversely affect our financial results.

Since a number of our products are used to provide water within irrigation applications (Goulds, Flowtronex and Lowara products) or used to extract water in flooding conditions (Godwin products), the demand for these products is impacted by the weather. For example, our organic revenue growth in 2010 was partially offset by unfavorable weather conditions in North America, which negatively impacted our sales of irrigation applications. Given the unpredictable nature of weather conditions, this may result in volatility for certain portions of our business as well as the operations of certain of our customers and suppliers.

The level of returns on postretirement benefit plan assets, changes in interest rates and other factors could affect our earnings and cash flows in future periods.

Certain members of our current and retired employee population are covered by pension and other employee-related defined benefit plans (collectively, postretirement benefit plans). We may experience significant fluctuations in costs related to our postretirement benefit plans as a result of macro-economic factors, such as interest rates, that are beyond our control. The cost of our postretirement plans is incurred over long periods of time and involves factors and uncertainties during those periods which can be volatile and unpredictable, including rates of return on postretirement benefit plan assets, discount rates used to calculate liabilities and expenses and rates of future compensation increases. Management develops each assumption using relevant plan and Company experience and expectations in conjunction with market-related data. Our liquidity, financial position, including shareholders' equity, and results of operations could be materially affected by significant changes in key economic indicators, actuarial experience, financial market volatility, future legislation and other governmental regulatory actions.

We make contributions to fund our postretirement benefit plans when considered necessary or advantageous to do so. The macro-economic factors discussed above, including the return on postretirement benefit plan assets and the minimum funding requirements established by local government funding or taxing authorities, or established by other agreement, may influence future funding requirements. A significant decline in the fair value of our plan assets, or other adverse changes to our overall pension and other employee-related benefit plans could require us to make significant funding contributions and affect cash flows in future periods.

Unforeseen environmental issues could impact our financial position, results of operations, or cash flows.

Our operations are subject to and affected by many federal, state, local and foreign environmental laws and regulations. In addition, we could be affected by future environmental laws or regulations, including, for example, those imposed in response to climate change concerns. Compliance with current and future environmental laws and regulations currently requires and is expected to continue to require operating and capital expenditures.

Environmental laws and regulations may authorize substantial fines and criminal sanctions as well as facility shutdowns to address violations, and may require the installation of costly pollution control equipment or operational changes to limit emissions or discharges. We also incur, and expect to continue to incur, costs to comply with current environmental laws and regulations related to remediation of conditions in the environment.

Developments such as the adoption of new environmental laws and regulations, stricter enforcement of existing laws and regulations, violations by us of such laws and regulations, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our inability to recover costs associated with any such developments, or financial insolvency of other responsible parties could in the future have a material adverse effect on our financial position, results of operations, or cash flows.

Risks Relating to the Spin-Off

We face the following risks in connection with the spin-off:

We may incur greater costs as an independent company than we did when we were part of ITT.

As a current part of ITT, we take advantage of ITT's size and purchasing power in procuring certain goods and services such as insurance and health care benefits, and technology such as computer software licenses. We also rely on ITT to provide various corporate functions. After the spin-off, as a separate, independent entity, we may be unable to obtain these goods, services and technologies at prices or on terms as favorable to us as those we obtained prior to the distribution. We may also incur costs for functions previously performed by ITT that are higher than the amounts reflected in our historical financial statements, which could cause our profitability to decrease.

We expect to incur new indebtedness at or prior to consummation of the spin-off, and the degree to which we will be leveraged following completion of the spin-off may have a material adverse effect on our business, financial condition or results of operations.

We have historically relied upon ITT for working capital requirements on a short-term basis and for other financial support functions. After the spin-off, we will not be able to rely on the earnings, assets or cash flow of ITT, and we will be responsible for servicing our own debt, and obtaining and maintaining sufficient working capital. In connection with the spin-off, in September 2011 we raised indebtedness of \$1.2 billion, of which \$600 million aggregate principal amount of 3.55% Senior Notes will mature on September 20, 2016 and \$600 million aggregate principal amount of 4.875% Senior Notes will mature on October 1, 2021, the net proceeds of which have funded a net cash transfer of approximately \$817 million to ITT, with the balance to be used in connection with the YSI acquisition and for general corporate purposes. In addition, on or about the distribution date, a Credit Facility with revolving credit availability of \$600 million (which includes a \$100 million sublimit on letters of credit) will become effective. It is anticipated that this credit facility will be undrawn at the time of the spin-off. Given the smaller relative size of the company as compared to ITT, after the spin-off we may incur higher debt servicing costs on the new indebtedness than we would have incurred otherwise as a subsidiary of ITT or not have access to other less expensive sources of capital from short-term debt markets.

Our ability to make payments on and to refinance our indebtedness, including the debt incurred pursuant to the spin-off as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are not able to repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (ii) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in the water technology industry could be impaired. The lenders who hold such debt could also accelerate amounts due, which could potentially trigger a default or acceleration of any of our other debt.

We may be unable to achieve some or all of the benefits that we expect to achieve from the spin-off.

As an independent, publicly traded company, we believe that our business will benefit from, among other things, (i) greater strategic focus of financial resources and management's efforts, (ii) enhanced customer focus, (iii) direct and differentiated access to capital resources, (iv) enhanced investor choices by offering investment opportunities in a separate entity from ITT, (v) improved management incentive tools, and (vi) utilization of stock as an acquisition currency. However, by separating from ITT, we may be more susceptible to market fluctuations and other adverse events than we would have been were we still a part of ITT. In addition, we may not be able to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all.

We may increase our debt or raise additional capital in the future, which could affect our financial health, and may decrease our profitability.

We may increase our debt or raise additional capital in the future, subject to restrictions in our debt agreements. If our cash flow from operations is less than we anticipate, or if our cash requirements are more than we expect, we may require more financing. However, debt or equity financing may not be available to us on terms acceptable to us, if at all. If we incur additional debt or raise equity through the issuance of our preferred stock, the terms of the debt or our preferred stock issued may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on our operations than we currently have. If we raise funds through the issuance of additional equity, your percentage ownership in us would decline. If we are unable to raise additional capital when needed, it could affect our financial health, which could negatively affect your investment in us. Also, regardless of the terms of our debt or equity financing, the amount of our stock that we can issue may be limited because the issuance of our stock may cause the distribution to be a taxable event for ITT under Section 355(e) of the Code, and under the Tax Matters Agreement, we could be required to indemnify ITT for that tax. See “— We may be responsible for U.S. Federal income tax liabilities that relate to the distribution.”

We may be responsible for U.S. Federal income tax liabilities that relate to the distribution.

We have received an IRS Ruling stating that ITT and its shareholders will not recognize any taxable income, gain or loss for U.S. Federal income tax purposes as a result of the spin-off, and we expect the IRS Ruling to remain in effect as of the date of the spin-off. In addition, the spin-off is conditioned on the receipt of an opinion of tax counsel as to the satisfaction of certain requirements necessary for the spin-off to receive tax-free treatment upon which the IRS will not rule. Receipt of the IRS Ruling and opinion of counsel will satisfy a condition to completion of the spin-off. See “The Spin-Off — U.S. Federal Income Tax Consequences of the Spin-Off.” The IRS Ruling, while generally binding upon the IRS, will be based on certain factual statements and representations. If any such factual statements or representations were incomplete or untrue in any material respect, or if the facts on which the IRS Ruling will be based are materially different from the facts at the time of the spin-off, the IRS could modify or revoke the IRS Ruling retroactively.

As discussed above, certain requirements for tax-free treatment that are not covered in the IRS Ruling will be addressed in the opinion of counsel. An opinion of counsel is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion. Like the IRS Ruling, the opinion will be based on certain factual statements and representations, which, if incomplete or untrue in any material respect, could alter counsel’s conclusions.

ITT is not aware of any facts or circumstances that would cause any such factual statements or representations in the IRS Ruling or the legal opinion to be incomplete or untrue or cause the facts on which the IRS Ruling is based, or the legal opinion will be based, to be materially different from the facts at the time of the spin-off.

If all or a portion of the spin-off does not qualify as a tax-free transaction because any of the factual statements or representations in the IRS Ruling or the legal opinion are incomplete or untrue, or because the facts upon which the IRS Ruling is based are materially different from the facts at the time of the spin-off, ITT would recognize a substantial gain for U.S. Federal income tax purposes. In such case, under U.S. Treasury regulations each member of the ITT consolidated group at the time of the spin-off (including us and our subsidiaries) would be severally liable for the resulting entire amount of any U.S. Federal income tax liability.

Even if the spin-off otherwise qualifies as a tax-free transaction for U.S. Federal income tax purposes, the distribution will be taxable to ITT (but not to ITT shareholders) pursuant to Section 355(e) of the Code if there are one or more acquisitions (including issuances) of the stock of either us or ITT, representing 50% or more, measured by vote or value, of the then-outstanding stock of either corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the distribution. Any acquisition of our common stock within two years before or after the distribution (with exceptions, including public trading by less-than-5% shareholders and certain compensatory stock issuances) generally will be

presumed to be part of such a plan unless that presumption is rebutted. The tax liability resulting from the application of Section 355(e) would be substantial. In addition, under U.S. Treasury regulations, each member of the ITT consolidated group at the time of the spin-off (including us and our subsidiaries) would be severally liable for the resulting U.S. Federal income tax liability.

We will agree not to enter into any transaction that could cause any portion of the spin-off to be taxable to ITT, including under Section 355(e). Pursuant to the Tax Matters Agreement, we will also agree to indemnify ITT and Exelis for any tax liabilities resulting from such transactions, and ITT and Exelis will agree to indemnify us for any tax liabilities resulting from such transactions entered into by ITT or Exelis. These obligations may discourage, delay or prevent a change of control of our company. For additional detail, see “Description of Capital Stock — Provisions of Our Amended and Restated Articles of Incorporation and Amended and Restated By-Laws That Could Delay or Prevent a Change in Control” and “Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off — Tax Matters Agreement.”

Our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the distribution.

Our financial results previously were included within the consolidated results of ITT, and we believe that our financial reporting and internal controls were appropriate for those of subsidiaries of a public company. However, we were not directly subject to the reporting and other requirements of the Exchange Act. As a result of the distribution, we will be directly subject to reporting and other obligations under the Exchange Act. Beginning with our Annual Report on Form 10-K for the year ending December 31, 2012, we will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) which will require annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations may place significant demands on our management, administrative and operational resources, including accounting systems and resources.

The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. Under the Sarbanes-Oxley Act, we are required to maintain effective disclosure controls and procedures and internal controls over financial reporting. To comply with these requirements, we may need to upgrade our systems; implement additional financial and management controls, reporting systems and procedures; and hire additional accounting and finance staff. We expect to incur additional annual expenses for the purpose of addressing these requirements, and those expenses may be significant. If we are unable to upgrade our financial and management controls, reporting systems, information technology systems and procedures in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our financial condition, results of operations or cash flows.

We do not have a recent operating history as an independent company and our historical financial information may not be a reliable indicator of our future results.

The historical financial information we have included in this Information Statement has been derived from ITT’s consolidated financial statements and does not necessarily reflect what our financial position, results of operations and cash flows would have been as a separate, stand-alone entity during the periods presented. ITT did not account for us, and we were not operated, as a single stand-alone entity or segment for the periods presented. In addition, the historical information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future. For example, following the spin-off, changes will occur in our cost structure, funding and operations, including changes in our tax structure, increased costs associated with reduced economies of scale and increased costs associated with becoming a public, stand-alone company. While we have been profitable as part of ITT, we cannot assure you that as a stand-alone company our profits will continue at a similar level.

Our customers, prospective customers and suppliers will need assurances that our financial stability on a stand-alone basis is sufficient to satisfy their requirements for doing or continuing to do business with them.

Some of our customers, prospective customers, and suppliers will need assurances that our financial stability on a stand-alone basis is sufficient to satisfy their requirements for doing or continuing to do business with them. If our customers, prospective customers or suppliers are not satisfied with our financial stability, it could have a material adverse effect on our ability to bid for and obtain or retain projects, our business, financial condition or results of operations.

The spin-off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.

The spin-off could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor or an entity vested with the power of such creditor (such as a trustee or debtor-in-possession in a bankruptcy) could claim that the spin-off left ITT insolvent or with unreasonably small capital or that ITT intended or believed it would incur debts beyond its ability to pay such debts as they mature and that ITT did not receive fair consideration or reasonably equivalent value in the spin-off. If a court were to agree with such a plaintiff, then such court could void the spin-off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning our assets or your shares in our company to ITT, voiding our liens and claims against ITT, or providing ITT with a claim for money damages against us in an amount equal to the difference between the consideration received by ITT and the fair market value of our company at the time of the spin-off.

The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction's law is applied. Generally, however, an entity would be considered insolvent if either the fair saleable value of its assets is less than the amount of its liabilities (including the probable amount of contingent liabilities), or it is unlikely to be able to pay its liabilities as they become due. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that ITT was solvent at the time of or after giving effect to the spin-off, including the distribution of our common stock.

The distribution by ITT of the Xylem common stock in the spin-off could also be challenged under state corporate distribution statutes. Under the Indiana Business Corporation Law (the "Indiana Corporation Law"), a corporation may not make distributions to its shareholders if, after giving effect to the distribution, (i) the corporation would not be able to pay its debts as they become due in the usual course of business; or (ii) the corporation's total assets would be less than the sum of its total liabilities. No assurance can be given that a court will not later determine that the distribution by ITT of Xylem common stock in the spin-off was unlawful.

Under the Distribution Agreement, from and after the spin-off, we will be responsible for the debts, liabilities and other obligations related to the business or businesses which we own and operate following the consummation of the spin-off. Although we do not expect to be liable for any of these or other obligations not expressly assumed by us pursuant to the Distribution Agreement, it is possible that we could be required to assume responsibility for certain obligations retained by ITT or Exelis should ITT or Exelis fail to pay or perform its retained obligations (for example, tax, asbestos and/or environmental liabilities). See "Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off — Distribution Agreement."

We may have been able to receive better terms from unaffiliated third parties than the terms we receive in our agreements related to the spin-off.

We expect that the agreements related to the spin-off, including the Distribution Agreement, Benefits and Compensation Matters Agreement, Technology License Agreement, Tax Matters Agreement, Master Transition Services Agreement and any other agreements, will be negotiated in the context of our separation from ITT while we are still part of ITT. Accordingly, these agreements may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated third parties. The terms of the agreements being negotiated

in the context of our separation are related to, among other things, allocations of assets, liabilities, rights, indemnifications and other obligations among ITT, Exelis and us. We may have received better terms under the agreements related to the spin-off from third parties because third parties may have competed with each other to win our business. See “Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off.”

Risks Relating to Our Common Stock

You face the following risks in connection with ownership of our common stock:

There is no existing market for our common stock and we cannot be certain that an active trading market will develop or be sustained after the spin-off, and following the spin-off, our stock price may fluctuate significantly.

There currently is no public market for our common stock. We intend to list our common stock on the NYSE. See “Trading Market.” It is anticipated that before the distribution date for the spin-off, trading of shares of our common stock will begin on a “when-issued” basis and such trading will continue up to and including the distribution date. However, there can be no assurance that an active trading market for our common stock will develop as a result of the spin-off or be sustained in the future. The lack of an active market may make it more difficult for you to sell our common stock and could lead to the price of our common stock being depressed or more volatile. We cannot predict the prices at which our common stock may trade after the spin-off. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- the sale of our shares by some ITT shareholders after the distribution because our business profile and market capitalization may not fit their investment objectives;
- actual or anticipated fluctuations in our operating results due to factors related to our business;
- success or failure of our business strategy;
- our quarterly or annual earnings, or those of other companies in our industry;
- our ability to obtain financing as needed;
- announcements by us or our competitors of significant new business awards;
- announcements by us or our competitors of significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover our common stock after the spin-off;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our company and the water technology industry;
- natural or environmental disasters that investors believe may affect us;
- overall market fluctuations;
- fluctuations in the budget of federal, state and local governmental entities around the world;
- results from any material litigation or government investigation;
- changes in laws and regulations affecting our business; and
- general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock.

Substantial sales of our common stock may occur in connection with the spin-off, which could cause the price of our common stock to decline.

The shares of our common stock that ITT distributes to its shareholders generally may be sold immediately in the public market. It is possible that some ITT shareholders, which could include some of our larger shareholders, will sell our common stock received in the distribution if, for reasons such as our business profile or market capitalization as an independent company, we do not fit their investment objectives, or — in the case of index funds — we are not a participant in the index in which they are investing. The sales of significant amounts of our common stock or the perception in the market that this will occur may reduce the market price of our common stock.

We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock.

Following the distribution, we expect that initially Xylem will pay a dividend, although the timing, declaration, amount and payment of future dividends to our shareholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that Xylem’s Board of Directors considers relevant. In addition, the terms of the agreements governing our new debt or debt that we may incur in the future may limit or prohibit the payments of dividends. See “Dividend Policy.” There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence the payment of dividends. There can also be no assurance that the combined annual dividends on ITT common stock, Exelis common stock and our common stock after the spin-off, if any, will be equal to the annual dividends on ITT common stock prior to the spin-off.

Additionally, indebtedness that we expect to incur in connection with the spin-off could have important consequences for holders of our common stock. If we cannot generate sufficient cash flow from operations to meet our debt-payment obligations, then our ability to pay dividends, if so determined by the Board of Directors, will be impaired and we may be required to attempt to restructure or refinance our debt, raise additional capital or take other actions such as selling assets, reducing or delaying capital expenditures or reducing our dividend. There can be no assurance, however, that any such actions could be effected on satisfactory terms, if at all, or would be permitted by the terms of our new debt or our other credit and contractual arrangements.

Anti-takeover provisions in our organizational documents and Indiana law could delay or prevent a change in control.

Prior to completion of the spin-off, we will adopt the amended and restated articles of incorporation and the amended restated by-laws. Certain provisions of the amended and restated articles of incorporation and the amended and restated by-laws may delay or prevent a merger or acquisition that a shareholder may consider favorable. For example, the amended and restated articles of incorporation and the amended and restated by-laws, among other things, provide for a classified board and require advance notice for shareholder proposals and nominations, do not permit shareholders to convene special meetings and do not permit action by written consent of the shareholders. In addition, the amended and restated articles of incorporation authorizes our Board of Directors to issue one or more series of preferred stock. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price. Indiana law also imposes some restrictions on mergers and other business combinations between any holder of 10% or more of our outstanding common stock and us as well as certain restrictions on the voting rights of “control shares” of an “issuing public corporation.” See “Description of Capital Stock.”

[Table of Contents](#)

Under the Tax Matters Agreement, we will agree not to enter into any transaction involving an acquisition (including issuance) of Xylem common stock or any other transaction (or, to the extent we have the right to prohibit it, to permit any such transaction) that could cause the distribution to be taxable to ITT. We will also agree to indemnify ITT for any tax resulting from any such transactions. Generally, ITT will recognize taxable gain on the distribution if there are one or more acquisitions (including issuances) of our capital stock, directly or indirectly, representing 50% or more, measured by vote or value, of our then-outstanding capital stock, and the acquisitions or issuances are deemed to be part of a plan or series of related transactions that include the distribution. Any such shares of our common stock acquired, directly or indirectly, within two years before or after the distribution (with exceptions, including public trading by less-than-5% shareholders and certain compensatory stock issuances) will generally be presumed to be part of such a plan unless that presumption is rebutted. As a result, our obligations may discourage, delay or prevent a change of control of our company.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Information Statement, including in the sections entitled “Summary,” “Risk Factors,” “Questions and Answers About the Spin-Off,” “The Spin-Off,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, benefits resulting from our separation from ITT, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “might,” “should,” “could” or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements in this Information Statement. We do not have any intention or obligation to update forward-looking statements after we distribute this Information Statement.

The risk factors discussed in “Risk Factors” could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

THE SPIN-OFF

Background

On January 11, 2011, the Board of Directors of ITT approved a plan to spin-off Xylem and Exelis from ITT, following which Xylem and Exelis will be independent, publicly traded companies. Immediately prior to the spin-off, ITT will effect an internal reorganization in order to properly align the appropriate businesses within each of the Xylem and Exelis parent companies.

To complete the spin-off, ITT will, following the internal reorganization, distribute to its shareholders all of the shares of our common stock and the common stock of Exelis. The distribution will occur on the distribution date, which is expected to be _____, 2011. Each holder of ITT common stock will receive one share of our common stock, and one share of Exelis common stock, for each share of ITT common stock held on _____, 2011, the record date. After completion of the spin-off:

- we will be an independent, publicly traded company (NYSE: XYL), and will own and operate ITT's water infrastructure and applied water businesses;
- Exelis will be an independent, publicly traded company (NYSE: XLS) and will own and operate ITT's C4ISR electronics and systems, and informational and technical services businesses; and
- ITT will continue to be an independent, publicly traded company (NYSE: ITT) and will continue to own and operate its industrial process, motion technologies, interconnect solutions and control technologies businesses.

Each holder of ITT common stock will continue to hold his, her or its shares in ITT. No vote of ITT's shareholders is required or is being sought in connection with the spin-off, and ITT's shareholders will not have any appraisal rights in connection with the spin-off, including the internal reorganization.

The distribution of our common stock as described in this Information Statement is subject to the satisfaction or waiver of certain conditions. In addition, ITT has the right not to complete the spin-off if, at any time prior to the distribution, the Board of Directors of ITT determines, in its sole discretion, that the spin-off is not then in the best interests of ITT or its shareholders or other constituents, that a sale or other alternative is in the best interests of ITT or its shareholders or other constituents, or that it is not advisable for us to separate from ITT at that time. See "— Conditions to the Spin-Off."

Reasons for the Spin-Off

ITT's Board of Directors has determined that the spin-off is in the best interests of ITT and its shareholders because the spin-off will provide the following key benefits: (i) greater strategic focus of financial resources and management's efforts, (ii) enhanced customer focus, (iii) direct and differentiated access to capital resources, (iv) enhanced investor choices by offering investment opportunities in separate entities, (v) improved management incentive tools, and (vi) utilization of stock as an acquisition currency.

Greater Strategic Focus of Financial Resources and Management's Efforts. ITT's Water business represents a discrete portion of ITT's overall business. It has historically exhibited different financial and operating characteristics than ITT's other businesses. In particular, the Defense business is generally characterized by cycles that are comparatively lengthy relative to those of the Water business and ITT's Industrial Process, Motion Technologies, Interconnect Solutions and Control Technologies businesses, which necessitates different capital expenditure and acquisition strategies than would be otherwise employed. ITT's and our management believe that ITT's management resources would be more efficiently utilized if ITT's management concentrated solely on its Industrial Process, Motion Technologies, Interconnect Solutions and Control Technologies businesses, that Exelis's management resources would be more efficiently utilized if its management concentrated solely on the Defense business, and that our management resources would be more efficiently utilized if our management concentrated solely on the Water business. Consequently, ITT has determined that its current structure may not be the most effective to design and implement the distinct strategies necessary to operate in a manner that maximizes the long-term value of each company.

Both ITT and we expect to have better use of management and financial resources as a result of having board and management teams solely focused on their respective businesses. The spin-off will allow us to better align management's attention, compensation and resources to pursue opportunities in the water technology market and to manage our cost structure more actively. ITT and Exelis will similarly benefit from their respective management's ability to focus on the management and operation of their respective businesses.

Enhanced Customer Focus. Both ITT and we believe that, as a unified, commonly managed, stand-alone water technology business, our management will be able to focus solely on the needs of our own customers, without dilution arising from a connection to a larger parent with tangential goals and incentives.

Direct and Differentiated Access to Capital Resources. After the spin-off, we will no longer need to compete with ITT's other businesses for capital resources. As a long-cycle global industrial business with strong global cash flow generation, our business has different financial and operating characteristics from ITT's other businesses. Both ITT and we believe that direct and differentiated access to capital resources will allow each of us to better optimize the amounts and terms of the capital needed for each of the respective businesses, aligning financial and operational characteristics with investor and market expectations. ITT's management also believes that, as a separate entity, we will have ready access to capital because we will attract investors who are interested in the characteristics of the Water business.

Enhanced Investor Choices by Offering Investment Opportunities in Separate Entities. After the spin-off, investors should be better able to evaluate our financial performance, as well as our strategy within the context of our markets, thereby enhancing the likelihood that we will achieve an appropriate market valuation. ITT's management and financial advisors believe that the investment characteristics of the Water business may appeal to different types of investors. As a result of the spin-off, our management should be able to implement goals and evaluate strategic opportunities in light of investor expectations within our specialties without undue attention to investor expectations in other specialties. In addition, we should be able to focus our public relations efforts on cultivating our own separate identity.

Improved Management Incentive Tools. It is expected that we will use our equity to compensate current and future employees. In multi-business companies such as ITT, it is difficult to structure incentives that reward managers in a manner directly related to the performance of their respective business units. By granting stock linked to a specific business, equity compensation will be more in line with the financial results of the managers' direct work product. As a result, the incentives offered by the compensation plan will be less diluted. In addition, reducing the conglomerate discount that currently impacts ITT stock may provide each business with a more attractive currency for equity-based compensation.

Utilization of Stock as an Acquisition Currency. Although we are not currently evaluating any acquisitions involving the use of our stock, the spin-off will enable us to use our stock as currency to pursue certain financial and strategic objectives, including tax-free merger transactions. In addition, future strategic transactions with similar businesses will be more easily facilitated through the use of our stand-alone stock as consideration.

ITT's Board of Directors also considered a number of potentially negative factors in evaluating the spin-off, including the following:

- *The decreased capital available for investment:* The Company has historically relied upon ITT for working capital requirements on a short-term basis and for other financial support functions. After the spin-off, the Company will not be able to rely on the earnings, assets or cash flow of ITT, and the Company will be responsible for servicing its own debt, and obtaining and maintaining sufficient working capital.
- *The loss of synergies from operating as one company:* As a current part of ITT, the Company takes advantage of ITT's size and purchasing power in procuring certain goods and services such as insurance and health care benefits, and technology such as computer software licenses. After the spin-off, as a separate, independent entity, the Company may be unable to obtain these goods, services and technologies at prices or on terms as favorable to us as those the Company obtained prior to the distribution. The Company may also incur costs for functions previously performed by ITT that are higher than the amounts reflected in the Company's historical financial statements, which could cause the Company's profitability to decrease.

- *Potential disruptions to the businesses as a result of the spin-off:* Some of the Company's customers, prospective customers, and suppliers will need assurances that its financial stability on a stand-alone basis is sufficient to satisfy their requirements for doing or continuing to do business with them. If the Company's customers, prospective customers or suppliers are not satisfied with the Company's financial stability, it could have a material adverse effect on the Company's ability to bid for and obtain or retain projects, the Company's business, financial condition or results of operations.
- *The potential effect of the spin-off on the anticipated credit ratings of the separated companies and risks associated with refinancing ITT's debt:* Given the smaller relative size of the Company as compared to ITT, after the spin-off the Company may incur higher debt servicing costs on the new indebtedness than it would have incurred otherwise as a subsidiary of ITT or not have access to other less expensive sources of capital from short-term debt markets.
- *Risks of being unable to achieve the benefits expected from the spin-off:* By separating from ITT, the Company may be more susceptible to market fluctuations and other adverse events than the Company would have been were it still a part of ITT; actual or anticipated fluctuations in the Company's operating results due to factors related to the Company's business; competitive pressures by new or existing competitors of the Company; and investor perception of the company and its industry, among others.
- *The reaction of ITT's shareholders to the spin-off:* The market price of the Company's common stock may fluctuate widely, depending on many factors, some of which may be beyond the Company's control, including the sale of its shares by some ITT shareholders after the distribution because the Company's business profile and market capitalization may not fit their investment objectives.
- *The risk that the plan of execution might not be completed and the one-time and ongoing costs of the spin-off:* There are risks and uncertainties relating to the execution of the spin-off, including the timing and certainty of the completion of the internal reorganization prior to the distribution. In addition, the Company will incur costs in connection with the transition to being a stand-alone public company that relate primarily to accounting, tax and other professional costs; compensation, such as modifications to certain bonus awards, upon completion of the separation; relocation costs; recruiting and relocation costs associated with hiring key senior management personnel new to the Company; costs related to establishing a new brand in the marketplace; and costs to separate information systems.

Notwithstanding these costs and risks, however, ITT's Board of Directors determined that the potential benefits of the spin-off outweighed these factors.

Manner of Effecting the Spin-Off

The general terms and conditions relating to the spin-off will be set forth in a Distribution Agreement among us, ITT and Exelis.

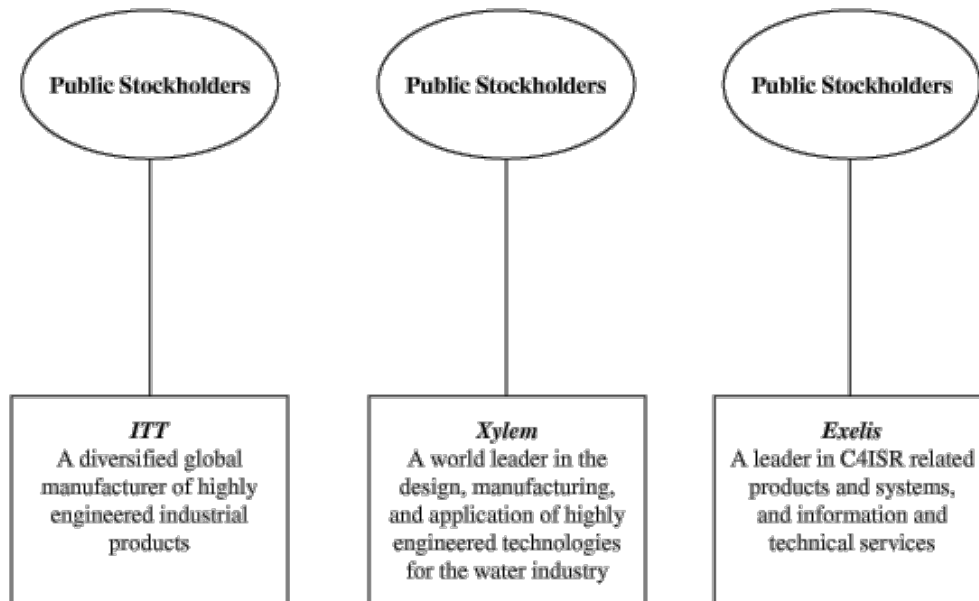
Internal Reorganization

As part of the spin-off, ITT will undergo an internal reorganization that will, among other things and subject to limited exceptions: (i) allocate and transfer to each of Xylem and Exelis and their respective subsidiaries, as applicable, those assets, and to allocate and assign responsibility for those liabilities, in respect of the activities of the applicable businesses of such entities and (ii) allocate, transfer and assign, as applicable, those assets and liabilities in respect of other current and former businesses and activities of ITT and its current and former subsidiaries.

Distribution of Shares of Our Common Stock

Under the Distribution Agreement, the distribution will be effective as of 12:01 a.m., New York time, on _____, 2011, the distribution date. As a result of the spin-off, on the distribution date, each holder of ITT common stock will receive _____ shares of our common stock for each share of ITT common stock that he, she or it owns. In order to receive shares of our common stock in the spin-off, an ITT shareholder must be a shareholder at 5:00 p.m., New York time, on _____, 2011, the record date.

Following completion of the spin-off, ITT Corporation's global platform will include ITT's Industrial Process business, as well as its Motion Technologies, Interconnect Solutions and Control Technologies businesses; Xylem will be formed through the combination of three of ITT's businesses: Residential & Commercial Water, Flow Control and Water & Wastewater (including biological, filtration and disinfection treatment and analytics); and Exelis will comprise ITT's existing Defense and Information Solutions segment. The diagram below shows the structure, simplified for illustrative purposes only, of ITT, Xylem and Exelis after completion of the spin-off:



On the distribution date, ITT will release the shares of our common stock (as well as the Exelis common stock) to our distribution agent to distribute to ITT shareholders. For most of these ITT shareholders, our distribution agent will credit their shares of our common stock to book-entry accounts established to hold their shares of our common stock. Our distribution agent will send these shareholders, including any ITT shareholder that holds physical share certificates of ITT common stock and is the registered holder of such shares of ITT common stock represented by those certificates on the record date, a statement reflecting their ownership of our common stock and Exelis common stock. Book-entry refers to a method of recording stock ownership in our records in which no physical certificates are used. For shareholders who own ITT common stock through a broker or other nominee, their shares of our common stock will be credited to these shareholders' accounts by the broker or other nominee. It is expected that it will take the distribution agent up to two weeks to issue shares of our common stock to ITT shareholders or their bank or brokerage firm electronically by way of direct registration in book-entry form. Trading of our stock will not be affected by this delay in issuance by the distribution agent. Following the spin-off, shareholders whose shares are held in book-entry form may request that their shares of our common stock be transferred to a brokerage or other account at any time.

ITT shareholders will not be required to make any payment or surrender or exchange their shares of ITT common stock or take any other action to receive their shares of our common stock. No vote of ITT shareholders is required or sought in connection with the spin-off, including the internal reorganization, and ITT shareholders have no appraisal rights in connection with the spin-off.

U.S. Federal Income Tax Consequences of the Spin-Off

As a condition to the spin-off, ITT will receive the IRS Ruling substantially to the effect that, among other things, the distribution, together with certain related transactions, will qualify under Sections 355 and 368(a)(1)(D) of the Code as a tax-free spin-off to the holders of ITT common stock and will be tax-free to ITT. In addition, the spin-off is conditioned on the receipt of an opinion of tax counsel as to the satisfaction of certain requirements necessary for the distribution, together with certain related transactions, to receive tax-free treatment under Sections 355 and 368(a)(1)(D) of the Code upon which the IRS will not rule. Assuming the distribution qualifies under Section 355 of the Code as tax-free:

- no gain or loss will be recognized by, and no amount will be included in the income of, holders of ITT common stock upon their receipt of shares of our common stock (as well as Exelis common stock) in the distribution;
- the basis of ITT common stock immediately before the distribution will be allocated between the ITT common stock, the Exelis common stock and our common stock received in the distribution, in proportion with relative fair market values at the time of the distribution;
- the holding period of the Exelis common stock and our common stock received by each ITT shareholder will include the period during which the shareholder held the ITT common stock on which the distribution is made, provided that the ITT common stock is held as a capital asset on the distribution date; and
- no gain or loss will be recognized by ITT upon the distribution of our common stock.

U.S. Treasury regulations require certain shareholders that receive stock in a spin-off to attach to their respective U.S. Federal income tax returns, for the year in which the spin-off occurs, a detailed statement setting forth certain information relating to the spin-off. Shortly after the distribution, ITT will provide shareholders who receive our common stock in the distribution with the information necessary to comply with that requirement, as well as information to help shareholders allocate their stock basis between their ITT common stock, the Exelis common stock and the Xylem common stock.

The IRS Ruling and the opinion of counsel will be conditioned on the truthfulness and completeness of certain factual statements and representations provided by ITT and us. If those factual statements and representations are incomplete or untrue in any material respect, the IRS Ruling could become inoperative and counsel's conclusions may be altered. ITT and we have reviewed the statements of fact and representations on which the IRS Ruling is, and the opinion of counsel will be, based, and neither ITT nor we are aware of any facts or circumstances that would cause any of the statements of fact or representations to be incomplete or untrue. Each of ITT, Exelis and us have agreed to some restrictions on our future actions to provide further assurance that the distribution will qualify as a tax-free distribution under Section 355 of the Code.

As discussed above, certain requirements for tax-free treatment that are not covered in the IRS Ruling will be addressed in the opinion of counsel. An opinion of counsel is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion.

If the distribution does not qualify under Section 355 of the Code, each holder of ITT common stock receiving our common stock in the distribution would be treated as receiving a taxable distribution in an amount equal to the fair market value of our common stock received, which would result in:

- a taxable dividend to the extent of the shareholder's pro rata share of ITT's current and accumulated earnings and profits;
- a reduction in the shareholder's basis in ITT common stock to the extent the amount received exceeds such shareholder's share of earnings and profits;

- taxable gain from the exchange of ITT common stock to the extent the amount received exceeds both the shareholder's share of earnings and profits and the shareholder's basis in ITT common stock; and
- basis in our stock equal to its fair market value on the date of the distribution.

Under certain circumstances, ITT would recognize taxable gain on the distribution. These circumstances would include the following:

- the distribution does not qualify as tax-free under Section 355 of the Code; and
- there are one or more acquisitions (including issuances) of either our stock, the stock of Exelis, or the stock of ITT, representing 50% or more, measured by vote or value, of the then-outstanding stock of that corporation, and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the distribution. Any such acquisition of our stock, the stock of Exelis, or the stock of ITT within two years before or after the distribution (with exceptions, including public trading by less-than-5% shareholders and certain compensatory stock issuances) generally will be presumed to be part of such a plan unless that presumption is rebutted.

The amount of such gain would result in a significant federal income tax liability to ITT.

We will agree to indemnify ITT for any tax liabilities of ITT resulting from the distribution under certain circumstances. Our obligation to indemnify ITT may discourage, delay or prevent a change of control of our company. In addition, under U.S. Treasury regulations, each member of the ITT consolidated tax return group at the time of the spin-off (including us and our subsidiaries) would be severally liable to the IRS for such tax liability. The resulting tax liability may have a material adverse effect on both our and ITT's business, financial condition, results of operations or cash flows.

The preceding summary of certain anticipated U.S. Federal income tax consequences of the spin-off is for general informational purposes only. ITT shareholders should consult their own tax advisors as to the specific tax consequences of the spin-off to them, including the application and effect of state, local or non-U.S. tax laws and of changes in applicable tax laws.

Results of the Spin-Off

After the spin-off, we will be an independent, publicly traded company. Immediately following the spin-off, we expect to have approximately holders of shares of our common stock and approximately 184 million shares of our common stock outstanding, based on the number of shareholders and outstanding shares of ITT common stock on , 2011. The figures assume no exercise of outstanding options and exclude shares of ITT common stock held directly or indirectly by ITT, if any. The actual number of shares to be distributed will be determined on the record date and will reflect any exercise of ITT options between the date the ITT Board of Directors declares the dividend for the distribution and the record date for the distribution.

For information regarding options to purchase shares of our common stock that will be outstanding after the distribution, see "Capitalization," "Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off — Benefits and Compensation Matters Agreement" and "Management."

Before the spin-off, we will enter into several agreements with ITT to effect the spin-off and provide a framework for our relationship with ITT and Exelis after the spin-off. These agreements will govern the relationship between us, Exelis and ITT after completion of the spin-off and provide for the allocation between us, Exelis and ITT of ITT's assets, liabilities, rights and obligations. See "Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off."

Trading Prior to the Distribution Date

It is anticipated that, at least two trading days prior to the record date and continuing up to and including the distribution date, there will be a "when-issued" market in our common stock. When-issued trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The

when-issued trading market will be a market for shares of our common stock that will be distributed to ITT shareholders on the distribution date. Any ITT shareholder who owns shares of ITT common stock at the close of business on the record date will be entitled to shares of our common stock distributed in the spin-off. ITT shareholders may trade this entitlement to shares of our common stock, without the shares of ITT common stock they own, on the when-issued market. On the first trading day following the distribution date, we expect when-issued trading with respect to our common stock will end and “regular-way” trading will begin. See “Trading Market.”

Following the distribution date, we expect shares of our common stock to be listed on the NYSE under the ticker symbol “XYL”. We will announce the when-issued ticker symbol when and if it becomes available.

It is also anticipated that, at least two trading days prior to the record date and continuing up to and including the distribution date, there will be two markets in ITT common stock: a “regular-way” market and an “ex-distribution” market. Shares of ITT common stock that trade on the regular-way market will trade with an entitlement to shares of our common stock (as well as shares of Exelis common stock) distributed pursuant to the distribution. Shares that trade on the ex-distribution market will trade without an entitlement to shares of our common stock (as well as shares of Exelis common stock) distributed pursuant to the distribution. Therefore, if shares of ITT common stock are sold in the regular-way market up to and including the distribution date, the selling shareholder’s right to receive shares of our common stock (as well as shares of Exelis common stock) in the distribution will be sold as well. However, if ITT shareholders own shares of ITT common stock at the close of business on the record date and sell those shares on the ex-distribution market up to and including the distribution date, the selling shareholders will still receive the shares of our common stock (as well as shares of Exelis common stock) that they would otherwise receive pursuant to the distribution. See “Trading Market.”

Treatment of 401(k) Shares for Current and Former Employees

Our Employees Invested in the ITT Stock Fund of the ITT 401(k) Plan.

Our current and former employees who hold accounts in the ITT 401(k) Plan on _____, 2011 will have their accounts transferred to the Xylem 401(k) Plan, as of _____, 2011, including any shares of ITT common stock held in the ITT Stock Fund under the ITT 401(k) Plan. On the distribution date, shares of our common stock (as well as shares of Exelis common stock), based on the distribution ratio for each share of ITT common stock held in such employee’s ITT stock fund account, will be included in a new Xylem stock fund account under the Xylem 401(k) Plan. However, in conformity with the fiduciary responsibility requirements of ERISA, remaining shares of ITT common stock held in our employees’ ITT stock fund accounts following the distribution will be disposed of and allocated to another investment alternative available under the Xylem 401(k) Plan if and when directed by participants, and any such shares remaining as of _____, 2012 will be automatically disposed of and the proceeds invested in another such investment alternative (but this will not prohibit diversified, collectively managed investment alternatives available under the Xylem 401(k) Plan from holding ITT common stock or prohibit employees who use self-directed accounts in the Xylem 401(k) Plan from investing their accounts in ITT common stock).

ITT Employees Invested in the ITT Stock Fund of the ITT 401(k) Plan.

Current and former ITT employees who hold shares of ITT common stock in their ITT 401(k) Plan account as of the record date will receive shares of our common stock (as well as shares of Exelis common stock) in the distribution. Our shares (as well as shares of Exelis common stock) will be included in new, temporary stock funds under the ITT 401(k) Plan. In conformity with the fiduciary responsibility requirements of ERISA, remaining shares of our common stock (as well as shares of Exelis common stock) held in these temporary stock funds following the distribution will be disposed of and allocated to another investment alternative available under the ITT 401(k) Plan when directed by participants, and any such shares remaining as of _____, 2012 will be automatically disposed of and the proceeds invested in another such investment alternative (but this will not prohibit diversified, collectively managed investment alternatives available under

the ITT 401(k) Plan from holding our common stock or prohibit employees who use self-directed accounts in the ITT 401(k) Plan from investing their accounts in our common stock).

Incurrence of Debt

On September 20, 2011, Xylem issued \$1.2 billion aggregate principal amount of senior notes, the net proceeds of which have funded a net cash transfer of approximately \$817 million to ITT, with the balance to be used in connection with the YSI acquisition and for general corporate purposes. See “Description of Material Indebtedness.”

Conditions to the Spin-Off

We expect that the spin-off will be effective as of 12:01 a.m., New York time, on _____, 2011, the distribution date, provided that the following conditions shall have been satisfied or waived by ITT:

- our Registration Statement on Form 10, of which this Information Statement forms a part, shall have been declared effective by the Securities and Exchange Commission (the “SEC”), no stop order suspending the effectiveness thereof shall be in effect, no proceedings for such purpose shall be pending before or threatened by the SEC, and this Information Statement shall have been mailed to the ITT shareholders;
- Xylem common stock shall have been approved for listing on the NYSE, subject to official notice of distribution;
- ITT shall have obtained an opinion from its tax counsel, in form and substance satisfactory to ITT, as to the satisfaction of certain requirements necessary for the distribution, together with certain related transactions, to qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code upon which the IRS will not rule;
- ITT shall have obtained a private letter ruling from the Internal Revenue Service, in form and substance satisfactory to ITT, and such ruling shall remain in effect as of the distribution date, to the effect, among other things, that the distribution, together with certain related transactions, will qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code;
- the Board of Directors of ITT shall have obtained opinions from a nationally recognized valuation firm, in form and substance satisfactory to ITT, with respect to the capital adequacy and solvency of each of ITT, Exelis and Xylem;
- ITT shall have obtained all government approvals and other consents necessary to consummate the distribution;
- no order, injunction or decree issued by any governmental entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of all or any portion of the distribution shall be pending, threatened, issued or in effect, and no other event outside the control of ITT shall have occurred or failed to occur that prevents the consummation of all or any portion of the distribution;
- no other events or developments shall have occurred or failed to occur that, in the judgment of the Board of Directors of ITT, would result in the distribution having a material adverse effect on ITT or its shareholders;
- the financing transactions described in this Information Statement as having occurred prior to the distribution shall have been consummated on or prior to the distribution;
- the internal reorganization shall have been completed, except for such steps as ITT in its sole discretion shall have determined may be completed after the distribution date;
- ITT shall have taken all necessary action, in the judgment of the Board of Directors of ITT, to cause the Board of Directors of Xylem to consist of the individuals identified in this Information Statement as directors of Xylem;

[Table of Contents](#)

- ITT shall have taken all necessary action, in the judgment of the Board of Directors of ITT, to cause the officers of Xylem to be the individuals identified as such in this Information Statement;
- ITT shall have caused all its employees and any employees of its subsidiaries (excluding any employees of any of Xylem and its subsidiaries after the internal reorganization (the “Xylem Group”)) to resign, effective as of the distribution date, from all positions as officers or directors of any member of the Xylem Group in which they serve, and Xylem shall have caused all its employees and any employees of its subsidiaries to resign, effective as of the distribution date, from all positions as officers or directors of any of ITT, Exelis or any of their respective subsidiaries after the internal reorganization, in which they serve;
- all necessary actions shall have been taken to adopt the form of amended and restated articles of incorporation and amended and restated by-laws filed by Xylem with the SEC as exhibits to the Registration Statement on Form 10, of which this Information Statement forms a part;
- in the event the distribution is for any reason postponed more than one hundred twenty days after the date of the Distribution Agreement, the Board of Directors of ITT shall have redetermined, as of such postponed distribution date, that the distribution satisfies the requirements of Indiana Business Corporation Law governing distributions;
- the Board of Directors of ITT shall have approved the distribution, which approval may be given or withheld at its absolute and sole discretion; and
- each of the Distribution Agreement, the Tax Matters Agreement, the Benefits and Compensation Matters Agreement, the Intellectual Property License Agreements, the Master Transition Services Agreement and the other ancillary agreements shall have been executed by each party.

Completion of the spin-off of Exelis will be subject to similar conditions as those listed above. The fulfillment of the foregoing conditions will not create any obligation on ITT’s part to effect the spin-off. We are not aware of any material federal, foreign or state regulatory requirements that must be complied with or any material approvals that must be obtained, other than compliance with SEC rules and regulations, the receipt of a private letter ruling from the Internal Revenue Service, approval for listing on the NYSE and the declaration of effectiveness of the Registration Statement on Form 10 by the SEC, in connection with the distribution. ITT has the right not to complete the spin-off if, at any time prior to the distribution, the Board of Directors of ITT determines, in its sole discretion, that the spin-off is not then in the best interests of ITT or its shareholders or other constituents, that a sale or other alternative is in the best interests of ITT or its shareholders or other constituents or that it is not advisable for Xylem to separate from ITT at that time.

Reason for Furnishing this Information Statement

This Information Statement is being furnished solely to provide information to ITT’s shareholders that are entitled to receive shares of our common stock in the spin-off. This Information Statement is not, and is not to be construed as, an inducement or encouragement to buy, hold or sell any of our securities. We believe that the information in this Information Statement is accurate as of the date set forth on the cover. Changes may occur after that date and neither ITT nor we undertake any obligation to update the information except in the normal course of our respective public disclosure obligations.

TRADING MARKET

Market for Our Common Stock

There has been no public market for our common stock. An active trading market may not develop or may not be sustained. We anticipate that trading of our common stock will commence on a “when-issued” basis at least two trading days prior to the record date and continue through the distribution date. When-issued trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. When-issued trades generally settle within four trading days after the distribution date. If you own shares of ITT common stock at the close of business on the record date, you will be entitled to shares of our common stock (as well as shares of Exelis common stock) distributed pursuant to the spin-off. You may trade this entitlement to shares of our common stock, without the shares of ITT common stock you own, on the when-issued market. On the first trading day following the distribution date, any when-issued trading with respect to our common stock will end and “regular-way” trading will begin. We intend to list our common stock on the NYSE under the ticker symbol “XYL”. We will announce our when-issued trading symbol when and if it becomes available.

It is also anticipated that, at least two trading days prior to the record date and continuing up to and including the distribution date, there will be two markets in ITT common stock: a “regular-way” market and an “ex-distribution” market. Shares of ITT common stock that trade on the regular-way market will trade with an entitlement to shares of our common stock (as well as shares of Exelis common stock) distributed pursuant to the distribution. Shares that trade on the ex-distribution market will trade without an entitlement to shares of our common stock (as well as shares of Exelis common stock) distributed pursuant to the distribution. Therefore, if you sell shares of ITT common stock in the regular-way market up to and including the distribution date, you will be selling your right to receive shares of our common stock (as well as shares of Exelis common stock) in the distribution. However, if you own shares of ITT common stock at the close of business on the record date and sell those shares on the ex-distribution market up to and including the distribution date, you will still receive the shares of our common stock (as well as shares of Exelis common stock) that you would otherwise receive pursuant to the distribution.

We cannot predict the prices at which our common stock may trade before the spin-off on a “when-issued” basis or after the spin-off. Those prices will be determined by the marketplace. Prices at which trading in our common stock occurs may fluctuate significantly. Those prices may be influenced by many factors, including anticipated or actual fluctuations in our operating results or those of other companies in our industry, investor perception of our company and the water technology industry, market fluctuations and general economic conditions. In addition, the stock market in general has experienced extreme price and volume fluctuations that have affected the performance of many stocks and that have often been unrelated or disproportionate to the operating performance of these companies. These are just some factors that may adversely affect the market price of our common stock. See “Risk Factors — Risks Relating to Our Common Stock.”

Transferability of Shares of Our Common Stock

On June 30, 2011, ITT had approximately 184 million shares of its common stock issued and outstanding. Based on this number, we expect that upon completion of the spin-off, we will have approximately 184 million shares of common stock issued and outstanding. The shares of our common stock that you will receive in the distribution will be freely transferable, unless you are considered an “affiliate” of ours under Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”). Persons who can be considered our affiliates after the spin-off generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, us and may include certain of our officers and directors. As of the distribution date, we estimate that our directors and officers will beneficially own _____ shares of our common stock. In addition, individuals who are affiliates of ITT on the distribution date may be deemed to be affiliates of ours. Our affiliates may sell shares of our common stock received in the distribution only:

- under a registration statement that the SEC has declared effective under the Securities Act; or

[Table of Contents](#)

- under an exemption from registration under the Securities Act, such as the exemption afforded by Rule 144.

In general, under Rule 144 as currently in effect, an affiliate will be entitled to sell, within any three-month period commencing 90 days after the date that the registration statement of which this Information Statement is a part is declared effective, a number of shares of our common stock that does not exceed the greater of:

- 1.0% of our common stock then outstanding; or
- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also subject to restrictions relating to manner of sale and the availability of current public information about us.

In the future, we may adopt new stock option and other equity-based compensation plans and issue options to purchase shares of our common stock and other stock-based awards. We currently expect to file a registration statement under the Securities Act to register shares to be issued under these stock plans. Shares issued pursuant to awards after the effective date of the registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act.

Except for our common stock distributed in the distribution, none of our equity securities will be outstanding immediately after the spin-off and there are no registration rights agreements existing with respect to our common stock.

DIVIDEND POLICY

Following the distribution, we expect that initially Xylem will pay a dividend, although the timing, declaration, amount and payment of future dividends to our shareholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that Xylem's Board of Directors considers relevant. In addition, the terms of the agreements governing our new debt or debt that we may incur in the future may limit or prohibit the payments of dividends. There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence the payment of dividends. There can also be no assurance that the combined annual dividends on ITT common stock, Exelis common stock and our common stock after the spin-off, if any, will be equal to the annual dividends on ITT common stock prior to the spin-off.

CAPITALIZATION

The following table presents Xylem's historical capitalization at June 30, 2011 and our pro forma capitalization at that date reflecting the spin-off and the related transactions and events described in the notes to our unaudited pro forma condensed combined balance sheet as if the spin-off and the related transactions and events, including our financing transaction, had occurred on June 30, 2011. The capitalization table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Xylem's historical combined financial statements, our unaudited pro forma condensed combined financial statements and the notes to those financial statements included in this Information Statement.

We are providing the capitalization table below for informational purposes only. It should not be construed to be indicative of our capitalization or financial condition had the spin-off and the related transactions and events been completed on the date assumed. The capitalization table below may not reflect the capitalization or financial condition that would have resulted had we been operated as a separate, independent entity at that date and is not necessarily indicative of our future capitalization or financial condition.

On September 1, 2011, we completed the YSI acquisition. The pro forma long term debt amount in the table below does not include the \$310 million of indebtedness incurred in connection with the YSI acquisition. See "Summary — Recent Developments."

	As of June 30, 2011	
	Historical	Pro Forma
	(In millions) (Unaudited)	
Capitalization:		
Liabilities		
Long-term debt (including capital lease obligations)	4	894
Equity		
Common stock (\$0.01 par value)	—	2
Additional paid in capital	—	1,699
Parent company investment(1)	2,362	—
Accumulated other comprehensive income	502	295
Total capitalization	<u>\$ 2,868</u>	<u>\$ 2,890</u>

(1) Historically, cash received by us has been transferred to ITT, and ITT has funded our disbursement accounts on an as-needed basis. The net effect of transfers of cash to and from the ITT cash management accounts is reflected in parent company investment in the combined balance sheets.

SELECTED HISTORICAL CONDENSED COMBINED FINANCIAL AND OTHER DATA

The following table presents the selected historical condensed combined financial data for Xylem. The condensed combined statement of operations data for each of the years in the three-year period ended December 31, 2010 and the condensed combined balance sheet data as of December 31, 2010 and 2009 set forth below are derived from Xylem’s audited combined financial statements included in this Information Statement. The condensed combined financial data for the six months ended June 30, 2011 and 2010 are derived from Xylem’s unaudited condensed combined financial statements included in this Information Statement. The condensed combined statement of operations data for the years ended December 31, 2007 and 2006 and the condensed combined balance sheet data as of December 31, 2008, 2007 and 2006 are derived from Xylem’s unaudited combined financial statements that are not included in this Information Statement. The unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and, in the opinion of our management, include all adjustments necessary for a fair presentation of the information set forth herein.

The selected historical condensed combined financial and other data presented below should be read in conjunction with Xylem’s combined financial statements and accompanying notes and “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Information Statement. Xylem’s condensed combined financial data may not be indicative of our future performance and do not necessarily reflect what our financial position and results of operations would have been had we been operating as an independent, publicly traded company during the periods presented, including changes that will occur in our operations and capitalization as a result of the spin-off from ITT. See “Unaudited Pro Forma Condensed Combined Financial Statements” for a further description of the anticipated changes.

	As of and for Six Months Ended June 30		As of and for Year Ended December 31				
	2011(1)	2010	2010(1)	2009	2008	2007	2006
	(In millions)						
Net sales	\$1,861	\$1,461	\$3,202	\$2,849	\$3,291	\$3,068	\$2,710
Operating income	216	170	388	276	315	288	293
Net income	150	141	329	263	224	219	212
Total assets	3,949	2,873	3,735	2,535	2,543	2,832	2,575

(1) The increase in total assets as of June 30, 2011 as compared to June 30, 2010 is primarily attributable to the August 3, 2010 acquisition of Godwin Pumps. The increase in total assets as of December 31, 2010 as compared to December 31, 2009 is primarily attributable to the Godwin Pumps acquisition and the March 23, 2010 acquisition of Nova Analytics. The Godwin Pumps and Nova Analytics acquisitions also benefited net sales, operating income, and net income in the six months ended June 30, 2011 and for the year ended 2010. See Note 3, “Acquisitions,” in the Notes to the Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements of Xylem consist of unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2011 and for the fiscal year ended December 31, 2010, and an unaudited pro forma condensed combined balance sheet as of June 30, 2011. The unaudited pro forma condensed combined financial statements should be read in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical combined financial statements included in this Information Statement.

The unaudited pro forma condensed combined financial statements have been derived from our historical combined financial statements included in this Information Statement and are not intended to be a complete presentation of our financial position or results of operations had the transactions contemplated by the Distribution Agreement and related agreements occurred as of and for the periods indicated. In addition, they are provided for illustrative and informational purposes only and are not necessarily indicative of our future results of operations or financial condition as an independent, publicly traded company. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable, that reflect the expected impacts of events directly attributable to the distribution and related transaction agreements, and that are factually supportable and for purposes of the statements of operations, are expected to have a continuing impact on us. However, such adjustments are subject to change based on the finalization of the terms of the Distribution Agreement and related agreements.

The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2011 and fiscal year ended December 31, 2010 reflect our results as if the separation and related transactions described below had occurred as of January 1, 2010. The unaudited pro forma condensed combined balance sheet as of June 30, 2011 reflects our results as if the separation and related transactions described below had occurred as of such date.

The unaudited pro forma condensed combined financial statements give effect to the following:

- the contribution by ITT to us, pursuant to the Distribution Agreement, of all the assets and liabilities that comprise our business;
- the expected transfer to us, upon the spin-off, of certain assets and liabilities that were not reflected in our historical combined financial statements;
- the results of operations for the period prior to our acquisition of Godwin Pumps on August 3, 2010;
- our anticipated post-separation capital structure, including (i) the issuance of up to approximately 184 million shares of our common stock to holders of ITT common shares (this number of shares is based upon the number of ITT common shares outstanding on June 30, 2011 and an assumed distribution ratio of one share of Xylem common stock for each ITT common share) and (ii) the incurrence of \$890 million of indebtedness and the making of the \$817 million Contribution.
- the impact of, and transactions contemplated by, a Tax Matters Agreement between us and ITT and the provisions contained therein; and
- settlement of intercompany account balances between us and ITT.

The unaudited pro forma condensed combined financial statements do not give effect to the acquisition of YSI, or the \$310 million of indebtedness incurred in connection with the acquisition, because such acquisition is not considered significant. See “Summary — Recent Developments.”

The operating expenses reported in our carve-out historical combined statements of operations include allocations of certain ITT costs. These costs include allocation of all ITT corporate costs, shared services, and other SG&A and non-SG&A related costs that benefit us.

As a stand-alone public company, we expect to incur additional recurring costs. Our preliminary estimates of the additional recurring costs expected to be incurred annually are approximately \$25 million to \$35 million higher than the expenses historically allocated to us from ITT.

[Table of Contents](#)

The significant assumptions involved in determining our estimates of recurring costs of being a stand-alone public company include:

- costs to perform financial reporting, tax, regulatory compliance, corporate governance, treasury, legal, internal audit and investor relations activities;
- compensation, including equity-based awards, and benefits with respect to new and existing positions;
- insurance premiums;
- depreciation and amortization related to information technology infrastructure investments; and
- the type and level of other costs expected to be incurred.

No pro forma adjustments have been made to our financial statements to reflect the additional costs and expenses described above because they are projected amounts based on judgmental estimates and would not be factually supportable.

We currently estimate expenses that we will incur during our transition to being a stand-alone public company to range from approximately \$20 million to \$30 million. We have not adjusted the accompanying unaudited pro forma condensed combined statements of operations for these estimated expenses as they are not expected to have an ongoing impact on our operating results. We anticipate that substantially all of these expenses will be incurred within 18 months of the distribution. These expenses primarily relate to the following:

- accounting, tax and other professional costs pertaining to our separation and establishment as a stand-alone public company;
- compensation, such as modifications to certain bonus awards, upon completion of the separation;
- relocation costs;
- recruiting and relocation costs associated with hiring key senior management personnel new to our company;
- costs related to establishing our new brand in the marketplace; and
- costs to separate information systems.

Due to the scope and complexity of these activities, the amount of these costs could increase or decrease materially and the timing of incurrence could change.

PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2011

	<u>Historical</u> <u>(a)</u>	<u>Financing</u> <u>Adjustments</u>	<u>Separation and</u> <u>Other Adjustments</u>	<u>Pro Forma for the</u> <u>Financing and the</u> <u>Separation</u>
	(In millions, except per share amounts)			
Net sales	\$ 1,861	\$	\$	\$ 1,861
Costs of sales	<u>1,145</u>			<u>1,145</u>
Gross profit	716			716
Selling, general and administrative expenses	450		(21)(c)	429
Research and development expenses	<u>50</u>			<u>50</u>
Operating income	216		21	237
Interest expense	<u>—</u>	20(d)		<u>20</u>
Income (loss) before income tax expense	216	(20)	21	217
Income tax expense (benefit)	<u>6.6</u>	<u>(6)(e)</u>	<u>6(e)</u>	<u>6.6</u>
Net income (loss)	<u>\$ 150</u>	<u>\$ (14)</u>	<u>\$ 15</u>	<u>\$ 151</u>
Basic earnings per share:				\$ 0.82(k)
Diluted earnings per share:				\$ 0.82(l)
Weighted average number of shares outstanding:				
Basic				184(k)
Diluted				184(l)

PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
FISCAL YEAR ENDED DECEMBER 31, 2010

	Historical (a)	Godwin Pumps as Adjusted (b)	Financing Adjustments	Pro Forma for Godwin Pumps and the Financing
	(In millions, except per share amounts)			
Net sales	\$ 3,202	\$ 145	\$	\$ 3,347
Costs of sales	1,988	74		2,062
Gross profit	1,214	71		1,285
Selling, general and administrative expenses	737	52		789
Research and development expenses	74	—		74
Restructuring charges, net	15	—	—	15
Operating income	388	19		407
Interest expense	—	—	39(d)	39
Income (loss) before income tax expense	388	19	(39)	368
Income tax expense (benefit)	59	7	(12)(e)	54
Net income (loss)	\$ 329	\$ 12	\$ (27)	\$ 314
Basic earnings per share:				\$ 1.72(k)
Diluted earnings per share:				\$ 1.72(l)
Weighted average number of shares outstanding:				
Basic				183(k)
Diluted				183(l)

**PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2011**

	<u>Historical (a)</u>	<u>Financing Adjustments</u>	<u>Separation and Other Adjustments</u> (In millions)	<u>Pro Forma for the Financing and the Separation</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 138	\$ 879(f)	\$ (817)(h)	\$ 200
Receivables, net	771			771
Inventories, net	436			436
Prepaid expenses	70		2(g)	72
Other current assets	56		28(g)	84
Total current assets	1,471	879	(787)	1,563
Plant, property and equipment, net	467		11(g)	478
Goodwill	1,492			1,492
Other intangible assets, net	417			417
Other non-current assets	102	11(f)	68(g)	124
			(57)(i)	
Total non-current assets	2,478	11	22	2,511
Total assets	\$ 3,949	\$ 890	\$ (765)	\$ 4,074
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	\$ 307	\$	\$ 2(g)	\$ 309
Accrued and other current liabilities	395		25(g)	420
Total current liabilities	702		27	729
Postretirement benefits	174		92(g)	266
Deferred income tax liability	98		12(g)	110
Long-term obligations, less current portion	4	890(f)		894
Other non-current liabilities	107		13(g)	79
			(41)(i)	
Total non-current liabilities	383	890	76	1,349
Total liabilities	1,085	890	103	2,078
Equity:				
Common stock	—		2(j)	2
Additional paid in capital	—		1,699(j)	1,699
Parent company investment	2,362		172(g)	—
			(817)(h)	
			(16)(i)	
			(1,701)(j)	
Accumulated other comprehensive income	502		(207)(g)	295
Total equity	2,864		(868)	1,996
Total liabilities and equity	\$ 3,949	\$ 890	\$ (765)	\$ 4,074

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

- (a) Our historical combined financial statements reflect the historical financial position and results of operations of the water equipment and services businesses of ITT, and do not reflect the impact of certain assets and liabilities that will be contributed to us by ITT in the spin-off and that are discussed separately in footnote (g).
- (b) Reflects the historical pre-acquisition results of Godwin Pumps during the period from January 1, 2010 to August 2, 2010, as adjusted by \$10 million for depreciation and amortization related to the increase of property, plant and equipment and finite-lived identifiable intangible assets to their estimated fair value upon purchase. The estimated useful lives of the property, plant and equipment range from 3 to 10 years and the finite-lived intangible assets range from 10 to 20 years. The as-adjusted amounts also include the reversal of transaction costs incurred by us of \$3 million directly related to the acquisition of Godwin Pumps and \$6 million for the income tax impact of these pro forma adjustments and for the effect of the change in tax status of Godwin Pumps of America, Inc (“GPA”). Prior to the acquisition, GPA was taxed as a subchapter S-corporation under the Internal Revenue Code and following the acquisition became a C-corporation.
- (c) Reflects the removal of separation costs directly related to the spin-off transaction that were incurred during the historical period. These costs were primarily for tax, accounting, and other professional fees.
- (d) The adjustment of \$20 million and \$39 million in the six months ended June 30, 2011 and the fiscal year ended December 31, 2010, respectively, represents interest expense and amortization of debt issuance costs in connection with debt securities described in note (f) below. The pro forma impact was based on the incurrence of \$890 million of indebtedness issued with an assumed weighted average interest rate of 4.24%, and an assumed weighted average life of approximately 7 years. We expect to capitalize debt issuance costs of approximately \$11 million in connection with these debt arrangements. Not reflected in the adjustments is the debt of \$310 million incurred in connection with the YSI acquisition. See “Summary — Recent Developments.”
A $\frac{1}{8}\%$ variance in the assumed interest rate on the new debt securities would change annual interest expense by \$1 million.
- (e) The provision for income taxes reflected in our historical financial statements was determined as if Xylem filed a separate, stand-alone consolidated income tax return. The pro forma adjustments were determined using the statutory tax rate in effect in the respective tax jurisdictions during the periods presented. Our effective tax rate reflects the historical assumption that we do not intend to repatriate non-U.S. earnings. The Company is in the process of evaluating its future expected tax rate, including tax implications resulting from its spin-off and any potential changes to our intention in repatriating non-U.S. earnings.
- (f) Reflects the incurrence of \$890 million of indebtedness, net of expected debt issuance costs of \$11 million. The \$890 million of indebtedness includes \$600 million aggregate principal amount of 3.55% Senior Notes due in September 2016, \$600 million aggregate principal amount of 4.875% Senior Notes due in October 2021, but excludes the \$310 million incurred in connection with the YSI acquisition. The target debt balance at the time of separation was determined by senior management based on a review of a number of factors including credit ratings consideration, forecast liquidity and capital requirements, expected operating results, and general economic conditions. Cash on hand following the spin-off transaction is expected to be used for general corporate purposes.
- (g) Reflects the impact of assets and liabilities that are expected to be contributed to us by ITT, primarily related to international postretirement benefit plans and associated deferred tax positions. Effective as of the distribution date, ITT expects to transfer to Xylem certain defined benefit pension and other postretirement benefit plans and Xylem expects to assume all liabilities and assets associated with such plans and become the plans’ sponsor. The net liabilities associated with such plans to be assumed by Xylem are approximately \$77 million, excluding net deferred tax assets of \$23 million. We estimate that every 25 basis point change in the discount rate in the postretirement benefit plans expected to be contributed to us would impact the aggregate funded status by approximately \$13 million.

Table of Contents

- (h) Reflects the net Contribution to ITT of \$817 million based upon the anticipated post-separation capital structure.
- (i) Reflects adjustments to deferred income taxes and other liabilities including an adjustment of (\$41 million) comprising contingent tax liabilities related to unresolved tax matters that will be retained by ITT in connection with the separation as set forth in the Tax Matters Agreement that will be entered into with ITT and an adjustment of (\$57 million) related to tax attributes reflected in our historical financial statements that will not be retained after the distribution. Additionally, there will be certain indemnifications extended between ITT and us in accordance with the terms of the Tax Matters Agreement. At the time of separation, we will record a liability necessary to recognize the fair value of such indemnifications. The pro forma adjustment does not include such liability. We are currently in the process of determining the impact, if any, on the amount of any liability that may be recognized at the time of the separation.
- (j) Represents the reclassification of ITT's net investment in us, which was recorded in parent company equity, into additional paid-in-capital and the balancing entry to reflect the par value of approximately 184 million outstanding shares of common stock at a par value of \$0.01 per share of outstanding common stock. We have assumed the number of outstanding shares of common stock based on the number of ITT common shares outstanding at June 30, 2011, which would result in approximately 184 million shares being distributed to holders of ITT common shares, at an assumed distribution ratio of one share of Xylem common stock for each ITT common share.
- (k) Pro forma basic earnings per share and pro forma weighted-average basic shares outstanding are based on the number of ITT common shares outstanding on June 30, 2011 and December 31, 2010, respectively, adjusted for an assumed distribution ratio of one share of Xylem common stock for each ITT common share.
- (l) Pro forma diluted earnings per share and pro forma weighted-average diluted shares outstanding reflect potential common shares from ITT equity plans in which our employees participate based on the distribution ratio. While the actual impact on a go-forward basis will depend on various factors, including employees who may change employment from one company to another, we believe the estimate yields a reasonable approximation of the future dilutive impact of Xylem equity plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition together with the audited and unaudited historical combined financial statements and the notes thereto included in this Information Statement as well as the discussion in the section of this Information Statement entitled "Business." This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of this Information Statement entitled "Risk Factors" and "Special Note About Forward-Looking Statements." The financial information discussed below and included in this Information Statement may not necessarily reflect what our financial condition, results of operations or cash flow would have been had we been a stand-alone company during the periods presented or what our financial condition, results of operations and cash flows may be in the future.

Except as otherwise indicated or unless the context otherwise requires, the information included in this discussion and analysis assumes the completion of all the transactions referred to in this Information Statement in connection with the separation and distribution. Unless the context otherwise requires, references in this Information Statement to "Xylem," "we," "us," "our" and "our company" refer to Xylem Inc., Inc. and its combined subsidiaries. References in this Information Statement to "ITT" or "parent" refer to ITT Corporation, an Indiana corporation, and its consolidated subsidiaries, unless the context otherwise requires. Amounts in millions unless otherwise stated.

Separation from ITT Corporation

On January 12, 2011, ITT announced a plan to separate its water equipment and services business (Xylem) from the remainder of its businesses through a pro rata distribution of common stock of an entity holding the assets and liabilities associated with the water equipment and services business. We were incorporated in Indiana on May 4, 2011 to be the entity to hold such businesses and subject to approval by the Board of Directors of ITT and other conditions described below.

The combined financial statements presented in this Information Statement and discussed below have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of the water equipment and services business of ITT. The water-related business includes the following divisions of ITT: Water & Wastewater, Residential & Commercial Water, and Flow Control. The combined financial statements reflect our financial position, results of operations and cash flows as we were historically managed, in conformity with accounting principles generally accepted in the United States of America, or GAAP.

We intend to enter into a Master Transition Services Agreement with ITT and Exelis, under which each of ITT and Exelis or their respective affiliates will provide us with certain services, and we or certain of our affiliates will provide each of ITT and Exelis certain services for a limited time to help ensure an orderly transition for each of Exelis, ITT and Xylem following the distribution.

We anticipate that under the Master Transition Services Agreement, Xylem will receive certain services (including information technology, financial, procurement and human resource services, benefits support services and other specified services) from ITT and Exelis, and Xylem will provide certain services (including information technology, human resources services and other specified services) to ITT and/or Exelis. We expect these services will be initially provided at cost with scheduled, escalating increases to up to cost plus 10% and are planned to extend for a period of 3 to 24 months in most circumstances. As these costs have been historically included in our operating results through expense allocations from ITT, we do not expect the costs associated with transition service agreements to be materially different and therefore we do not expect such costs to materially affect our results of operations or cash flows after becoming a standalone company.

Subsequent to the distribution, we expect to incur expenditures consisting primarily of employee-related costs, costs to start up certain stand-alone functions and information technology systems, and other transaction-related costs. Additionally, we will incur increased costs as a result of becoming an independent publicly-traded company, primarily from establishing or expanding the corporate support for our businesses,

including information technology, human resources, treasury, tax, risk management, accounting and financial reporting, investor relations, governance, legal, procurement and other services. We believe our cash flow from operations will be sufficient to fund these additional corporate expenses.

Executive Summary

Our Company is a world leader in the design, manufacturing, and application of highly engineered technologies for the water industry. We are a leading equipment and service provider for water and wastewater applications with a broad portfolio of products and services addressing the full cycle of water, from collection, distribution and use to the return of water to the environment. Our Company's brands, such as Bell & Gossett and Flygt, are well known throughout the industry and have served the water market for many years. Over the years, we have leveraged our heritage strength in wastewater pumping technologies to expand into wastewater treatment, and later into clean water treatment and water quality analysis. We believe we are strongly positioned to use our deep applications expertise and offer our customers a full spectrum of service offerings in the transportation, treatment and testing of water. Net sales and operating income for the twelve months ended December 31, 2010 were \$3.2 billion and \$388, respectively, and for the six months ended June 30, 2011 were \$1.9 billion and \$216, respectively.

We operate in two segments, Water Infrastructure and Applied Water. The Water Infrastructure segment focuses on the transportation, treatment and testing of water, offering a range of products including water and wastewater pumps, treatment and testing equipment, and controls and systems. Key brands include Flygt, Wedeco, Godwin Pumps, WTW, Sanitaire, AADI and Leopold. The Applied Water segment encompasses all the uses of water and focuses on the residential, commercial, industrial and agricultural markets. The segment's major products include pumps, valves, heat exchangers, controls and dispensing equipment. Key brands in this segment include Goulds, Bell & Gossett, AC Fire, Standard, Flojet, Lowara, Jabsco and Flowtronex. In both our segments, we benefit from a large and growing installed base of products driving growth in aftermarket sales for replacement parts and services.

Financial highlights for the six months ended June 30, 2011 include the following:

- Order growth of 24.2% over the prior year; organic orders were up 6.0%
- Revenue increase of 27.4% from 2010; organic revenue was up 8.7%
- Operating margins of 11.6% in 2011 and 2010
- Adjusted net income of \$165, an increase of \$24 from 2010
- Free cash flow generation of \$134, up \$40 from 2010

Financial highlights for 2010 include the following:

- Order growth of 13.7% over the prior year; organic orders were up 4.7%
- Revenue increase of 12.4% from 2009; organic revenue was up 3.4%
- Operating margin expansion of 240 bps to 12.1% as compared with 2009
- Adjusted net income of \$329, an increase of \$124 from 2009
- Deployment of more than \$1 billion of capital into a number of strategic acquisitions in growth markets, most notably the acquisitions of Nova Analytics ("Nova") and Godwin Pumps of America and Godwin Holdings Limited (collectively referred to as "Godwin")

Further details related to these results are described below. See "— Key Performance Indicators and Non-GAAP Measures" below for a reconciliation of the non-GAAP measures.

Key Performance Indicators and Non-GAAP Measures

Management reviews 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

[Table of Contents](#)

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 revenue, 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” and “organic orders” defined as revenue and orders, respectively, excluding the impact of foreign currency fluctuations and contributions from acquisitions and divestitures. Divestitures include sales of portions 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.
- “adjusted net income” defined as net income, adjusted to exclude items that may include, but are not limited to, significant charges or credits that impact current results but are not related to our ongoing operations, unusual and infrequent non-operating items and non-operating tax settlements or adjustments. A reconciliation of adjusted net income is provided below.

	Six Months Ended		Years Ended		
	June 2011	June 2010	2010	2009	2008
Net income	\$ 150	\$ 141	\$329	\$263	\$224
Tax-related special item(a)	—	—	—	(58)	—
Separation costs, net of tax	15	—	—	—	—
Adjusted net income	<u>\$ 165</u>	<u>\$ 141</u>	<u>\$329</u>	<u>\$205</u>	<u>\$224</u>

(a) The 2009 tax-related special item is primarily attributable to the completion of a restructuring of certain international legal entities.

- “free cash flow” defined as net cash provided by operating activities, as reported in the Statement of Cash Flows, 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 flow does not consider certain non-discretionary cash payments, such as debt. A reconciliation of free cash flow is provided below.

	Six Months Ended		Years Ended		
	June 2011	June 2010	2010	2009	2008
Net cash from operating activities	\$ 161	\$ 118	\$395	\$370	\$408
Capital expenditures(a)	(48)	(24)	(94)	(62)	(67)
Separation cash payments(b)	21	—	—	—	—
Free cash flow	<u>\$ 134</u>	<u>\$ 94</u>	<u>\$ 301</u>	<u>\$308</u>	<u>\$341</u>

(a) Represents capital expenditures as reported in the Statement of Cash Flows, less capital expenditures associated with the Transformation of \$5 and \$0 for the six months ended June 30, 2011 and 2010, respectively, and \$0 for the years ended December 31, 2010, 2009 and 2008.

(b) Separation costs allocated by ITT have been treated as though they were settled in cash.

Known Trends and Uncertainties

The following list represents a summary of trends and uncertainties which could have a significant impact on our results of operations, financial position and/or cash flows:

- The global economic environment remains in a relative state of uncertainty. Although financial markets have recovered from their lows in 2009, we consider the overall global economic recovery to be a gradual, long-term process. In the United States, gradual improvements in credit availability, solid consumer spending, moderate job creation and less uncertainty about new regulations should work to reinforce the economic recovery. However, downside factors such as the challenges facing local, state

[Table of Contents](#)

and federal government finance and possible spillover of Europe’s sovereign debt crisis could limit or delay U.S. growth. Within Europe, the sovereign debt crisis has weakened the recovery process and created the potential for significant volatility during 2011. The potential for unforeseen adverse macroeconomic events remains a concern and the occurrence of such events could have a significant unfavorable effect on our business.

- Approximately 63% of our Water Infrastructure segment’s revenue is derived from public utilities. European austerity measures and budget pressures within the United States have forced governments to plan for reductions in spending, reevaluate their priorities and postpone wastewater infrastructure projects. These actions have led to a reduction in demand, increased competition and pricing pressures. Our ability or inability to secure project orders in this challenging environment could significantly affect our Water Infrastructure segment results.
- Approximately 33% and 22% of the Applied Water segment’s revenue is attributable to commercial and residential end markets, respectively. Commercial construction build rates are expected to remain low during the majority of 2011 as the build versus buy indicator for real estate investors continues to favor investing in existing buildings due to depressed asset prices. Similarly, consensus expectations for residential homebuilding are mixed, reflecting uncertainty around the likelihood and magnitude of a recovery. The continued uncertainty and volatility within these markets could significantly affect the results of our Applied Water segment.
- Approximately 35% of our total revenues are attributable to applications within the general industrial market. Emerging markets have led a recovery in the global industrial market, most significantly within the mining industry as high metal prices have promoted robust demand for mining equipment. However, as long as global economic uncertainty remains it will be difficult to predict how the trends in industrial orders may be impacted.
- We anticipate significant expenditures associated with the planned spin-off transaction primarily consisting of employee-related costs, costs to start up certain stand-alone functions and information technology systems, and other transaction-related costs.

The information provided above represents a list of known trends and uncertainties that could impact our business in the foreseeable future. It should, however, be considered along with the risk factors and our disclosure on forward-looking statements identified in this Information Statement.

Six months ended June 30, 2011 compared to six months ended June 30, 2010, and year ended December 31, 2010 compared to year ended December 31, 2009

Revenue

Our six months ended June 30, 2011 and annual 2010 revenue was marked by growth from strategic acquisitions, a level of economic recovery within the majority of our served markets and foreign currency translation. We believe that our competitive position and portfolio of highly engineered products will continue to be strengthened by a gradual economic improvement and contributions from acquisitions. The following table illustrates the revenue of our business segments for the six months ended June 30, 2011 and the annual 2010 and 2009 periods. See below for further discussion of variances over these periods at the segment level.

	Six Months Ended			Annual		
	June 30,					
	2011	2010	Change	2010	2009	Change
Water Infrastructure	\$ 1,153	\$ 820	40.6%	\$ 1,930	\$ 1,651	16.9%
Applied Water	740	669	10.6%	1,327	1,254	5.8%
Eliminations	(32)	(28)	—	(55)	(56)	—
Total	\$ 1,861	\$ 1,461	27.4%	\$ 3,202	\$ 2,849	12.4%

[Table of Contents](#)

The following table illustrates the impact from organic growth, recent acquisitions, and fluctuations in foreign currency, in relation to combined revenue during the six months ended June 30, 2011.

	\$ <u>Change</u>	% <u>Change</u>
Revenue for the six months ended June 30, 2010	\$ 1,461	
Organic growth	127	8.7%
Acquisitions/(divestitures), net	195	13.3%
Foreign currency translation	78	5.3%
Total change in revenue	<u>400</u>	<u>27.4%</u>
Revenue for the six months ended June 30, 2011	<u>\$ 1,861</u>	

The following table illustrates the impact from organic growth, recent acquisitions, and fluctuations in foreign currency, in relation to combined revenue during the annual 2010 period.

	\$ <u>Change</u>	% <u>Change</u>
2009 Revenue	\$2,849	
Organic growth	96	3.4%
Acquisitions/(divestitures), net	263	9.2%
Foreign currency translation	(6)	(0.2)%
Total change in revenue	<u>353</u>	<u>12.4%</u>
2010 Revenue	<u>\$ 3,202</u>	

Water Infrastructure

Revenue generated by our Water Infrastructure segment during the six months ended June 30, 2011 and the annual 2010 period was \$1,153 and \$1,930, respectively, reflecting an increase of \$333 and \$279, respectively, as compared to the same prior year periods. These increases were primarily driven by acquisitions, including Godwin and Nova, which in the aggregate contributed \$195 and \$247, respectively, over the same respective periods. Since their acquisition, Godwin and Nova have both performed favorably versus our initial expectations. Foreign exchange translation was favorable by \$63 and \$8 for the six months ended June 30, 2011 and the annual period ended December 31, 2010, as compared to the same prior year period, respectively.

Organic revenue growth for the six months ended June 30, 2011 was \$75 or 9.2%, primarily attributable to higher volume for wastewater treatment and transport applications. This growth was due to favorable performance in Northern Europe which is primarily attributable to public utility investment in new projects and the general maintenance of existing infrastructure.

Organic revenue increased 1.5% for the annual 2010 period reflecting mixed regional results. Market share gains and favorable economic conditions drove improved performance for treatment applications in Northern Europe and in emerging markets such as Asia Pacific, Eastern Europe and Latin America. However, unfavorable economic conditions and uncertainty within the region continued to negatively impact performance across our Southern European markets.

Applied Water

Revenue generated by our Applied Water segment during the six months ended June 30, 2011 and the annual 2010 period was \$740 and \$1,327, respectively, reflecting an increase of \$71 and \$73, respectively, as compared to the same prior year periods. During 2010, contributions from the 2009 Laing acquisition of \$19 were partially offset by a decline in revenues from businesses divested of \$3. Foreign exchange translation was favorable by \$18 and unfavorable by \$16 for the six months ended June 30, 2011 and the annual 2010 period ended, as compared to the same prior year period, respectively.

Organic revenue growth of \$53 or 7.8% during the six months of 2011 compared with the prior year generally reflects year-over-year improvements in light industrial commercial end market conditions. In addition, we also realized benefits from increased price and new product introductions, such as e-SV, a high-efficiency vertical multi-stage pump used in commercial applications.

Despite relatively weak market conditions throughout 2010, we recorded organic revenue growth of \$72 or 5.8% over the prior year. This growth was primarily attributable to European and emerging market share gains as well as the impact from new product launches, including energy efficient pumps and new beverage applications. We also benefited from price realization initiatives. Organic revenue growth was partially offset by unfavorable weather conditions in North America, which negatively impacted our sales of irrigation applications.

Gross Profit

Gross profit for the six months ended June 30, 2011 and the annual 2010 period was \$716 and \$1,214, respectively, representing increases of \$170, or 31.1%, and \$177, or 17.1%, respectively, as compared to prior periods. These increases include respective gross profits from our 2010 acquisitions of \$100 and \$101 in the six months ended June 30, 2011 and the annual 2010 period, respectively, increased organic sales volume, and benefits from productivity and price realization initiatives. As a result of these factors, gross profit margin expanded by approximately 110 bps and 150 bps over the same comparable respective periods.

Operating Expenses

Operating expenses increased approximately 33.0% and 8.5% during the six months ended June 30, 2011 and the annual 2010 period to \$500 and \$826, respectively. The following table provides further information by expense type.

	Six Months Ended June 30,			Annual		
	2011	2010	Change	2010	2009	Change
Selling, general and administrative expenses	\$ 450	\$ 334	34.7%	\$ 737	\$ 667	10.5%
Research and development expenses	50	35	42.9%	74	63	17.5%
Restructuring charges, net	—	7	(100)%	15	31	(51.6)%
Total	\$ 500	\$ 376	33.0%	\$ 826	\$ 761	8.5%

*NM = Not meaningful

Selling, General & Administrative Expenses (SG&A)

SG&A expenses increased \$116, or 34.7%, and \$70, or 10.5%, during the six months ended June 30, 2011 and the annual 2010 period, respectively. These increases primarily reflect additional costs of \$55 in each period related primarily to our newly acquired Godwin and Nova businesses, as well as costs attributable to an increase in sales volumes, and additional spending on various strategic investments. During the six months ending June 30, 2011, we were allocated separation costs of \$21 primarily attributable to tax, accounting, and other professional advisory fees, information technology costs and employee retention. It is expected that separation costs will increase as the separation nears.

SG&A as a percent of sales was 24.2% and 22.9% for both six-month periods ended June 30, 2011 and 2010. SG&A as a percent of sales was 23.0% and 23.4% for the years ended December 31, 2010 and 2009, respectively.

Research and Development Expenses (R&D)

R&D spending increased by \$15, or 42.9%, and \$11, or 17.5%, during the six months ended June 30, 2011 and the annual 2010 period, respectively, primarily due to our newly acquired Nova business. R&D as a percent of sales was 2.7% and 2.4% for the six-month periods ended June 30, 2011 and 2010, respectively. R&D as a percent of sales was 2.3% and 2.2% for the years ended December 31, 2010 and 2009, respectively.

Restructuring, Net

We had no restructuring charges during the six months ended June 30, 2011. During the annual 2010 period, we recognized net restructuring charges of \$15, representing a \$16 or 51.6% decrease as compared to, the prior annual period. During 2009, we initiated several actions, primarily within our Applied Water segment in response to declining market conditions. The frequency and overall impact of such actions subsided and as a result we incurred less cost during 2010. We consider the majority of our restructuring initiatives to be complete as of December 31, 2010.

See Note 5, “Restructuring Charges Net,” in the Notes to the Combined Financial Statements for additional information.

Operating Income

We generated operating income of \$216 and \$388 during the six months ended June 30, 2011 and the annual 2010 period, respectively. This reflected increases from the prior period of 27.1% and 40.6%, respectively. Operating margin remained at 11.6% for the six months ended June 30, 2011 and increased to 12.1% for the annual 2010 period, a period-over-period increase of 240 basis points for the annual period. The following table illustrates operating income results of our business segments, including operating margin results for the six months ended June 30, 2011 and 2010, and annual 2010 and 2009 periods.

	<u>Six Months Ended June 30,</u>			<u>Annual</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>
Water Infrastructure	\$ 158	\$ 103	53.4%	\$ 276	\$ 227	21.6%
Applied Water	97	92	5.4%	158	109	45.0%
Segment operating income	255	195	30.8%	434	336	29.2%
Other	(39)	(25)	56.0%	(46)	(60)	23.3%
Total operating income	\$ 216	\$ 170	27.1%	\$ 388	\$ 276	40.6%
Operating margin:						
Combined	11.6%	11.6%	0bps	12.1%	9.7%	240bps
<i>Water Infrastructure</i>	13.7%	12.6%	110bps	14.3%	13.7%	60bps
<i>Applied Water</i>	13.1%	13.8%	(70) bps	11.9%	8.7%	320bps

Water Infrastructure

Operating income for our Water Infrastructure segment increased \$55 or 53.4% for the six months ended June 30, 2011 compared with the comparable prior year period. This increase is primarily attributable to contributions from the Nova and Godwin acquisitions, which provided incremental operating income of approximately \$37 over the same period. Operating margin increased 110 bps over the same period as the year-over-year benefits attributable to higher organic revenue, lower restructuring expense and benefits from productivity and material costs savings initiatives that were offset by the unfavorable impact from foreign exchange costs, higher labor and overhead costs, material inflation and unfavorable mix.

Operating income for our Water Infrastructure segment increased \$49 or 21.6% for the year ended December 31, 2010 compared with the comparable prior year period. This increase is primarily attributable to contributions from the Nova and Godwin acquisitions, which provided combined incremental operating income of \$28 during 2010. Operating productivity and lower restructuring expense more than offset incremental strategic investments, higher pension costs, and unfavorable foreign currency impacts. Operating margin expansion of 60 bps over the same period, a decline largely attributable to these same factors.

Applied Water

Operating income for our Applied Water segment increased \$5 or 5.4% for the six months ended June 30, 2011 compared with the prior year. This increase was primarily attributable to higher sales volume and price increases, which were partially offset by the unfavorable impacts of inflation and higher commodity costs.

[Table of Contents](#)

Operating margin declined 70 bps to 13.1% over the same period attributable to unfavorable mix and the net cost increases discussed above.

Operating income for our Applied Water segment increased \$49 or 45.0% for the year ended December 31, 2010 compared with the prior year. Operating productivity, including increased volume, increased price, benefits from our cost savings initiatives, and lower restructuring charges of \$12, more than offset incremental costs associated with strategic initiatives. Operating margin expansion of 320 bps over the same period was largely attributable to these same factors.

Other

Other expenses increased \$14 and decreased \$14 for the six months ended June 30, 2011 and year ended December 31, 2010, respectively, as compared with each prior year period. Other primarily consists of general corporate expenses related to finance, legal, communications, employee benefits and incentives, and equity-based compensation, which are not allocated to our business segments. The majority of the general corporate expenses are allocations for certain functions provided by ITT. The increase in other expenses in the six months ended June 30, 2011 primarily reflect the separation costs we were allocated.

Income Tax Expense

For the six-month period ended June 30, 2011, we recorded an income tax provision of \$66 or 30.6% of income before income taxes compared to \$26 or 15.6% during the prior period. For 2011, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings and the favorable impact of interest income not subject to income taxes. For 2010, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings and the favorable impact of the repatriation of foreign earnings net of foreign tax credits.

In 2010 and 2009, we recorded an income tax provision of \$59 million and \$14 million, respectively, which represents effective tax rates of 15.2% and 5.1%, respectively. For 2010, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings and the favorable impact of the repatriation of foreign earnings net of foreign tax credits. For 2009, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings and the favorable impact of the restructuring of certain legal entities.

During 2009, the Company implemented an international restructuring in which it transferred the ownership of its Canadian operations to its Luxembourg holding company. The transfer will allow the Company to recover, in a more tax efficient manner, the earnings and book to tax basis differences attributable to our Canadian investment. As a result, the Company reduced the deferred tax liability related to our investment in Canada.

Year ended December 31, 2009 compared to year ended December 31, 2008

Revenue

The deteriorating global economic conditions experienced during 2009 created recessionary challenges within our Water Infrastructure and Applied Water segments. As a result, we experienced a decline in order activity that translated into a 13.4% decrease in total revenue. The following table illustrates the 2009 and 2008 revenue results of our business segments.

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Water Infrastructure	\$1,651	\$1,824	(9.5)%
Applied Water	1,254	1,527	(17.9)%
Eliminations	(56)	(60)	—
Total	<u>\$2,849</u>	<u>\$3,291</u>	<u>(13.4)%</u>

[Table of Contents](#)

The following table illustrates the impact from organic growth, acquisitions completed during 2008, and fluctuations in foreign currency, in relation to combined revenue during 2009.

	\$	%
	<u>Change</u>	<u>Change</u>
2008 Revenue	\$3,291	
Organic decline	(291)	(8.8)%
Acquisitions/(divestitures), net	7	0.2%
Foreign currency translation	(158)	(4.8)%
Total change in revenue	<u>(442)</u>	<u>(13.4)%</u>
2009 Revenue	<u>\$2,849</u>	

Water Infrastructure

The 2009 revenue generated by our Water Infrastructure segment was \$1,651, representing a decline of \$173 or 9.5% from 2008 revenue of \$1,824. These results include an unfavorable impact from foreign currency fluctuations of \$109. Challenging global economic conditions impacted most of our served markets resulting in organic revenue decline of \$65 or 3.6%.

Applied Water

The 2009 revenue generated by our Applied Water segment was \$1,254, representing a decline of \$273 or 17.9% from 2008 revenue of \$1,527. These results include an unfavorable impact from foreign currency fluctuations of \$53. Organic revenue declined 14.9% primarily due to lower volumes caused by challenging global economic conditions affecting the majority of markets served. Light industrial market share gains, particularly with beverage and marine applications, partially offset overall volume declines over the second half of the year.

Gross Profit

Gross profit for 2009 was \$1,037, representing a \$104 or 9.1% decrease from 2008. This decrease was attributable to the decline in revenue and unfavorable foreign currency fluctuations, partially offset by benefits from productivity gains, including efforts to improve supply chain productivity and control material costs. Gross margin increased 170 bps to 36.4% during 2009. The improvement is primarily due to benefits from productivity improvements and various other cost-saving initiatives, which more than offset the impacts from reductions in sales volumes.

Operating Expenses

Operating expenses decreased 7.9% during 2009 to \$761, primarily attributable to cost savings initiatives and lower restructuring expense. The following table provides further information by expense type.

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Selling, general and administrative expenses	\$667	\$721	(7.5)%
Research and development expenses	63	64	(1.6)%
Restructuring and asset impairment charges, net	31	41	(24.4)%
Total	<u>\$761</u>	<u>\$826</u>	<u>(7.9)%</u>

Selling, General & Administrative Expenses

SG&A decreased 7.5% to \$667 in 2009. This decrease was primarily attributable to cost-saving initiatives in response to declining global economic conditions, lower sales volumes, and lower stock compensation expense, partially offset by higher postretirement plan costs. SG&A as a percent of sales was approximately 23.4% and 21.9% for the years ended December 31, 2009 and 2008, respectively.

Research and Development Expenses

R&D expenses decreased \$1 from the prior year to \$63 during 2009 as compared to the prior year. R&D expense of \$63 equates to an investment of 2.2% of sales, an increase of 30 bps over the prior year rate, reflecting our commitment to the development of new technologies in our served markets.

Restructuring, Net

During 2009, we recognized net restructuring charges of \$31, representing a \$10 decrease as compared to 2008. The charges associated with 2009 and 2008 actions primarily represent severance costs for reductions in headcount within both of our business segments, in response to declining market conditions.

See Note 5, "Restructuring Charges Net," in the Notes to the Combined Financial Statements for additional information.

Operating Income

We generated operating income of \$276 during 2009, a 12.4% decrease from 2008, primarily reflecting volume declines. This decline was partially offset by benefits from the implementation of extensive cost-saving initiatives and productivity improvements. Operating margin increased to 9.7% for 2009, a year-over-year increase of 10 bps, despite reductions in sales volumes. This increase was attributable to benefits from productivity improvements and various cost-saving initiatives. The following table illustrates the 2009 and 2008 operating income results of our business segments, including operating margin results.

	<u>2009</u>	<u>2008</u>	<u>Change</u>
<i>Water Infrastructure</i>	\$ 227	\$ 220	3.2%
<i>Applied Water</i>	109	162	(32.7)%
Segment operating income	336	382	(12.0)%
Other	(60)	(67)	10.4%
Total operating income	<u>\$ 276</u>	<u>\$ 315</u>	<u>(12.4)%</u>
Operating margin:			
Combined	9.7%	9.6%	10bps
<i>Water Infrastructure</i>	13.7%	12.1%	160bps
<i>Applied Water</i>	8.7%	10.6%	(190) bps

Water Infrastructure

Operating income increased \$7 or 3.2% for the year ended December 31, 2009 compared with the prior year. Operating margin increased 160 bps over the same period. Operating productivity driven by benefits from our cost savings initiatives, lower restructuring expense, and favorable foreign exchange transaction costs more than offset the impact of volume declines.

Applied Water

Operating income decreased \$53 or 32.7% for the year ended December 31, 2009 compared with the prior year. Operating margin decreased 190 bps over the same period. These significant declines were attributable to weak global economic conditions resulting in significant unfavorable volume impacts across most markets and regions. During the period we also incurred higher restructuring and pension costs.

Other

Other expenses decreased \$7 for the year ended December 31, 2009 as compared with the prior year. Other primarily consists of general corporate expenses related to finance, legal, communications, employee benefits and incentives, and equity-based compensation, which are not allocated to our business segments. The majority of the general corporate expenses are allocations for certain functions provided by ITT.

Income Tax Expense

In 2009 and 2008, we recorded an income tax provision of \$14 and \$88, respectively, which represents effective tax rates of 5.0% and 28.2%, respectively. For 2009, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings and the favorable impact of the restructuring of certain legal entities. For 2008, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings.

Liquidity and Capital Resources

Funding and Liquidity Strategy

Current Liquidity

Historically, we have generated operating cash flow sufficient to fund our working capital, capital expenditure and financing requirements. Subsequent to the separation, while our ability to forecast future cash flows is more limited, we expect to fund our ongoing working capital, capital expenditure and financing requirements through cash flows from operations via access to cash on hand and capital markets.

If our cash flows from operations are less than we expect, we may need to incur debt or issue equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that the arrangements in place at the time of the separation will permit us to finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including: (i) our credit ratings or absence of a credit rating, (ii) the liquidity of the overall capital markets, and (iii) the current state of the economy. There can be no assurance that we will continue to have access to the capital markets on terms acceptable to us. We cannot assure that such financing will be available to us on acceptable terms or that such financing will be available at all.

On September 20, 2011, we issued \$1.2 billion aggregate principal amount of senior notes, of which \$600 aggregate principal amount of 3.55% Senior Notes will mature on September 20, 2016 and \$600 aggregate principal amount of 4.875% Senior Notes will mature on October 1, 2021, the net proceeds of which have funded a net cash transfer of approximately \$817 to ITT, with the balance used in connection with the YSI acquisition and for general corporate purposes. The notes are our senior unsecured obligations and rank equally with all our existing and future senior unsecured indebtedness. The notes are initially guaranteed on a senior unsecured basis by ITT. The guarantee will terminate and be automatically and unconditionally released upon the distribution of the common stock of Xylem to the holders of ITT's common stock in connection with the spin-off. See "Description of Material Indebtedness."

The majority of our operations participate in U.S. and international cash management and funding arrangements managed by ITT where cash is swept from our balance sheet daily, and cash to meet our operating and investing needs is provided as needed from ITT. Transfers of cash both to and from these arrangements are reflected as a component of "Parent company investment" within "Parent company equity" in the combined balance sheets. The cash presented on our balance sheet consists primarily of U.S. and international cash from subsidiaries that do not participate in these arrangements. As of December 31, 2010, the Company had not made a provision for U.S. or additional foreign withholding taxes on approximately \$1,265 million of the excess of financial reporting over the tax basis of investments in certain foreign subsidiaries because we plan to reinvest such earnings indefinitely outside the United States. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances.

Future Liquidity

Our primary future cash needs will be centered on operating activities, working capital, capital expenditures, and strategic investments. Our ability to fund these needs will depend, in part, on our ability to generate or raise cash in the future, which is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. For at least the next 12 months, we expect to generate sufficient cash from operations to meet our liquidity and capital needs in both U.S. and non-U.S. jurisdictions, subject to the expected borrowing and net cash transfer to ITT described herein. Thereafter, we expect to have sufficient liquidity and capital resources arising from cash generated by the Company's ongoing operations. Although

[Table of Contents](#)

cash generated from operations is expected to be sufficient to service our liquidity and capital needs, including existing and known or reasonably likely short- and long-term cash requirements, we expect to have access to a \$600 million revolving line of credit, commercial paper and capital markets to accommodate timing differences in cash flows.

On or about the distribution date, a \$600 million four-year unsecured senior revolving credit facility (which includes a \$100 million sublimit on letters of credit) will become effective. The interest rate for borrowings under the new credit facility is expected to be generally based on the London Interbank Offered Rate (LIBOR), plus a spread, based upon our debt rating. The senior revolving credit facility will replace, in part, the existing credit facility of ITT, and be used for working capital, capital expenditures and other general corporate purposes. The actual terms of the new credit facility, including interest rate, commitment, covenants and maturity, will depend on market conditions at the time we enter into the new credit facility.

Following our separation from ITT, our capital structure and sources of liquidity will change significantly. We will no longer participate in cash management and funding arrangements with ITT. Instead, our ability to fund our capital needs will depend on our ongoing ability to generate cash from operations, and access to the bank and capital markets. We believe that our future cash from operations, together with our access to funds on hand and capital markets, will provide adequate resources to fund our operating and financing needs.

For the year ended 2010 and for the six months ended June 30, 2011, we generated approximately 62% and 61%, respectively, of our revenues from non-U.S. operations. As we continue to grow our operations in the emerging markets and elsewhere outside of the United States, we expect to continue to generate significant revenues from non-U.S. operations and, following the spin-off, we expect our cash will be predominately held by our foreign subsidiaries. The Company expects to generate sufficient cash from operations to meet its liquidity and capital needs, in both U.S. and non-U.S. jurisdictions. We expect to manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. As such, we plan to look for opportunities to access cash balances in excess of local operating requirements to meet global liquidity needs in a cost-efficient manner. We may transfer cash from certain international subsidiaries to the U.S. and other international subsidiaries when it is cost effective to do so. If these funds are needed for our operations in the United States, we would be required to accrue and pay U.S. taxes to repatriate these funds. Our effective tax rate includes the historical assumption that we do not intend to repatriate non-U.S. earnings. The Company is still evaluating the tax implications that would result from the spin-off; however, it does not currently expect that it will be required to repatriate undistributed earnings of foreign subsidiaries. On or about the time of the distribution, the Company's foreign subsidiaries are expected to hold approximately \$180 million in cash or marketable securities.

Dividends

Following the distribution, we expect that initially Xylem will pay a dividend, although the timing, declaration, amount and payment of future dividends to our shareholders fall within the discretion of our Board of Directors and will depend on many factors, including our financial condition, results of operations and capital requirements, as well as applicable law, regulatory constraints, industry practice and other business considerations that Xylem's Board of Directors considers relevant. In addition, the terms of the agreements governing our new debt or debt that we may incur in the future may limit or prohibit the payments of dividends. There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence the payment of dividends. There can also be no assurance that the combined annual dividends on ITT common stock, Exelis common stock and our common stock after the spin-off, if any, will be equal to the annual dividends on ITT common stock prior to the spin-off.

Sources and Uses of Liquidity

Our principal source of liquidity is our cash flow generated from operating activities, which provides us with the ability to meet the majority of our short-term funding requirements. The following table provides net

cash provided by operating activities and used in investing and financing activities for each of the previous three years.

	Six Months Ended		Annual		
	2011	2010	2010	2009	2008
Operating Activities	\$ 161	\$ 118	\$ 395	\$ 370	\$ 408
Investing Activities	(48)	(414)	(1,093)	(84)	(81)
Financing Activities	(112)	326	745	(292)	(341)
Foreign Exchange	6	(5)	3	6	(9)
Net change in cash and cash equivalents	\$ 7	\$ 25	\$ 50	\$ —	\$ (23)

Net cash provided by operating activities increased by \$43 for the six months ended June 30, 2011 as compared to the comparable 2010 period. This increase is primarily due to a \$38 increase in net income excluding non-cash increases in depreciation and amortization. The increased cash use from working capital to support increasing order growth was offset by reduced cash needs from other assets and liabilities as well as taxes. Cash from operating activities attributable to the Godwin and Nova acquisitions increased by \$57 for the six months ended June 30, 2011.

Net cash provided by operating activities increased by \$25 in 2010 as compared to 2009. This increase is primarily attributable to a \$88 increase in net income excluding non-cash increases in depreciation and amortization, partially offset by a reduced source of cash from working capital. Cash from operating activities includes a contribution of \$72 attributable to Godwin and Nova acquisitions.

Net cash provided by operating activities decreased by \$38 in 2009 as compared to 2008. This decrease was primarily attributable to a \$47 increase in net income excluding non-cash increases in depreciation and amortization, which was more than offset by a year-over-year reduction in cash from taxes as well as higher net cash payments for restructuring activities.

Net cash used in investing activities decreased by \$366 for the six months ended June 30, 2011 as compared to the comparable 2010 period. This decline is attributable to the acquisition of Nova during the first quarter of 2010, which had a purchase price of \$385, net of cash acquired. Net cash used in investing activities increased \$1,009 in 2010 as compared to 2009. This increase reflects the amounts paid for the Godwin and Nova acquisitions (approximately \$965, net of cash acquired) as well as other acquisitions completed during 2010. Net cash used in investing activities increased \$3 in 2009 as compared to 2008, primarily reflecting a net increase in amounts paid for acquisitions, capital expenditures and other.

Cash used for or provided by financing activities is due to transfers to and from our parent, ITT. The components of net transfers include: (i) cash transfers from the Company to parent, (ii) cash investments from our parent used to fund operations, capital expenditures and acquisitions, (iii) charges (benefits) for income taxes, and (iv) allocations of parent's corporate expenses described in this Information Statement.

Funding of Postretirement Plans

At December 31, 2010, our defined benefit pension plans were underfunded by \$155 million. A substantial portion of the underfunded position arose during the fourth quarter of 2008, when we recognized a significant decline in the fair market value of our defined benefit pension plan assets. Favorable market conditions during the latter half of 2009 and throughout 2010 resulted in an increase in the fair market value of our defined benefit pension plan assets.

With respect to defined benefit pension plans, we intend to contribute annually not less than the minimum required by applicable laws or regulations. In 2010, we contributed \$2 to our defined benefit pension plans. Funding requirements under IRS rules are a major consideration in making contributions to our U.S. defined benefit pension plans. While the Company has significant discretion in making voluntary contributions, the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006 and further amended by the Worker, Retiree, and Employer Recovery Act of 2008 and applicable Internal Revenue Code regulations, mandate minimum funding thresholds. Failure to satisfy the minimum funding thresholds

could result in restrictions on our ability to amend the plans or make benefit payments. We anticipate making contributions to our defined benefit pension plans in the range of \$8 to \$10 during 2011.

The funded status at the end of 2011 and future required contributions will depend primarily on the actual return on assets during the year and the discount rate used to measure the benefit obligation at the end of the year. Depending on these factors, and the resulting funded status of our pension plans, the level of future statutory minimum contributions could be material.

Contractual Obligations

Our commitment to make future payments under long-term contractual obligations was as follows, as of December 31, 2010:

	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual obligations(1)					
Operating leases(2)	\$ 176	\$ 48	\$ 67	\$ 32	\$ 29
Purchase obligations(3)	67	64	3	—	—
Other long-term obligations reflected on balance sheet(4)	42	3	9	5	25
Total	\$285	\$ 115	\$ 79	\$ 37	\$ 54

In addition to the amounts presented in the table above, we have recorded liabilities for uncertain tax positions of \$43. These amounts have been excluded from the contractual obligations table due to an inability to reasonably estimate the timing of such payments in individual years.

(1) Contractual obligations as of December 31, 2010 exclude indebtedness of \$1.2 billion. In connection with the spin-off, on September 20, 2011 the Company issued \$600 aggregate principal amount of 3.55% Senior Notes that will mature on September 20, 2016 and \$600 aggregate principal amount of 4.875% Senior Notes that will mature on October 1, 2021, the net proceeds of which have funded a net cash transfer of approximately \$817 to ITT, with the balance used in connection with the YSI acquisition and for general corporate purposes. Interest on the notes accrues from September 20, 2011. Interest on the 3.55% Senior Notes is payable on March 20 and September 20 of each year, commencing on March 20, 2012. Interest on the 4.875% Senior Notes is payable on April 1 and October 1 of each year, commencing on April 1, 2012. In addition, on or about the distribution date, a revolving credit facility that provides for the availability of \$600 through 2015 will become effective. See “Description of Material Indebtedness.”

(2) Refer to Note 15, “Operating Leases,” in the Notes to Combined Financial Statements, for further discussion of lease and rental agreements.

(3) Represents unconditional purchase agreements that are enforceable and legally binding and that specify all significant terms to purchase goods or services, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase agreements that are cancellable without penalty have been excluded.

(4) Other long-term obligations include capital lease obligations and estimated environmental payments. We estimate, based on historical experience, that we will spend between \$2 and \$4 per year on environmental investigation and remediation. At December 31, 2010, our best estimate for environmental liabilities is \$8.

Critical Accounting Estimates

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our combined financial statements, which have been prepared in accordance with GAAP. The preparation of these combined financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Significant accounting policies used in the preparation of the Combined Financial Statements are discussed in Note 1, "Separation from ITT Corporation, Basis of Presentation and Summary of Significant Accounting Policies," in the Notes to the Combined Financial Statements. Accounting estimates and assumptions discussed in this section are those that we consider most critical to an understanding of our financial statements because they are inherently uncertain, involve significant judgments, and include areas where different estimates reasonably could have been used and changes in the estimate that are reasonably possible could materially impact the financial statements. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results in these areas could differ from management's estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability of the sales price is reasonably assured. For product sales, delivery does not occur until the products have been shipped, risk of loss has been transferred to the customer and the contractual terms have been fulfilled. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria or (ii) upon formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria. Revenue on service and repair contracts is recognized after services have been agreed to by the customer and rendered.

Although most of the sales agreements contain standard terms and conditions, certain agreements contain multiple elements or non-standard terms and conditions. As a result, judgment is sometimes required to determine the appropriate accounting, including whether the deliverables specified in these agreements should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the transaction price should be allocated among the elements and when to recognize revenue for each element. For delivered elements, revenue is recognized only when the delivered elements have standalone value, fair values of undelivered elements are known, there are no uncertainties regarding customer acceptance and there are no customer-negotiated refund or return rights affecting the sales recognized for delivered elements.

We record a reduction in revenue at the time of sale for estimated product returns, rebates and other allowances, based on historical experience and known trends. Future market conditions and product transitions may require us to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered.

Warranty Accrual

Additionally, accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered and are recorded as a component of costs of revenue. These accruals are established using historical information on the nature, frequency and average cost of warranty claims and estimates of future costs. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. While we engage in extensive product quality programs and processes, we base our estimated warranty obligation on product warranty terms offered to customers, ongoing product failure rates, material usage and service delivery costs incurred in correcting a product failure, as well as specific product class failures outside of our baseline experience. If actual product failure rates, repair rates or any other post-sales support costs differ from these estimates, revisions to the estimated warranty liability would be required.

Income Taxes

Our income taxes as presented are calculated on a separate tax return basis, and may not be reflective of the results that would have occurred on a stand alone basis. Our operations have historically been included in ITT's U.S. federal and state tax returns or non-U.S. jurisdictions tax returns.

With the exception of certain dedicated foreign entities, we do not maintain taxes payable to/from our parent, and we are deemed to settle the annual current tax balances immediately with the legal tax-paying entities in the respective jurisdictions. These settlements are reflected as changes in parent company investment.

We determine the provision for income taxes using the asset and liability approach. Under this approach, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse. Based on the evaluation of available evidence, we recognize future tax benefits, such as net operating loss carryforwards, to the extent that we believe it is more likely than not we will realize these benefits. We periodically assess the likelihood that we will be able to recover our deferred tax assets and reflect any changes to our estimate of the amount we are more likely than not to realize in the valuation allowance, with a corresponding adjustment to earnings or other comprehensive income (loss), as appropriate.

In assessing the need for a valuation allowance, we look to the future reversal of existing taxable temporary differences, taxable income in carryback years, the feasibility of tax planning strategies and estimated future taxable income. The valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

We have not provided U.S. taxes on the excess of financial reporting over the tax basis of investments in foreign subsidiaries because we plan to reinvest such earnings indefinitely outside the United States. We plan foreign earnings remittance amounts based on projected cash flow needs, as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we will distribute to the United States and provide the U.S. federal and foreign withholding taxes due on these amounts. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact our effective tax rate.

The calculation of our tax provision involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and to the extent to which, additional taxes will be due. Furthermore, we recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We adjust our liability for unrecognized tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate. If our estimate proves to be less than the ultimate assessment, an additional tax expense would result. If these amounts ultimately prove to be less than the recorded amounts, the reversal of the liabilities may result in a tax benefit in the period when the liabilities are no longer necessary.

Goodwill and Other Intangible Assets

We review goodwill and indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We also review the carrying value of our finite-lived intangible assets for potential impairment when impairment indicators arise. We conduct our annual impairment test as of the first day of the fourth fiscal quarter. We perform a two-step impairment test for goodwill. In the first step, we compare the estimated fair value of each reporting unit to its carrying value. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds its fair value, then we must perform the second step of the impairment test in order to measure the impairment loss to be recorded. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. In our annual impairment test for indefinite-lived intangible assets, we compare the fair value of those assets to their carrying value. We recognize an impairment loss when the estimated fair value of the indefinite-lived intangible asset is less than its carrying value. We estimate the fair value of our reporting units and intangible assets with indefinite lives using an income approach. Under the income approach, we calculate fair value based on the present value of estimated future cash flows.

Determining the fair value of a reporting unit or an indefinite-lived intangible asset is judgmental in nature and involves the use of significant estimates and assumptions, particularly related to future operating

results and cash flows. These estimates and assumptions include, but are not limited to, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions, and identification of appropriate market comparable data. In addition, the identification of reporting units and the allocation of assets and liabilities to the reporting units when determining the carrying value of each reporting unit also requires judgment. Goodwill is tested for impairment at the reporting unit level, which based on the relevant accounting guidance, is at the operating segment level or one level below the operating segments identified in Note 19, "Segment Information," in the Notes to the Combined Financial Statements. The fair value of our reporting units and indefinite-lived intangible assets are based on estimates and assumptions that are believed to be reasonable. Significant changes to these estimates and assumptions could adversely impact our conclusions. Actual future results may differ from those estimates.

Our 2010 annual goodwill impairment analysis indicated the estimated fair value of our reporting units significantly exceeded their carrying value. Accordingly, no reporting unit with significant goodwill was at risk of failing step one of the goodwill impairment test at December 31, 2010. In order to evaluate the sensitivity of the fair value estimates on the goodwill impairment test, we applied a hypothetical 100 basis point increase to the discount rates utilized, a ten percent reduction in expected future cash flows, and reduced the assumed future growth rates of each reporting unit to zero. These hypothetical changes did not result in any reporting unit failing step one of the impairment test. Further, our 2010 annual indefinite-lived intangible asset impairment test did not result in an impairment charge as the estimated fair value of the assets exceeded their carrying value.

Postretirement Plans

Company employees around the world participate in numerous defined benefit pension plans that are direct to or sponsored by Xylem. The determination of projected benefit obligations and the recognition of expenses related to these pension plans are dependent on various assumptions. These major assumptions primarily relate to discount rates, long-term expected rates of return on plan assets, rate of future compensation increases, mortality and termination (some of which are disclosed in Note 13, "Postretirement Benefit Plans," in the Notes to the Combined Financial Statements) and other factors. Actual results that differ from our assumptions are accumulated and are amortized generally over the estimated future working life of the plan participants.

Significant Assumptions

Management develops each assumption using relevant Company experience, in conjunction with market-related data for each individual country in which such plans exist. All assumptions are reviewed annually with third party consultants and adjusted as necessary. The table included below provides the weighted average assumptions used to estimate our defined benefit pension obligations and costs as of and for the years ended 2010 and 2009.

	2010		2009	
	U.S.	Int'l	U.S.	Int'l
Obligation Assumptions:				
Discount rate	5.83%	5.18%	6.0%	5.55%
Rate of future compensation increase	4.00%	3.40%	4.00%	3.48%
Cost Assumptions:				
Discount rate	6.00%	5.55%	6.25%	5.79%
Expected return on plan assets	9.00%	7.20%	9.00%	6.97%
Rate of future compensation increase	4.00%	3.41%	4.00%	3.48%

The majority of our plan assets relate to U.S. plans and are managed by ITT on a commingled basis in a master investment trust. With respect to plan assets in the master investment trust, ITT determines the expected return on plan assets by evaluating both historical returns and estimates of future returns. Specifically, ITT analyzes the plan's actual historical annual return on assets over the past 15, 20 and 25 years; estimates future returns based on independent estimates of asset class returns; and evaluates historical broad market returns

[Table of Contents](#)

over long-term timeframes based on the strategic asset allocation, which is detailed in Note 13, “Postretirement Benefit Plans,” in the Notes to the Combined Financial Statements.

Based on the approach described above, the long-term annual rate of return on plan assets in the master investment trust is estimated at 9.0%. For reference, our actual geometric average annual return on plan assets in the master investment trust was 8.8%, 10.1% and 10.3%, for the past 15, 20, and 25 year periods, respectively.

The chart below shows actual returns versus the expected long-term returns for our U.S. pension plans that were utilized in the calculation of the net periodic pension cost for each respective year.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected long-term rate of return on plan assets	9.0%	9.0%	9.0%
Actual rate of return on plan assets	14.1%	24.1%	(31.2)%

For the recognition of net periodic pension cost, the calculation of the expected return on plan assets is generally derived using a market-related value of plan assets based on average asset values at the measurement date over the last five years. The use of fair value, rather than a calculated value, could materially affect net periodic pension cost. Our weighted average expected return on plan assets for all pension plans, including foreign affiliate plans, at December 31, 2010 is 8.2%.

The discount rate reflects our expectation of the present value of expected future cash payments for benefits at the measurement date. A decrease in the discount rate increases the present value of benefit obligations and increases pension expense. We base the discount rate assumption on current investment yields of high-quality fixed income investments during the retirement benefits maturity period. The pension discount rate was determined by considering an interest rate yield curve comprising AAA/AA bonds, with maturities between zero and thirty years, developed by the plan’s actuaries. Annual benefit payments are then discounted to present value using this yield curve to develop a single-point discount rate matching the plan’s characteristics. Our weighted average discount rate for all pension plans, including foreign affiliates, at December 31, 2010 is 5.35%.

The rate of future compensation increase assumption reflects our long-term actual experience and future and near-term outlook. At December 31, 2010, our expected rate of future compensation of 4.0% for U.S. plan participants was unchanged from the prior year.

Funded Status

Funded status is derived by subtracting the respective year-end values of the projected benefit obligations from the fair value of plan assets. We estimate that every 25 basis point change in the discount rate impacts the funded status by approximately \$8.

Fair Value of Plan Assets

The plan assets of our postretirement plans comprise a broad range of investments, including domestic and foreign equity securities, interests in private equity and hedge funds, fixed income investments, commodities, real estate, and cash and cash equivalents.

A substantial portion of our postretirement benefit plan assets portfolio in the master investment trust comprises investments in private equity and hedge funds. The private equity and hedge fund investments are generally measured at net asset value. However, in certain instances, the values reported by the asset managers were not current at the measurement date. Accordingly, ITT has estimated adjustments to the last reported value where necessary to measure the assets at fair value at the measurement date.

These adjustments consider information received from the asset managers, as well as general market information. The adjustment recorded for these assets represented approximately one percent of total plan assets. Asset values for other positions were generally measured using market observable prices.

New Accounting Pronouncements

See Note 2, “New Accounting Pronouncements,” in the Notes to the Combined Financial Statements for a complete discussion of recent accounting pronouncements. There were no new pronouncements which we expect to have a material impact on our financial condition and results of operations in future periods.

Quantitative and Qualitative Disclosures About Market Risk

As a result of our global operating and financing activities, we are exposed to market risks from changes in foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. The impact from changes in market conditions is generally minimized through our normal operating and financing activities. We do not use derivative instruments to manage these exposures.

Foreign Currency Exchange Rate Exposures

Our foreign currency exchange rate risk relates to receipts from customers, payments to suppliers and intercompany transactions denominated in foreign currencies. We may use derivative financial instruments to offset risk related to receipts from customers and payments to suppliers, when it is believed that the exposure will not be limited by our normal operating and financing activities. Our principal currency exposures relate to the Euro, Swedish Krona, British Pound, Australian Dollar, Canadian Dollar, Polish Zloty, and Hungarian Forint. We estimate that a hypothetical 10% adverse movement in foreign currency exchange rates would not be material to Xylem's financial position, results of operations or cash flows.

Commodity Price Exposures

Portions of our business are exposed to volatility in the prices of certain commodities, such as copper, nickel and aluminum, among others. Our primary exposure to this volatility resides with the use of these materials in purchased component parts. We generally maintain long-term fixed price contracts on raw materials and component parts; however, we are prone to exposure as these contracts expire. We estimate that a hypothetical 10% adverse movement in prices for raw metal commodities would not be material to the financial position, results of operations or cash flows.

BUSINESS

Our Company

Our Company is a world leader in the design, manufacturing, and application of highly engineered technologies for the water industry. We are a leading equipment and service provider for water and wastewater applications with a broad portfolio of products and services addressing the full cycle of water, from collection, distribution and use to the return of water to the environment, and we have leading market positions among equipment and service providers in the core application areas of the water equipment industry: transport, treatment, test, building services, industrial processing and irrigation. Our Company's brands, such as Bell & Gossett and Flygt, are well known throughout the industry and have served the water market for many years. Over the years, we have leveraged our heritage strength in wastewater pumping technologies to expand into wastewater treatment, and later into clean water treatment and water quality analysis. We believe we are strongly positioned to use our deep applications expertise and offer our customers a full spectrum of service offerings in the transportation, treatment and testing of water. Net sales and operating income for the twelve months ended December 31, 2010 were \$3.2 billion and \$388 million, respectively, and for the six months ended June 30, 2011 were \$1.9 billion and \$216 million, respectively.

We operate in two segments, Water Infrastructure and Applied Water. The Water Infrastructure segment focuses on the transportation, treatment and testing of water, offering a range of products including water and wastewater pumps, treatment and testing equipment, and controls and systems. Key brands include Flygt, Wedeco, Godwin Pumps, WTW, Sanitaire, AADI and Leopold. The Applied Water segment encompasses all the uses of water and focuses on the residential, commercial, industrial and agricultural markets. The segment's major products include pumps, valves, heat exchangers, controls and dispensing equipment. Key brands in this segment include Goulds, Bell & Gossett, AC Fire, Standard, Flojet, Lowara, Jabsco and Flowtronex. In both our segments, we benefit from a large and growing installed base of products driving growth in aftermarket sales for replacement parts and services.

Our global manufacturing footprint enables us to optimize sourcing, lower production costs and localize products. We serve a global customer base across diverse end markets while offering localized expertise. We sell our products in more than 140 countries through a balanced distribution network consisting of our direct sales force and independent channel partners. In 2010, approximately 65% of our revenues were generated outside the United States.

We believe our company's operational structure and strategy will drive sustained, profitable growth in the markets we serve. We have a seasoned management team that has demonstrated its ability to strategically grow a global engineering and manufacturing enterprise while expanding positions throughout the global water industry. We believe our businesses are well positioned to continue to grow by enhancing our product and application offerings and expanding our customer base in each of our strategic markets.

Our Industry

Our planet faces a serious water challenge. Less than 1% of the total water available on earth is fresh water, which is declining due to factors such as the draining of aquifers, increased pollution and climate change. In addition to this declining supply, demand is rising rapidly due to population growth, industrial expansion, and increased agricultural development, with consumption estimated to double every 20 years. By 2025, over 30% of the world's population is expected to live in areas without adequate water supply. Even in developed countries with sufficient supply, existing infrastructure for water supply is relatively underfunded and aging. In the United States, degrading pipe systems leak one out of every six gallons of water, on average, on its way from a treatment plant to the customer. These challenges are driving opportunities for growth in the global water industry, which we estimate to have a total market size of \$500 billion.

The water industry supply chain comprises Equipment and Services companies, Design and Build service providers, and water utilities. Equipment and Service providers serve two distinct customer types. The first, utilities, supplies water through an infrastructure network. Companies that operate on this side of the supply chain provide single, or sometimes combined, functions from equipment manufacturing and services to facility

design (engineering, procurement and construction, or EPC firms) to plant operations (utilities), as depicted below in Figure 1. The utility and EPC customers are looking for technology and application expertise from their Equipment and Services providers, due to trends such as rising pollution, stricter regulations, and the increased outsourcing of process knowledge by utilities. The second customer type, the end users of water, comprises a wide array of entities, ranging from farms to power plants to residential homes. These customers are predominately served through specialized distributors and original equipment manufacturers (“OEMs”).

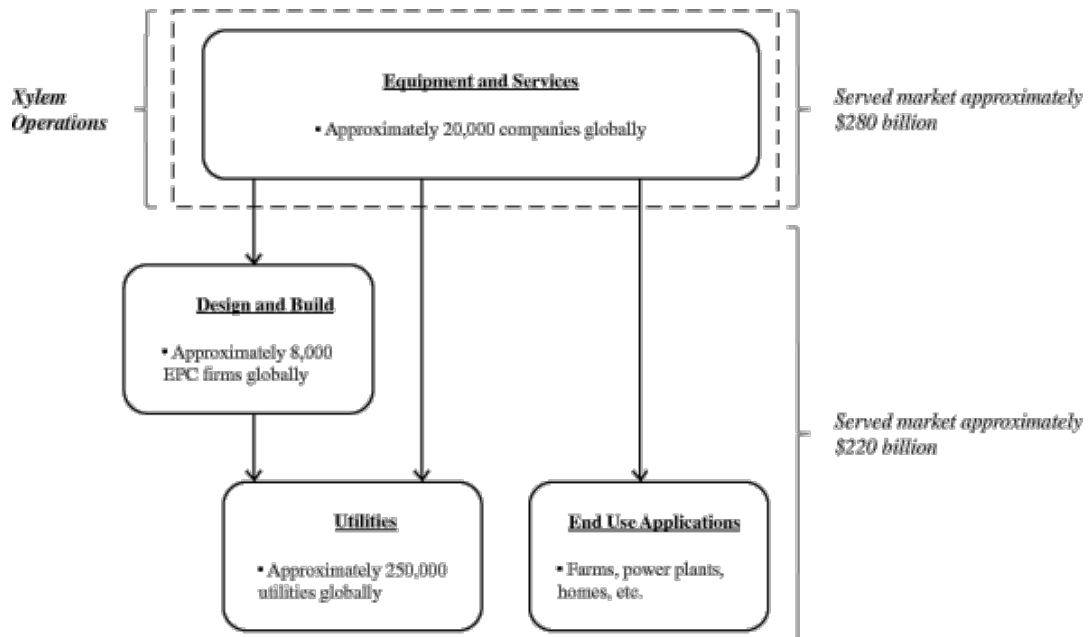


Figure 1: Water Industry Supply Chain, based upon Global Water Intelligence’s “Global Water Market 2011” and Management Estimates

Our business focuses on the beginning of the supply chain, by providing technology-intensive equipment and services. We sell our equipment and services via direct and indirect channels that serve the needs of each customer type. On the utility side, we provide over 70% direct sales with strong application expertise, with the remaining amount going through distribution partners. To end users of water, we provide over 85% of our sales through long-standing relationships with the world’s leading distributors, with the remainder going direct to customers. The total market opportunity for this Equipment and Services portion of the water industry supply chain is estimated at \$280 billion.

The Equipment and Services market addresses the key processes of the water industry, which is best illustrated through the cycle of water, as depicted in Figure 2, below. We believe this industry has two distinct sectors within the cycle of water: Supply Infrastructure and Usage Applications. The key processes of this cycle begin when raw water is extracted by pumps, which provide the necessary pressure and flow, to move, or *Transport*, this water from natural sources, such as lakes, oceans or aquifers through pipes to a treatment facility. *Treatment* facilities can provide many forms of treatment, such as filtration, disinfection and desalination, to remove solids, bacteria, and salt, respectively. A network of pipes and pumps again *Transport* this clean water to where it is needed, such as to crops for *Irrigation*, to power plants to provide cooling in *Industrial Water*, or to an apartment building as drinking water in *Residential, Commercial and Building Services*. After usage, the wastewater is collected by a separate network of pipes and pumps and transported to a wastewater treatment facility, where processes such as digestion deactivate and reduce the volume of solids, and disinfection purifies effluent water. Once treated, analytical instruments *Test* the treated water to ensure

regulatory requirements are met so that it can be discharged back to the environment, thereby completing the cycle.

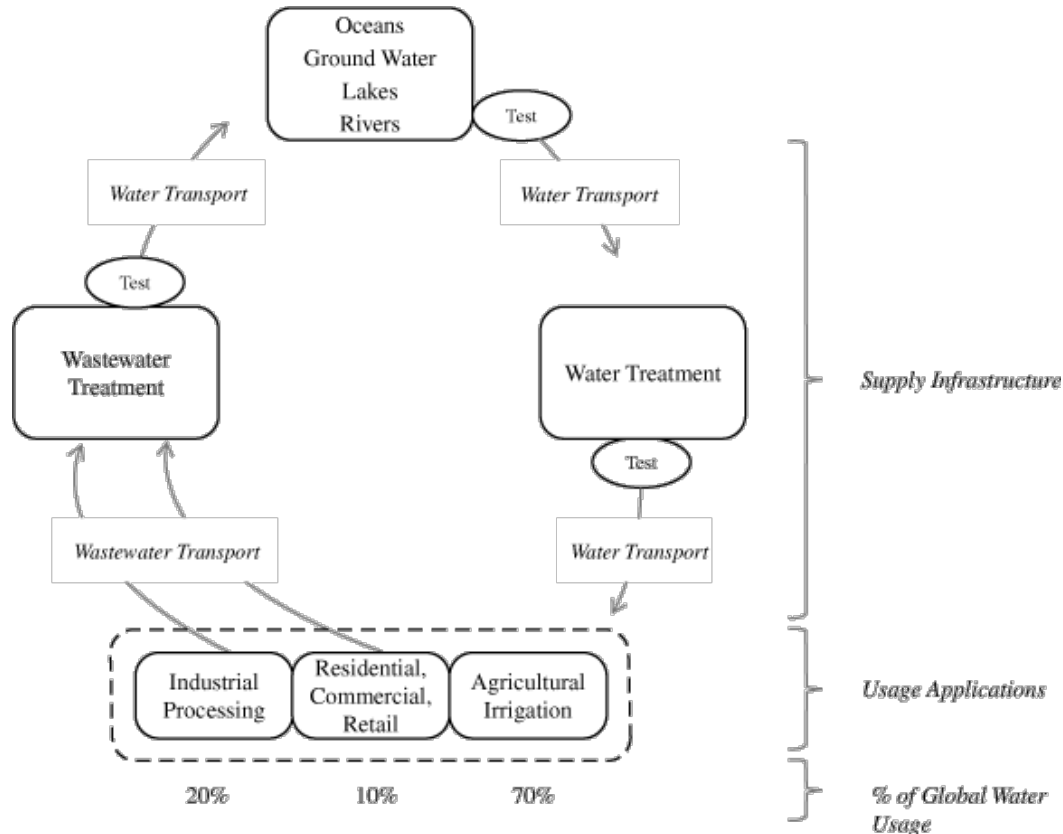


Figure 2: Cycle of Water

Our two operating segments are aligned with each of the sectors in the cycle of water: Water Infrastructure serves the Supply Infrastructure sector, and Applied Water serves Usage Applications. Within the Supply Infrastructure sector, our pump systems *Transport* water from aquifers, lakes, rivers and seas. From there, our filtration, UV and ozone systems provide *Treatment*, making the water fit for use. After consumption, our pump lift stations move the wastewater to treatment facilities where our mixers, biological treatment, monitoring, and control systems provide the primary functions in the treatment process. Throughout each of these stages, our analytical systems *Test* and ensure water quality, allowing the water to be consumed and returned to nature. Our served market size in this sector is approximately \$16 billion.

In the Usage Applications sector, we participate in all major areas of water demand. *Irrigation* is approximately 70% of all water usage globally. Examples of what we provide include: boosting systems for farming irrigation, pumps for dairy operations, and rainwater reuse systems for small scale crop and turf irrigation. *Industrial Water* applications account for 20% of global consumption. Our pumps, heat exchangers, valves and controls provide cooling to power plants and manufacturing facilities, as well as circulation for food and beverage processing. The remaining 10% of global water use resides in human and building consumption, where we deliver water boosting systems for drinking, heating, ventilation and air conditioning (HVAC) and fire protection systems to *Residential and Commercial Building Services*. Our served market size in this sector is estimated at \$14 billion.

Customers in the water industry vary by end market. Two end markets exist within the Supply Infrastructure sector: public utility and industrial, representing 85% and 15% of the total equipment and services market, respectively. The public utility market comprises public, private and public-private institutions that handle water and wastewater for mostly residential and commercial purposes. The industrial market involves the supply of water and removal of wastewater for industrial facilities. Sales in our Water Infrastructure segment are approximately 63% in the public utility market, and 37% in the industrial market. We view the main macro drivers of this sector to be water quality, the desire for energy-efficient products, water scarcity and infrastructure needs, for both the repair of aging systems in developed countries and new installations in developing countries. These markets tend to be less cyclical and are estimated to grow annually in the mid-single digits through 2015, according to management estimates.

In the Usage Applications sector, end-use customers fall into four main markets: residential, commercial, industrial and agricultural. Homeowners represent the end users in the residential market. Owners and managers of properties such as apartment buildings, retail stores, hospitals, and hotels are examples of end users in the commercial market. The industrial market is wide ranging, involving developers and managers of facilities operated by electrical power generators, chemical manufacturers, machine shops, clothing manufacturers, beverage production and dispensing firms and car washes. The agricultural market end users are owners and operators of businesses such as crop and livestock farms, aquaculture, golf courses, and other turf applications. Sales in our Applied Water segment are approximately 38% industrial, 33% commercial, 22% residential and 7% agricultural. We believe population growth and urbanization are the two primary macro drivers of these markets, as these trends drive the need for housing, food, community services and retail goods within growing city centers. Water reuse and conservation are driving the need for new technologies. Annual total market growth in these industrial, commercial, residential, and agricultural markets is estimated to be in the low- to mid-single digits through 2015, according to internal management estimates.

Our Competitive Strengths

Our leading positions in the markets we serve result from the following competitive strengths:

Leading Brands in a Diversified Product Portfolio

We are among the world's largest water equipment and services companies and have global leading product positions in core applications across the water cycle, from the manufacturing of submersible pumps under our Flygt brand to the key products used in plumbing and water-based heating and air conditioning markets manufactured through our Bell & Gossett brand. Although other equipment and services companies are diversified, in that they serve markets outside of water as well, we are one of the largest water companies in the industry that is exclusively focused on water equipment and services. In addition, we have capabilities in transport, treatment and testing of water and have consistently demonstrated the ability to develop new offerings that anticipate the manufacturing, installation and servicing needs of our customers, such as the innovative water collection and distribution systems that used Goulds pumps and a Bell & Gossett pumping package to conserve clean water at the 2010 Vancouver Olympics, and the Lowara water booster sets used to even water supply pressure in the world's tallest building, "Burj Dubai," in the United Arab Emirates. Our brands, such as Flygt, Bell & Gossett, Wedeco, Sanitaire, Lowara, Godwin Pumps, Goulds, WTW and Jabsco, among others, have been in existence for over 150 years and are globally recognized as leading brands for quality in the markets they serve.

Culture of Innovation and Strong Application Expertise

Our business invented the first submersible sewage pump, and we remain the world's largest manufacturer of submersible wastewater pumps. We have built upon this deep legacy and expertise by developing new, more efficient designs and more advanced application solutions. In 1999, we led the industry in wastewater pumps with the launch of the Flygt N-pump, guaranteeing at least a 25% improvement in energy consumption compared to any installed, non-Flygt system. In recent years, we designed a standardized range of lift stations, called The Optimal Pumping (TOP) Station, to quickly and simply install full lift stations, rather than design, order, and assemble all the components needed at various pipeline locations. The TOP Station is now a staple

of our product line. In 2009, we launched the next generation N-pump, called the Adaptive N-pump, which eliminates virtually all forms of clogging, and therefore improves maintenance and efficiency costs, even under the most difficult conditions. Similarly, we also launched the next generation vertical multi-stage pump in 2011, called eSV, which brings benefits in energy efficiency and maintenance costs to water boosting in multiple end uses. This innovation around new technology and application solutions is an expertise we deploy across all product lines and brands, and we continuously seek to improve our products and invest in the development of new, differentiated technologies to best fit our customers' needs.

Large Installed Base Driving Strong Aftermarket Revenues

By virtue of our global scale and tenure, we have one of the largest installed bases in the water equipment market. This provides us with a highly profitable and recurring revenue stream from the sale of parts, repair services, and end of lifecycle product replacements. During their lifecycle, installed products require maintenance, repair services and parts due to the harsh environments in which they operate. In 2010, 16% of our total revenue was derived from sales of repair parts and services. In addition, depending on the type of product, median lifecycles range from 5 years to over 50 years, at which time the products must be replaced. Many of our products are precisely selected and applied within a larger network of equipment, driving a strong preference by customers and installers to replace them with the same exact brand and model when they reach the end of their lifecycle. This dynamic establishes a large recurring revenue stream for our business.

Diverse Customer Base and Established International Distribution Channels

Our customer base spans numerous industries and regions, with no single customer representing more than 2% of our revenue and approximately 65% of our 2010 revenues derived from operations outside of the United States, including 18% from emerging market countries. We sell our products through a balanced distribution network, with more than 1,800 direct sales employees and more than 2,700 independent distributors in more than 140 countries. Our global reach within the highly fragmented global water industry allows us to align our sales strategy to meet the needs of our customers in specific end markets, as we are better able to optimize sourcing, lower our production costs, and enable product localization and application expertise. In our Water Infrastructure segment, we maintain close customer relationships through our direct sales force, allowing us to quickly respond to a dynamic and highly regulated environment in which some of our customers operate, including public utility and industrial clients. In our Applied Water segment, we use distributors from our global independent distribution network, several of whom are exclusive distributors, to sell our products.

Proven Operating Performance

Our strong profit margins, combined with our disciplined approach to investing and managing our capital and our focus on higher-margin business opportunities, enable us to generate strong and recurring cash flow. Following our 2008 restructuring, implemented prior to the recent economic downturn, we positioned the cost structure of our company to realize strong margin improvements driven by robust sales growth. For instance, in 2010, our operating margin increased 240 basis points to 12.1% as compared to the prior year. We focus on productivity and efficiency within our manufacturing facilities by driving operational efficiencies through the application of Lean Six Sigma and other continuous improvement programs.

Experienced Management Team

Our senior management team is highly regarded in the water equipment and services industry and has significant experience in leadership roles. Collectively, our executive officers have an average of 20 years of experience in managing large global organizations. They have a successful track record of enabling our company to recognize and capitalize upon attractive opportunities in the key markets we serve, and our executive management teams have a strong record of winning new business, reducing costs, improving working capital and executing operating efficiencies.

Our Growth Strategy

Our strategy is focused on enhancing shareholder value by providing solutions for our customers, and by growing revenues, both organically and through strategic acquisitions. Key elements of our strategy are summarized below:

Grow Our Product Offerings and Solutions through Portfolio Differentiation

We will continue to extend leading market positions where we have a strong competitive position, cost leadership and proven technology. In addition, we will invest in the differentiation of our core product lines to build on our strong product and application expertise. We also plan to expand into adjacent and complementary technologies as demonstrated by the recent acquisitions of analytical instrumentation and dewatering solutions businesses.

Focus on Organic Growth Initiatives

We have launched a global commercial excellence initiative, deploying people, processes and tools to make our sales and marketing teams more effective and efficient. We have trained over 500 front-line sales agents under this initiative and have 30 dedicated commercial excellence leaders to service our most profitable accounts. In addition, we have launched digital selling tools, which improve our value propositions, and have built a strategic accounts program to focus on our most important customers. These efforts have already improved the revenues generated per sales agent across our businesses. We will continue to make investments in customer relationship management, mobile technologies, customer applications and other technologies that improve our knowledge of customers and the critical activities that drive growth.

Investing in New Technology and Innovation

We will continue to make targeted investments in research and development activities to develop breakthrough products and solutions. We will pursue and execute a robust pipeline of opportunities in core and emerging markets. We have established a wastewater Center of Excellence, in Stockholm, Sweden, with over 100 research, development and engineering employees. We have launched engineering Centers of Excellence in India and China, where we are accelerating the customization of our application expertise to local needs. Our engineers will continue to work closely with our customers in an effort to identify new applications for our products and develop new technologies and solutions to expand our current portfolio further.

Build on Our Presence in Fast-Growing Emerging Markets

Urbanization trends and growth in the middle class in developing countries are generating significant demand for water applications. We intend to continue to capture this growth by further expanding into emerging markets, such as China, India and Brazil, increasing our existing presence of over 40 facilities. We plan to leverage our strong global reach, manufacturing footprint and extensive distribution network to capitalize on growth opportunities in these regions. We will continue to establish and reinforce local capabilities by growing our local presence in these markets with investments in sales, marketing and manufacturing capabilities globally.

Growth through Disciplined Acquisitions

Acquisitions are an important part of our growth strategy. Certain segments of the global water industry we serve are highly fragmented, providing numerous acquisition opportunities. We have successfully completed and integrated 20 acquisitions over the past five years, including Godwin Pumps, Nova Analytics, and OI Corporation, and we will selectively pursue highly targeted acquisitions that will broaden our core product portfolio, expand our geographic footprint and enhance our position in strategic markets.

Our Business Segments

We operate in two business segments that are aligned with the cycle of water and the key strategic market applications they provide: Water Infrastructure (collection, distribution, return) and Applied Water (usage). The table and descriptions below provide an overview of our business segments.

Segment	Market Applications	2010 Revenue	% Revenue	Major Products	Primary Brands
Water Infrastructure	Transport	\$ 1,436	74%	<ul style="list-style-type: none"> • Water and wastewater pumps • Filtration, disinfection and biological treatment equipment • Test equipment • Controls 	<ul style="list-style-type: none"> • Flygt • Wedeco • Godwin Pumps • WTW • Sanitaire • AADI • Leopold
	Treatment	377	20%		
	Test	117	6%		
		<u>\$1,930</u>	<u>100%</u>		
Applied Water	Building Services	\$ 723	55%	<ul style="list-style-type: none"> • Pumps • Valves • Heat exchangers • Controls • Dispensing equipment systems 	<ul style="list-style-type: none"> • Goulds • Bell & Gossett • AC Fire • Standard • Lowara • Jabsco • Flojet • Flowtronex
	Industrial Water	509	38%		
	Irrigation	95	7%		
		<u>\$1,327</u>	<u>100%</u>		

Most of our product portfolio is involved in Transport and comprises water pumps, pumping systems and pump-related equipment and services across both our segments, which represented 83% of our revenue for each of the years ended December 31, 2010, 2009 and 2008. In recent years, we have built our capabilities in Treatment, the cleaning of water and wastewater, and Test, the measurement of water characteristics such as quality. Both of these application areas, Treatment and Test, reside within the Water Infrastructure segment.

Water Infrastructure

Water Infrastructure involves the process that collects water from a source and distributes it to users, and then returns the wastewater responsibly to the environment. Water Infrastructure serves three basic closely linked applications: *Transport*, *Treatment* and *Test* of water and wastewater for two types of customers: public utilities and industrial facilities. We believe our served market size for this segment is approximately \$16 billion, comprising served markets of approximately \$11 billion for Transport, \$3 billion for Treatment and \$2 billion for Test.

Transport

The Transport application includes all of the equipment and services involved in the safe and efficient movement of water from sources, such as oceans, lakes, rivers and ground water, to treatment facilities, and then to users. It also includes the movement of wastewater from the point of use to a treatment facility and then back into the environment. We serve the higher-value equipment markets, such as water and wastewater submersible pumps, monitoring controls, and application solutions; we do not serve the market for lower-value equipment such as pipes and fittings. We believe our business is the largest player in this served market based on management estimates. With operations on six continents, we also have the world's largest dewatering rental fleet, serviced with our Flygt and Godwin brands.

Flygt - Flygt is the world's premier manufacturer of submersible pumps, mixers, and aeration equipment for use in environments such as water and wastewater treatment, raw water supply, abrasive or contaminated industrial processes, mining and crop irrigation. The Flygt brand was founded in 1901 in Lindås, Sweden and developed the world's first submersible close-coupled motor-driven pump. Flygt products have leading non-clogging capabilities and innovative N-technology, which provide customers with highly sustainable efficiencies and lowest total cost of ownership. Flygt products have applications in various markets, including wastewater lift stations, water and wastewater treatment facilities, pressurized sewage systems, oil and gas,

steel, mining and leisure markets. Customers include public utility wastewater and clean water treatment facilities, oil and gas platforms, and steel manufacturing companies. As an example, Flygt recently served the village of Hartland, WI, population 8,350, located in Wisconsin's Lake Country. The Hartland Department of Public Works (DPW) is, among other things, responsible for operation and maintenance of sanitary sewers, lift stations and manholes. The DPW had experienced a range of problems resulting from ongoing clogging of the pumps in their collection-system lift stations. Replacing the pumps with self-cleaning Flygt N-pumps eliminated the clogging as well as unscheduled and costly service calls.

Godwin Pumps - With more than 30 years as a leader in pump manufacturing, Godwin Pumps has established itself as a well-recognized and respected brand in the global portable pump market for removal of temporary, unwanted water. It manufactures, sells, rents and services products that are economical, reliable and customized to the specific needs of its clients. Founded in Quenington, England, Godwin Pumps is currently headquartered in Bridgeport, NJ. Godwin Pumps' products include the fully automatic self-priming Dri-Prime pump, a range of Sub-Prime electric and Heida hydraulic submersible pumps, Wet-Prime gasoline-powered contractor pumps and a broad line of generators and portable light towers. Godwin products are primarily used in construction, disaster recovery, flooding, heavy industry, marine use, mining, oil, gas and chemical extraction, refineries, temporary fire protection and water and wastewater transport. Customers include industrial plants, construction contractors, public utility wastewaters and clean water treatment and transportation facilities, oil, gas and chemical drilling outfits, and refineries. Godwin's fleet of equipment is rented through 32 U.S. branches and a global network of distributors.

Treatment

The Treatment application includes equipment and services that treat water for consumption and wastewater to be returned responsibly to the environment. While there are several treatment solutions in the market today, we focus on three basic treatment types: (i) filtration, (ii) disinfection and (iii) biological treatment systems. Filtration uses gravity-based media filters and clarifiers to clean both water and wastewater. Leopold, with more than 80 years of experience, is our leading filtration brand. Disinfection systems, both ultraviolet (UV) and ozone oxidation, treat both public utility drinking water and wastewater, as well as industrial process water, and are provided through our WEDECO brand. Biological treatment systems are key to the treatment of solids in wastewater plants, which is provided through our Sanitaire brand. We believe our business is the largest player in this served market based on management estimates.

Sanitaire - Launched in 1967, the Sanitaire brand provides complete biological wastewater treatment solutions for public utility and industrial applications. Sanitaire's comprehensive offering includes diffused aeration, sequencing batch reactors, drum filters and state-of-the-art controls. Sanitaire is regarded as a leading brand in diffused aeration, which is a process that introduces air into a liquid, providing an aerobic environment for degradation of organic matter. Fine pore diffusion of air is highly competitive due to its high oxygen transfer efficiency and lower energy costs. Sanitaire wide-band aeration systems are used in applications such as grit chambers and sludge that require non-clogging, maintenance-free systems. Principal Sanitaire customers are public utility and industrial wastewater treatment facilities.

WEDECO - WEDECO was founded in 1975 in Herford, Germany to develop chemical-free and environmentally friendly water treatment technologies, including ultraviolet light and ozone systems. There are over 250,000 installed WEDECO systems for UV disinfection and ozone oxidation globally in private, public utility and industrial locations. WEDECO introduced ozone technology in 1988 and has been expanding internationally ever since. UV disinfection systems have a number of applications including water treatment and aquaculture. Ozone disinfection systems have applications in drinking water, wastewater, process water, product polishing, bleaching, ozonolysis/synthesis and desodorization. Customers include public utility wastewater and clean water treatment facilities, power plants, pulp and paper mills, food products manufacturers and aquaculture facilities.

Leopold - Founded in 1924 in Pittsburgh, PA, Leopold is a leader in rapid gravity media filtration and clarification solutions for the water and wastewater industry. In Potable Drinking Water treatment plants, the Clari-DAF system is used to clarify raw water to remove contaminants such as turbidity, algae, color, iron/

manganese, organics, and taste and odor compounds. In public utility wastewater treatment plants, the ClariVAC system is used in final clarifiers to remove the sludge solids. For those areas where nitrogen and phosphorus nutrient removal is required, we provide elimi-NITE systems which convert the filters to become biologically active so that the effluent meets the mandated nitrate and phosphorus levels. In desalination systems, Leopold Clari-DAF systems and Filterworx systems are provided to remove contaminants that will harm reverse osmosis membranes, so that salt can be removed from the seawater to make it potable. Primary customers are public utility water and wastewater systems, as well as desalination plant facilities.

Test

Analytical instrumentation is used across most industries to ensure regulatory requirements are met. Growth in this market is primarily driven by increasing regulation of water and wastewater in North America, Europe and Asia. Largely through our 2010 acquisition of Nova Analytics, our served market is predominately focused on water and the environment for quality levels throughout the water infrastructure loop. Analytical systems are applied in three primary ways: in the field, in a facility laboratory, or real time, online monitoring in a treatment facility process. We believe we have a leading position in this served market based on management estimates.

WTW - In wastewater treatment facilities, WTW branded systems monitor parameters such as dissolved oxygen, pH, and turbidity throughout the water process to ensure regulatory standards are met before water is discharged back into the environment. Founded in 1945 as a major brand in Europe, WTW has particularly strong market penetration in the environmental, water and wastewater segments. WTW holds leading market positions in both field and on-line instrumentation and manufactures premium positioned robust and reliable analysis products for the measurement of pH, dissolved oxygen, conductivity, total dissolved solids, turbidity, specific ions and biological oxygen demand. WTW's product offering includes meters, sensors, data-loggers, photometers and software providing customers solutions to even the most challenging applications.

AADI - Aanderaa Data Instruments AS (AADI), founded in 1966 and headquartered in Bergen, Norway, offers sensors, instruments and systems for measuring and monitoring in the most demanding environments such as rivers, oceans and the polar regions through fully networked systems using wireless technology that monitors temperature, salinity, oxygen, turbidity, current and waves for ecosystem health. The main market areas are marine transportation, environmental and ocean research, oil and gas, aquaculture, road and traffic, and construction. AADI's new technologies underlie the most advanced distributed instrumentation for underwater and atmospheric measurements. Hydro acoustic, electro-optical, electro-chemical, pressure, temperature and meteorological data are captured by observing networks and self-contained instrumentation using real-time communication. Key customers include many oceanographic institutes, universities, geophysical surveyors, navies, offshore oil and gas companies, drilling companies, port and harbor authorities, government agencies, water authorities and electric power utilities internationally.

Applied Water

Applied Water encompasses all the uses of water. Since water is used to some degree in almost every aspect of human, economic and environmental activity, this segment has innumerable applications. Our served market today consists of the main uses of global water: Building Services, Industrial Water and Irrigation. We believe our served market size for this segment is approximately \$14 billion, comprising served markets of approximately \$8 billion for Building Services, \$4 billion for Industrial Water and \$2 billion for Irrigation.

Building Services

This business is defined by four main uses of water in building services applications, such as in residential homes and commercial buildings, including offices, hotels, restaurants and malls. The first is the supply of potable water for consumption, such as for drinking and hygiene. The Goulds brand is a leader in pumps and boosting systems utilized within buildings, sourcing water from distribution networks or from wells. The second application is wastewater removal with sump and sewage pumps. The third application is in heating, ventilation and air conditioning (HVAC), where Bell & Gossett specializes in pumps and valves that

are used in water-based heating and cooling systems. The fourth water-related building service area is fire protection, where our AC Fire brand supplies full pump systems for emergency fire suppression. In Europe, Lowara is a leading brand in the commercial and residential water market with applications in the four main uses of water. We believe our business is the second largest player in this served market based on management estimates.

Industrial Water

Water is used in most industrial facilities to provide processing steps such as cooling, cleaning and mixing. Our Goulds brand supplies vertical multistage pumps to boost pressure for purposes such as circulating water through a manufacturing facility to cool machine tools. Our Lowara brand focuses on water treatment, industrial washing equipment and machine tool cooling. The Standard brand delivers heat exchangers for combined heat and power (CHP) applications within power generation plants. We also provide niche applications such as flexible impeller pumps for wine processing facilities served by our Jabsco brand, and water-based detergent dispensing and water circulation within car washes served by Flojet and Goulds air-operated diaphragm and end suction pumps. Across all these various end applications, we believe our business is the second largest player in this served market based on management estimates.

Irrigation

The irrigation business consists of irrigation-related equipment and services associated with bringing water from a source to the plant or livestock need, including hoses, sprinklers, center pivot and drip irrigation. We focus on the pumps and boosting systems that supply this ancillary equipment with water. Our Goulds brand brings mixed flow pumps, and our Flowtronex group specializes in equipment solutions such as the Hydrovar boosting system, which incorporates monitoring and controls to optimize energy efficiency in irrigation delivery. Our Lowara brand also produces pumps for agriculture applications and irrigation of gardens and parks. We believe we have a leading position in this served market based on management estimates.

As described above, the following brands and products are used across the applications in our Applied Water segment:

Goulds - With origins dating back over 150 years, Goulds is a leading brand of centrifugal and turbine pumps, controllers, variable frequency drives and accessories for residential and commercial water supply and wastewater applications. Goulds is a leader in the water technologies market with its line of residential water well pumps. The Goulds product portfolio includes submersible and line shaft turbine, 4" submersible, jet, sump, effluent, sewage and centrifugal pumps for residential, agriculture and irrigation, sewage and drainage, commercial and light industrial use. Goulds submersible, deepwell or other pumps can be found in more than a quarter of the existing 15 million household wells and more than 380,000 public and community wells in the United States. Products for commercial wastewater include sewage, effluent and grinder pumps and packages. Agriculture products include pump and control products for irrigation, stockwater, wash systems, cooling systems and waste management, with turf irrigation products including submersible and surface pumps for landscape and turf irrigation systems. We serve the building trades market with filtration, chilling, pressure boost, wash system, water, supply, wastewater and boiler feed applications. We also have a range of standard cast iron and bronze end-suction and multistage pumps for various commercial applications.

Lowara - Founded in 1968, and headquartered in Vicenza, Italy, Lowara is a leader in stainless steel pump manufacturing technology for water technology applications. The Lowara range includes submersible, sump, effluent, sewage, centrifugal pumps and booster packages for water supply and water pumping needs in the residential, agriculture, industrial, public utility, building service and commercial markets worldwide, with particular strength in Europe. Residential applications include pumps for pressurization, conditioning, fire-fighting systems, lifting stations and dewatering. Agriculture applications include pumps for irrigation of gardens and parks. Industrial applications include drinking water, water treatment, industrial washing equipment and machine tool cooling. As an example of how Lowara has served the commercial building

[Table of Contents](#)

services market, seven Lowara water booster sets are used for even pressure water supply in the world's tallest building, "Burj Dubai" in the United Arab Emirates.

Bell & Gossett - Founded in 1916 in Chicago, IL, Bell & Gossett has been headquartered in Morton Grove, IL since 1941. Bell & Gossett, or B&G, is a leader in plumbing and water-based heating and air conditioning markets. Products are used in residential applications where single- or multi-family homes are heated with hot water or steam. Key products include circulating pumps, valves, and specialty products used in these systems. B&G also sells wastewater pumps for residential applications. In commercial applications, B&G provides a broad range of products, including a wide variety of pumps, heat exchangers, valves and controls for heating and air-conditioning systems, sump pumps for wastewater systems, condensate pumping systems for steam heating systems and a comprehensive line of energy-saving variable speed controls. Training is provided for Building System Design Engineers at B&G's industry renowned Little Red Schoolhouse in Morton Grove. Key commercial building types include hospitals, schools, and data centers. B&G products are sold globally by independent manufacturer representatives and distributed locally by heating, ventilating and air conditioning, or HVAC, wholesalers. B&G recently sold some of its largest pumps to the new Children's Memorial Hospital building in Chicago, IL. These pumps will circulate chilled water throughout the building to provide air-conditioning for the occupants.

AC Fire - AC Fire offers turnkey fire pump systems for commercial, residential and industrial applications. We design and custom-build a wide range of fire pump systems including prefabricated packages and house units that meet every fire protection need. AC Fire products include In-Line Pumps, Vertical Turbine, Package Systems, Split Case (various series) and 13D Home Defender for residential fire pump service. The 13D Home Defender is designed to boost water pressure for automatic residential sprinkler systems. In addition to residential applications, turnkey fire pumping systems from A-C Pump protect an increasing number of petrochemical facilities, commercial buildings and factories around the world.

Flowtronex - Flowtronex, founded in 1974 as Pumping Systems, Inc., began by producing some of the golf industry's first prefabricated water pumping systems. ITT opened a new 125,000 square foot manufacturing facility in Dallas, TX to support the company's growth in the public utility and turf/irrigation markets. The Silent Storm package and Pace Integrated Pump Controller are our two primary products sold into the golf market. In landscape, Flowtronex products, primarily the Floboy system, are sold to customers such as cities and nurseries. In golf, Flowtronex products are sold to golf course superintendents through our Toro Distribution partnership. Retrofit sales of golf pumping systems are sold through our FlowNet Service Network, a group of factory authorized service technicians that provide set up and start up and service and repair of Flowtronex pump stations.

Standard - For close to 90 years Standard has been the leader in the design and manufacture of shell and tube heat exchangers. Standard is the brand of our complete line of heat transfer products used in industrial and process applications such as heating or cooling liquids or gases, heat recovery in chemical processing, power and co-generation, paper and pulp, OEM and commercial marine markets. Products include basic shell-and-tube heat exchanger, air coolers, heat transfer coils, compact brazed, welded, gasketed plate units and packaged steam condensers.

Jabsco - The Jabsco brand is known for its marine, industrial, and hygienic/sanitary pumps and systems that are used in many industries, including marine, industrial, healthcare and food processing. It was founded in 1941 by the inventors of the flexible impeller pump. Jabsco is a leader in the leisure marine market, with a broad range of products including water system, engine cooling pumps, searchlights and marine waste systems. Jabsco also offers industrial pumps for hygienic applications, fluid transfer in chemical processing, laboratory, paint processing, plating, and construction. Jabsco rotary lobe pumps offer outstanding performance with unique capabilities. Jabsco Hy-line and Ultima rotary lobe pumps support food and dairy product production, healthcare, chemical, pharmaceutical and biotech applications, whether the product is thin, viscous or fragile. Jabsco also offers multi-purpose and specialized flexible impeller, diaphragm and sliding vane pumps for chemical and general transfer applications.

Flojet - Established in 1975, the Flojet brand encompasses a broad range of small pumps, motors and dispensing pumps for the beverage, industrial, RV, marine and food processing markets. Flojet is a leader in

the small pump market, offering a versatile range of products serving the beverage market, including both air- and motor-operated diaphragm pumps and centrifugal chilling pumps, as well as booster systems and accumulator tanks. Flojet's beverage pumps can be found in applications such as beer dispensing, syrup mixing for carbonated drinks, re-circulation in vending machines and refrigerators, bottled water dispensers, icemakers and coffee machines. In addition to significant beverage applications, Flojet's electric and air-operated diaphragm pumps are utilized in street sweepers, car washes, carpet cleaners, parts washers, agricultural spraying and road rollers. Flojet's positive displacement diaphragm pumps can be driven by air, electric motor or solenoid. The positive displacement diaphragm design of Flojet pumps makes them ideal for use in conditions that require self-priming and dry running capability for short periods of time. Additionally, the compact size of these pumps makes them very useful in tight spaces where one cannot ensure a flooded suction. Flojet pumps are designed to be more efficient and are often the choice of customers for applications where low power consumption is critical.

Distribution, Training and End Use

Water Infrastructure provides more than 70% of its sales through direct channels with remaining sales through indirect channels and service capabilities. Both public utility and industrial facility customers increasingly require our teams' global but locally proficient expertise to use our equipment in their specific applications. Several trends are increasing the need for this application expertise: (i) the increase in type and amount of contaminants in water supply, (ii) increasing environmental regulations, (iii) the need to increase system efficiencies due to rising energy costs, and (iv) the retirement of a largely aging water industry workforce not systematically replaced at utilities.

In the Applied Water segment, many end-use areas are widely different, so specialized distribution partners are often preferred. Our commercial teams have built long-standing relationships around our brands in many of these industries through which we can continue to leverage new product and service applications. Revenue opportunities are balanced between OEM and after-market customers. Our products in the Applied Water segment are sold through our global direct sales and world-class indirect channels with more than 85% of revenue going through indirect channels. We have long-standing relationships with the leading independent distributors in the markets we serve, and we provide incentives to distributors, such as specialized training programs, to exclusively sell our products.

In addition to distributors, we also provide the same training to engineers at the EPCs who influence purchasing decisions. For example, the Bell & Gossett Little Red Schoolhouse is a training center in Morton Grove, IL, which we believe to be the heating, ventilation and air conditioning (HVAC) industry's leading educational facility. Since it was opened in 1954, the instructors at our Little Red Schoolhouse have trained more than 55,000 engineers, contractors and installers in the design, installation and maintenance of hydronic and steam systems, while another 135,000 professionals have received training through Bell & Gossett's "Traveling Classroom Program."

Our sales channels offer more than one brand type to a specific application. For example, the 2010 Winter Olympics held in Vancouver, British Columbia in February 2010, involved unprecedented planning and coordination among many organizations and suppliers, and we played a major role in supplying water handling products at many of the facilities. We also supplied pumps and controls for the heating and cooling systems in the Speed Skating Oval, which included Bell & Gossett brand pumps, heat exchangers and expansion tanks used in the heating and cooling systems, as well as Goulds brand pumps and Aquavar® variable speed drive controllers used in the facility's grey water handling system. Finally, to conserve clean water at the Olympic Village, an innovative grey water collection and distribution system was constructed. ITT's Goulds SSV Series vertical multi-stage pumps move collected rainwater from storage tanks to the plumbing systems used for flushing toilets and watering plants. A Bell & Gossett 70M-MS pumping package maintains adequate pressure in the grey water distribution system.

Aftermarket Parts and Service

We have more than 120 service centers around the world which employ approximately 600 service employees to provide aftermarket parts and services to our customers. During their lifecycle, installed products require maintenance, repair services and parts due to the harsh environments in which they operate. In 2010, 16% of our total revenue was derived from sales of repair parts and services.

In addition, depending on the type of product, median lifecycles range from 5 years to over 50 years, at which time they must be replaced. Many of our products are precisely selected and applied within a larger network of equipment driving a strong preference by customers and installers to replace them with the same exact brand and model when they reach the end of their lifecycle. This dynamic establishes a large recurring revenue stream for our business.

Geographic Profile

In addition to the traditional markets of the United States and Western Europe, opportunities in emerging markets within Asia Pacific, Eastern Europe, Latin America and other countries are growing. Revenue derived from emerging markets totaled 18% for the year ended December 31, 2010. The following chart provides an overview of our geographic profile depicted as a percentage of revenue by customer location.

<u>Year Ended December 31</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sales & Revenues			
United States	35%	34%	34%
Europe	39%	43%	43%
Asia Pacific	11%	9%	9%
Other	15%	14%	14%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Properties

We have over 320 locations in over 40 countries. These properties total approximately 8.5 million square feet, of which over 280 locations, or approximately 4.9 million square feet, are leased. We consider the many offices, plants, warehouses, and other properties that we own or lease to be in good condition and generally suitable for the purposes for which they are used. The following table shows the significant locations by segment.

<u>Location</u>	<u>Segment</u>	<u>Square Footage (in thousands)</u>	<u>Owned/Leased</u>
Emmaboda, Sweden	Water Infrastructure	1,156	Owned
Morton Grove, Illinois	Applied Water	530	Owned
Montecchio, Italy	Applied Water	379	Owned
Auburn, New York	Applied Water	298	Leased
Lubbock, Texas	Applied Water	229	Owned
Shenyang, China	Water Infrastructure/ Applied Water	149	Owned
Cheektowaga, New York	Applied Water	200	Leased
Corporate Headquarters			
White Plains, New York	Corporate Headquarters	46	Leased

Our corporate headquarters is currently located at 1133 Westchester Avenue, Suite 2000, White Plains, New York. We are currently located in the same building as our former parent, ITT, but intend to be in an independent space on separate floors in the near term, with each company having its own entrance, security and maintenance systems. We have agreed to lease this space directly from the third-party building owner at market rates for a two-year period from the distribution date. Under the Distribution Agreement, we have agreed to relocate our corporate headquarters on or before the second anniversary of the distribution date. See “Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off.”

Supply and Seasonality

We have a global manufacturing footprint, with production facilities in Europe, North America, Latin America, and Asia. In addition, we maintain a global network of service centers providing after-market customer care. Service centers offer an array of integrated service solutions for the industry including: preventive monitoring, contract maintenance, emergency field service, engineered upgrades, inventory management, and overhauls for pumps and other rotating equipment.

We offer a wide range of highly engineered products. We primarily employ configure-to-order capabilities to maximize manufacturing and logistics efficiencies by producing high volumes of basic product configurations. When we provide a configure-to-order solution, we configure a standard product to our customers' specifications. To a lesser extent, we provide engineer-to-order products to meet the customization requirements of our customers. This process requires that we apply our technical expertise and production capabilities to provide a non-standard solution to the customer.

Our inventory management and distribution practices seek to minimize inventory holding periods by taking delivery of the inventory and manufacturing immediately prior to the sale or distribution of products to our customers. All of our businesses require various parts and raw materials, the availability and prices of which may fluctuate. Parts and raw materials commonly used in our products include motors, fabricated parts, castings, bearings, seals, nickel, copper, aluminum, and plastics. While we may recover some cost increases through operational improvements, we are still exposed to some pricing risk. We attempt to control costs through fixed-priced contracts with suppliers and various other programs, such as our global strategic sourcing initiative.

Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. We typically acquire materials and components through a combination of blanket and scheduled purchase orders to support our materials requirements. For most of our products, we have existing alternate sources of supply, or such sources are readily available.

We may experience price volatility or supply constraints for materials that are not available from multiple sources. From time to time, we acquire certain inventory in anticipation of supply constraints or enter into longer-term pricing commitments with vendors to improve the priority, price and availability of supply. There have been no raw material shortages that have had a significant adverse impact on our business as a whole.

Customers

Our business is not dependent on any single customer or a few customers, the loss of which would have a material adverse effect on the respective market or on us as a whole. No individual customer accounted for more than 10% of our combined 2010 revenue.

Competition

Given the highly fragmented nature of the water industry, Water Infrastructure competes with a large number of businesses. The larger global peers include: Gorman Rupp Company, IDEX Corporation, and KSB Group (with respect to transport pumps, systems and control equipment); Pall Corporation, Nalco Company, and Parkson Corporation (with respect to treatment equipment); Danaher Corporation and Thermo Fisher Scientific (with respect to analytical instruments).

Competition in the water transport and treatment technologies markets focuses on product performance, application expertise, design, quality, delivery, and price. In the sale of products and services, we benefit from our large installed base of pumps and complementary products, which require maintenance, repair and replacement parts due to the nature of the products and the conditions under which they operate. Timeliness of delivery, quality and the proximity of service centers are important customer considerations when selecting a provider for after-market products and services. In geographic regions where we are locally positioned to provide a quick response, customers have historically relied on us, rather than our competitors, for after-market products relating to our highly engineered and customized solutions.

Competition in the Applied Water segment focuses on brand names, application expertise, product delivery and performance, quality, and price. We compete by offering a wide variety of innovative and high-quality products, coupled with world-class application expertise. We believe our distribution through well-established channels and our reputation for quality significantly enhance our market position. Our ability to deliver innovative product offerings has allowed us to compete effectively, to cultivate and maintain customer relationships and to serve and to expand into many niche and new markets.

Research & Development

Research and development is a key element of our engineering culture and is generally focused on the design and development of products and application know-how that anticipate customer needs and emerging trends. Our engineers are involved in new product development and improvement of existing products. Our businesses invest substantial resources for research and development (R&D) activities. We anticipate we will continue to develop and invest in our R&D capabilities to promote a steady flow of innovative, high-quality and reliable products and applications to further strengthen our position in the markets we serve. We invested \$74 million, \$63 million and \$64 million for the years ended December 31, 2010, 2009 and 2008, respectively, towards research and development.

We have over 600 engineering and research employees in more than 40 technology centers around the world. R&D activities are initially conducted in our technology centers, located in conjunction with some of our major manufacturing facilities to ensure an efficient development process. We have established a wastewater Center of Excellence, in Stockholm, Sweden, with over 100 research, development and engineering employees. We have launched Centers of Excellence in India and China, where we are accelerating the customization of our application expertise to local needs. In the scale-up process, our R&D activities are conducted at our piloting and testing facilities or at strategic customer sites. These piloting and testing facilities enable us to serve our strategic markets in each region of the world.

We generally seek patent protection for those inventions and improvements likely to be incorporated into our products or where proprietary rights will improve our competitive position. We believe that our patents and applications are important for maintaining the competitive differentiation of our products and improving our return on research and development investments. While we own and control a significant number of patents, trade secrets, confidential information, trademarks, trade names, copyrights, and other intellectual property rights which, in the aggregate, are of material importance to our business, management believes that our business, as a whole, as well as each of our core business segments, is not materially dependent on any one intellectual property right or related group of such rights.

Patents, patent applications, and license agreements expire or terminate over time by operation of law, in accordance with their terms or otherwise. As the portfolio of our patents, patent applications, and license agreements has evolved over time, we do not expect the expiration of any specific patent to have a material adverse effect on our financial position, results of operations or cash flows.

Backlog

Delivery schedules vary from customer to customer based upon their requirements. Typically, large projects require longer lead production cycles and delays can occur from time to time. Total backlog was \$758 million at June 30, 2011, \$620 million at December 31, 2010 and \$676 million at June 30, 2010. We expect the backlog of \$758 million at June 30, 2011 to produce revenues of approximately \$600 million in the remainder of 2011.

Watermark

In 2008, we launched our signature corporate citizenship program, Watermark, whose mission is to make a sustainable mark in the world by providing safe water to children and families in need. We are dedicated to protecting the environment and fostering knowledge and awareness of the world's water issues through our support of non-governmental organizations (NGOs). With our NGO partners, we have provided safe water, sanitation and hygiene education to more than 300 schools in India, China and Latin America. We also

proactively secure and provide safe water to people in times of emergency (for example, in the aftermath of the recent earthquakes in Japan, Haiti and China). We believe our strong culture of social responsibility is a manifestation of the values of our employees and reflects areas of interest to our customers, as well as helping our company to attract and retain talented and committed people.

Employees

As of December 31, 2010, we employed approximately 11,700 people. Generally, labor relations have been maintained in a satisfactory manner.

Environmental Matters and Regulation

Our manufacturing operations worldwide are subject to many requirements under environmental laws. In the United States, the Environmental Protection Agency and similar state agencies administer laws and regulations concerning air emissions, water discharges, waste disposal, environmental remediation, and other aspects of environmental protection. Such environmental laws and regulations in the United States include, for example, the Federal Clean Air Act, the Clean Water Act, the Resource, Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Environmental requirements significantly affect our operations. We have established an internal program to address compliance with applicable environmental requirements.

While environmental laws and regulations are subject to change, such changes can be difficult to predict reliably and the timing of potential changes is uncertain. Management does not believe, based on current circumstances, that compliance costs pursuant to such regulations will have a material adverse effect on our financial position, results of operations or cash flows. However, the effect of future legislative or regulatory changes could be material to our financial condition or results of operations.

We are responsible, or are alleged to be responsible, for ongoing environmental investigation and remediation of sites in several countries. These sites are in various stages of investigation and/or remediation and at some of these sites our liability is considered de minimis. We have received notification from the U.S. Environmental Protection Agency (EPA), and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned and/or operated by us, and other properties or water supplies that may be or have been impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation and/or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations. Our accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. It can be difficult to estimate reliably the final costs of investigation and remediation due to various factors. In our opinion, the total amount accrued is appropriate based on facts and circumstances as currently known to us. We do not anticipate these liabilities will have a material adverse effect on our combined financial position, results of operations or cash flows. We cannot assure you that other sites, or new details about sites known to us, that could give rise to environmental liabilities with such material adverse effects on us will not be identified in the future.

Legal Proceedings

Xylem and its subsidiaries from time to time are involved in legal proceedings, the exposure to which is virtually all incidental to their businesses. Some of these proceedings seek remedies relating to personal injury claims, environmental matters, intellectual property matters, copyright infringement, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures.

MANAGEMENT

Our Executive Officers

The following table sets forth certain information as of June 30, 2011, concerning our executive officers, including a five-year employment history and any directorships held in public companies following the spin-off. Following the spin-off, none of our executive officers will be affiliated with ITT.

<u>Name</u>	<u>Age</u>	
Gretchen W. McClain	48	Chief Executive Officer
Michael T. Speetzen	42	Chief Financial Officer
Frank R. Jimenez	46	General Counsel and Corporate Secretary
Angela A. Buonocore	53	Chief Communications Officer
Kenneth Napolitano	49	President, Residential and Commercial Water
Michael Kuchenbrod	47	President, Water and Wastewater
Chris McIntire	47	President, Analytics
Robyn Mingle	46	Chief Human Resources Officer
Colin R. Sabol	44	Chief Strategy and Growth Officer
Bob Wolpert	53	President, Flow Control

Gretchen W. McClain — Gretchen W. McClain will serve as our Chief Executive Officer and a Director on our Board of Directors. Ms. McClain currently serves as President of the ITT Fluid and Motion Control business. Ms. McClain joined ITT in September 2005 as the President of ITT's Residential & Commercial Water business. She was named President of ITT Fluid Technology in March 2007 and served in that role before being named President of Fluid and Motion Control in December 2008. Prior to joining ITT, Ms. McClain was Vice President and General Manager of the Business, General Aviation & Helicopters (BGH) Electronics division at Honeywell Aerospace. Prior to assuming the BGH position, she held a variety of leadership positions in Honeywell Aerospace's Engines, Systems & Services division, including Vice President for Engineering and Technology and Vice President for Program Management. She joined AlliedSignal in 1999, which later merged with Honeywell. Earlier, Ms. McClain spent nine years with NASA and served as Deputy Associate Administrator for Space Development, where she played a pivotal role in the successful development and launch of the International Space Station Program. Also with NASA, she served as Chief Director for Space Station, and as a Deputy Director for Space Flight. Ms. McClain currently serves on the Board of Faradyne, an ITT joint venture with Pentair, Inc. Ms. McClain is a graduate of the University of Utah in Salt Lake City, where she earned her bachelor's degree in mechanical engineering. Ms. McClain has an extensive business, developmental and strategic background, a strong technical background and, in particular, has intimate knowledge of the Company's business and operations, having served as President of the ITT Fluid and Motion Control and Residential and Commercial Water businesses since 2005. Ms. McClain has also served as a Director on the Board of the Hydraulic Institute, the largest association of pump producers in North America, providing additional relevant experience.

Michael T. Speetzen — Michael T. Speetzen will serve as our Chief Financial Officer. Mr. Speetzen is currently Vice President of Finance for the Fluid and Motion Control business of ITT. He joined ITT in 2009 as Vice President of Finance for Fluid Technology, and his role was expanded to his current position later that year. Before joining ITT, Mr. Speetzen served as Executive Vice President and Chief Financial Officer for the StandardAero division of private equity firm Dubai Aerospace Enterprise from 2007 to 2009. Previously, he held positions with Honeywell from 1995 to 2007 and General Electric from 1993 to 1995. Mr. Speetzen currently serves on the board of Faradyne, an ITT joint venture with Pentair, Inc. Mr. Speetzen holds a bachelor's degree in management with an emphasis in finance from Purdue University, and a Master of Business Administration from Thunderbird's School of Global Management.

Frank R. Jimenez — Frank R. Jimenez will serve as our General Counsel and Corporate Secretary. Mr. Jimenez is currently Vice President and General Counsel for ITT. He joined ITT in June 2009 and previously served under U.S. Presidents Bush and Obama as the General Counsel of the U.S. Navy from 2006 to 2009. Prior to that, Mr. Jimenez served as Principal Deputy General Counsel, U.S. Department of the Navy,

from 2004 to 2005, and as Deputy General Counsel, U.S. Department of Defense, from 2005 to 2006. Earlier, Mr. Jimenez served as Chief of Staff at the U.S. Department of Housing and Urban Development (HUD) from 2002 to 2004. Prior to HUD, he was Deputy Chief of Staff (1999-2002) and acting General Counsel (2000) for Florida Governor Jeb Bush. Previously, he practiced commercial and white-collar litigation from 1992 to 1999 in the Miami office of Steel Hector & Davis LLP (now Squire Sanders & Dempsey LLP), where he was named a partner in 1998. Mr. Jimenez received his law degree from the Yale Law School, and he holds a master of business administration, with majors in finance and strategic management, from the University of Pennsylvania's Wharton School, and a master's degree in national security and strategic studies, with distinction, from the U.S. Naval War College. He earned his bachelor's degree, with honors, from the University of Miami.

Angela A. Buonocore — Angela A. Buonocore will serve as our Chief Communications Officer. Ms. Buonocore currently serves as Senior Vice President and Chief Communications Officer for ITT Corporation. She joined ITT in March 2007 from The Pepsi Bottling Group where she served as Vice President, Corporate Communications since 2001. Prior to her 12-year career in the PepsiCo system, Ms. Buonocore spent 11 years with IBM and five years at General Electric Company in various internal and external communications roles. Ms. Buonocore is a trustee of the Arthur W. Page Society and the Institute for Public Relations, and a member of the Wisemen and the Seminar, all organizations of senior corporate communications executives. In 2003, she was elected a member of the Accademia Europea per le Relazioni Economiche e Culturali, a Rome-based organization that honors Italians and Italian-Americans who are leaders in their fields. In 2010, she was honored by the National Organization for Women's New York City chapter as a Woman of Power and Influence. Ms. Buonocore holds a bachelor's degree in advertising with high honors from the University of Florida and was honored as a Distinguished Alumna of the College of Journalism and Communications in May 2007.

Kenneth Napolitano — Kenneth Napolitano will serve as our President of Residential and Commercial Water. Mr. Napolitano currently serves as President of the ITT Residential and Commercial Water business. He began his career with ITT Goulds Pumps as an intern in 1980. Subsequently, Mr. Napolitano served as President of the ITT Industrial Process business, and held a number of other leadership assignments within ITT, including Vice President of the Americas Sales and Service organization and General Manager of ITT Monitoring and Controls, where he focused on the development of advanced technologies. In March 2011, he was elected Chairman of the Board of the Hydraulic Institute. In 2010, Mr. Napolitano also served as the President of the Hydraulic Institute and received the prestigious "President's Award" in recognition of his efforts and leadership. Mr. Napolitano holds a bachelor's degree in interdisciplinary engineering and management from Clarkson University.

Michael Kuchenbrod — Michael Kuchenbrod will serve as our President of Water and Wastewater. He currently serves as President of ITT Water and Wastewater, a role to which he was appointed in May 2011. Prior to that, Mr. Kuchenbrod served as President of ITT's China Operations, a regional value center focused on delivering the ITT commercial portfolio within these critical markets. Prior to his post in China and India, Mr. Kuchenbrod spent most of his 23-year career with ITT in the Interconnect Solutions business with operations throughout the Americas, Europe and Asia, ultimately becoming President of that value center. He was also head of our KONI shock absorber business in the Netherlands. Mr. Kuchenbrod holds a bachelor's degree in chemical engineering from Montana University.

Chris McIntire — Chris McIntire will serve as our President of Analytics. Mr. McIntire currently serves as President of Analytics of the ITT Fluid and Motion Control business. He joined ITT in March 2009 when ITT acquired Nova Analytics. During his time with Nova Analytics, he served as President and Chief Operating Officer. Prior to joining Nova Analytics, Mr. McIntire held various leadership positions including Chief Executive Officer of WTW, a Munich based company in the Nova portfolio. Earlier, he spent 14 years with Thermo Fisher Scientific in various engineering and operational roles, including several in the Water and Environmental division. He also served as General Manager for both Thermo Affinity Sensors in the United Kingdom and Thermo Detection in the United States. Mr. McIntire holds a master of business administration from Northeastern University.

Robyn Mingle — Robyn Mingle will serve as our Chief Human Resources Officer. Ms. Mingle joined ITT in July 2011 and currently serves as Vice President of Human Resources of the ITT Fluid and Motion

Control business. Ms. Mingle brings more than 20 years of domestic and international human resources experience across multiple industries. Most recently, she spent 8 years as Senior Vice President of Human Resources at Hovnanian Enterprises, Inc. during a period of significant growth and transformation. Ms. Mingle also spent 14 years with The Black & Decker Corporation, where she held numerous HR leadership roles. During this time, she served as Vice President of Human Resources for DeWalt and Black & Decker Power Tools, and held an expatriate assignment in Singapore where she led HR efforts in Asia/Pacific, the Middle East, Africa, and Australia/New Zealand. Ms. Mingle has also served on several non-profit boards, including the Juvenile Diabetes Research Foundation. She holds a master’s degree in industrial psychology from the University of Baltimore and a bachelor’s degree in psychology/industrial relations from Bloomsburg University.

Colin R. Sabol — Colin R. Sabol will serve as our head of Strategy and Growth. Mr. Sabol currently serves as Vice President of Marketing and Business Development for the ITT Fluid and Motion Control business. He joined ITT in 2006 as Vice President of Marketing and Business Development, a position he held until March 2009, when his role was expanded to include responsibility for the Motion Control businesses. Prior to joining ITT, Mr. Sabol was with General Electric Corporation (GE). During his 17 years with GE, he held a number of professional and managerial positions of increasing responsibility, including Chief Financial Officer for GE Energy Services and Vice President of Mergers and Acquisitions for GE Corporate. Mr. Sabol holds a bachelor’s degree in materials engineering from Alfred University.

Bob Wolpert — Bob Wolpert will serve as our President of Flow Control. Mr. Wolpert currently serves as President of the ITT Flow Control business. He began his career with ITT in 2003 as Global Vice President of Six Sigma/Lean for the (then) ITT Electronic Components business, and then served as Vice President and General Manager of Interconnect Solutions. In his eight years with ITT, Mr. Wolpert has distinguished himself as a global thinker and innovation champion. Under his direction, ITT Flow Control has matured from a collection of regional businesses to a unified enterprise that is driving innovation to create value, developing exciting competencies in new products and aligning strategies with emerging market requirements. Previously, Mr. Wolpert spent 20 years in general management and leadership roles at several companies including Lockheed Martin and DST Systems. He holds a master of business administration from Harvard University and a bachelor’s degree in business from the University of Denver.

Our Board of Directors

The following table sets forth information with respect to those persons who are expected to serve on our Board of Directors following the spin-off. See “— Our Executive Officers” for Ms. McClain’s biographical information. Following the spin-off, Markos I. Tambakeras will continue to serve on the Board of Directors of ITT until mid-2013. None of Steven R. Loranger, Gretchen W. McClain, Curtis J. Crawford, John J. Hamre and Surya N. Mohapatra will serve on the Board of Directors of ITT following the spin-off. We are in the process of identifying three additional individuals who will become Directors following the spin-off, and we expect to provide details regarding these individuals in an amendment to this Information Statement.

<u>Name</u>	<u>Age</u>	
Markos I. Tambakeras	60	Chairman
Curtis J. Crawford	63	Director
John J. Hamre	60	Director
Steven R. Loranger	59	Director, chairman emeritus
Gretchen W. McClain	48	Director
Surya N. Mohapatra	61	Director

Markos I. Tambakeras — Markos I. Tambakeras will serve as Chairman of our Board of Directors. Mr. Tambakeras has been a Director of ITT since 2001. Now retired, he was a Director of Kennametal, Inc. from July 1999 through December 2006. Mr. Tambakeras has served on the Board of Parker Hannifin Corporation since 2005 and served as a Director of the Board of Newport Corporation from May 2008 through December 31, 2009. Mr. Tambakeras served as Chairman of the Board of Directors, Kennametal, Inc. from July 1, 2002 until December 31, 2006. He was also President and Chief Executive Officer of Kennametal from

July 1999 through December 31, 2005. From 1997 to June 1999, Mr. Tambakeras served as President, Industrial Controls Business, for Honeywell Incorporated. He is a trustee of Arizona State University and has served for two years on the President's Council on Manufacturing. He was previously the Chairman of the Board of Trustees of the Manufacturers Alliance/MAPI, which is the manufacturing industry's leading executive development and business research organization. Mr. Tambakeras received a B.Sc. degree from the University of Witwatersrand, Johannesburg, South Africa and a master of business administration from Loyola Marymount University, Los Angeles, CA. Mr. Tambakeras has strong strategic and global operational industrial experience, having worked in increasingly responsible positions in several manufacturing companies, including leadership positions in South Africa and the Asia-Pacific area. In addition to his Board experience described above, Mr. Tambakeras has an extensive background in international operations, providing experience and skills relevant to the Company's global sales and manufacturing infrastructure.

Curtis J. Crawford — Curtis J. Crawford will serve as a Director on our Board of Directors. Dr. Crawford has been a Director of ITT since 1996 and will resign that position at the time of the spin-off. He is a Director of E.I. DuPont de Nemours and Company and ON Semiconductor Corporation. Dr. Crawford was previously a Director of Agilysys, Inc. from April 2005 to June 2008. Dr. Crawford is President and Chief Executive Officer of XCEO, Inc., which provides professional mentoring, personal leadership and governance programs. From April 1, 2002 to March 31, 2003, he served as President and Chief Executive Officer of Onix Microsystems, a private photonics technology company. He was Chairman of the Board of Directors of ON Semiconductor Corporation from September 1999 until April 1, 2002. Previously, he was President and Chief Executive Officer of ZiLOG, Inc. from 1998 to 2001 and its Chairman from 1999 to 2001. Dr. Crawford also has extensive executive experience with AT&T Corporation and IBM Corporation. He is a member of the Board of Trustees of DePaul University. He holds a bachelor's degree in business administration and computer science and a master's degree from Governors State University, a master of business administration from DePaul University and a Ph.D. from Capella University. Governors State University awarded him an honorary doctorate in 1996 and he received an honorary doctorate degree from DePaul University in 1999. Dr. Crawford is an expert on corporate governance and the author of three books on leadership and corporate governance and has significant experience leading high-technology companies. Mr. Crawford has also served as a Director in other public companies providing additional relevant experience.

John J. Hamre — John J. Hamre will serve as a Director on our Board of Directors. Dr. Hamre has been a Director of ITT since 2000 and will resign that position at the time of the spin-off. Dr. Hamre was elected President and Chief Executive Officer of Center for Strategic & International Studies ("CSIS"), a public policy research institution dedicated to strategic, bipartisan global analysis and policy impact, in April of 2000. Prior to joining CSIS, he served as U.S. Deputy Secretary of Defense from 1997 to 2000 and Under Secretary of Defense (Comptroller) from 1993 to 1997. Dr. Hamre is a Director of MITRE Corporation, a not-for-profit organization chartered to work in the public interest, with expertise in systems engineering, information technology, operational concepts, and enterprise modernization. He has served as a Director of SAIC, Inc. since 2005 and Oshkosh Corporation since 2009. Dr. Hamre was previously a Director of Choicepoint, Inc. from May 2002 through September 2008. Following the spin-off of Exelis, Dr. Hamre is expected to serve on its Board of Directors. He holds a bachelor's degree, with highest distinction, from Augustana College in Sioux Falls, South Dakota, was a Rockefeller Fellow at the Harvard Divinity School and was awarded a Ph.D., with distinction, from the School of Advanced International Studies, Johns Hopkins University. Dr. Hamre has extensive strategic and international experience, and has achieved recognized prominence in strategic, international and defense fields. Dr. Hamre has also served as a Director in other public companies providing additional relevant experience.

Steven R. Loranger — Steven R. Loranger will serve as "chairman emeritus" in recognition of his long-standing service as Chairman, President and Chief Executive Officer of ITT, our former parent company. In addition to sharing his industry and leadership experience with our senior executives, Mr. Loranger will act as ambassador for the responsible use, and healthy return, of water in the world environment. Mr. Loranger currently serves as President, Chief Executive Officer and Chairman of the Board of Directors of ITT. Mr. Loranger is a member of the Business Roundtable, serves on the Boards of the National Air and Space Museum and the Congressional Medal of Honor Foundation and is on the Executive Committee of the

Aerospace Industries Association Board of Governors. Prior to ITT, Mr. Loranger previously served as Executive Vice President and Chief Operating Officer of Textron, Inc. from 2002 to 2004, overseeing Textron's manufacturing businesses, including aircraft and defense, automotive, industrial products and components. From 1981 to 2002, Mr. Loranger held executive positions at Honeywell International Inc. and its predecessor company, AlliedSignal, Inc., including serving as President and Chief Executive Officer of its Engines, Systems and Services businesses. Following the spin-off of Exelis, Mr. Loranger is expected to serve on its Board of Directors. Mr. Loranger holds a bachelor's and master's degree in science from the University of Colorado. Mr. Loranger has extensive operational and manufacturing experience with industrial companies and, in particular, he has intimate knowledge of the Company's business and operations having served as Chief Executive Officer of ITT since 2004. Mr. Loranger also serves as a Director on the Board of FedEx Corporation, providing additional relevant experience.

Surya N. Mohapatra — Surya N. Mohapatra will serve as a Director on our Board of Directors. Dr. Mohapatra has been Director of ITT since 2008 and will resign that position at the time of the spin-off. He has also been a Director of Quest Diagnostics Incorporated since 2002 and served as a Director of Vasogen, Inc. from 2002 to 2006. Dr. Mohapatra was appointed President and Chief Operating Officer of Quest Diagnostics Incorporated in June 1999, a Director in 2002, its Chief Executive Officer in May 2004, and Chairman of the Board in December 2004. Dr. Mohapatra joined Quest Diagnostics as Senior Vice President and Chief Operating Officer in 1999. Prior to joining Quest, Dr. Mohapatra was Senior Vice President of Picker International, a worldwide leader in advanced medical imaging technologies, where he served in various executive positions during his 18-year tenure. Dr. Mohapatra is also a Trustee of the Rockefeller University and a member of the Corporate Advisory Board of Johns Hopkins Carey Business School. Dr. Mohapatra holds a bachelor's degree in electrical engineering from Sambalpur University in India. Additionally, he holds a master's degree in medical electronics from the University of Salford, England, as well as a doctorate in medical physics from the University of London and The Royal College of Surgeons of England. Dr. Mohapatra has extensive international business experience with a wide-ranging operational and strategic background and has a strong technical background, with an emphasis on Six-Sigma processes and customer-focused business practices. Dr. Mohapatra has also served as a Director in other public companies providing additional relevant experience.

Structure of the Board of Directors

Our Board of Directors will be divided into three classes that will be, as nearly as possible, of equal size. Initially, Class I directors will serve for a one-year term, Class II directors for a two-year term, and Class III directors for a three-year term. The terms of the Class I, Class II and Class III directors will expire at the annual meeting in 2012, 2013 and 2014, respectively. Upon the expiration of each initial term, directors will subsequently serve three-year terms if renominated and reelected. The proposed Class I directors will include Gretchen W. McClain, Markos I. Tambakeras and _____, the proposed Class II directors will include Curtis J. Crawford, John J. Hamre and _____, and the proposed Class III directors will include Surya N. Mohapatra, _____ and _____.

Pursuant to the Distribution Agreement, we have agreed that Xylem shall nominate a slate of directors to be elected at our shareholder meeting to be held in 2013 and each year thereafter so that (i) a majority of the Board of Directors shall consist of persons who had not served as a director or executive officer of ITT at any time during the twelve month period immediately prior to the distribution (each, a "Legacy Director") and (ii) no director of Xylem that is a Legacy Director shall also be a director of ITT, including any Legacy Director who would be nominated to serve as a director of ITT at its shareholder meeting to be held in 2013.

Committees of the Board of Directors

Following the spin-off, the standing committees of our Board of Directors will include an Audit Committee, a Compensation and Personnel Committee and a Nominating and Governance Committee, each as further described below. Following our listing on the NYSE and in accordance with the transition provisions of the rules of the NYSE applicable to companies listing in conjunction with a spin-off transaction, each of these committees will, by the date required by the rules of the NYSE, be composed exclusively of directors who are independent. Other committees may also be established by the Board of Directors from time to time.

Audit Committee. The members of the Audit Committee are expected to be (chair), Curtis J. Crawford and Surya N. Mohapatra. The Audit Committee will have the responsibility, among other things, to meet periodically with management and with both our independent auditor and internal auditor to review audit results and the adequacy of and compliance with our system of internal controls. In addition, the Audit Committee will appoint or discharge our independent auditor, and review and approve auditing services and permissible non-audit services to be provided by the independent auditor in order to evaluate the impact of undertaking such added services on the independence of the auditor. The responsibilities of the Audit Committee, which are anticipated to be substantially identical to the responsibilities of ITT's Audit Committee, will be more fully described in our Audit Committee charter. The Audit Committee charter will be posted on our website and will be available in print to any shareholder who requests it. By the date required by the transition provisions of the rules of the NYSE, all members of the Audit Committee will be independent and financially literate. Further, the Board of Directors has determined that , Mr. Crawford and Mr. Mohapatra possess accounting or related financial management expertise within the meaning of the NYSE listing standards and that each qualifies as an "audit committee financial expert" as defined under the applicable SEC rules.

Compensation and Personnel Committee. The members of the Compensation and Personnel Committee are expected to be Curtis J. Crawford (chair), Markos I. Tambakeras, and . The Compensation and Personnel Committee will oversee all compensation and benefit programs and actions that affect our senior executive officers. The Compensation and Personnel Committee will also provide strategic direction for our overall compensation structure, policies and programs and will oversee and approve the continuity planning process. The responsibilities of the Compensation and Personnel Committee, which are anticipated to be substantially identical to the responsibilities of ITT's Compensation and Personnel Committee, will be more fully described in the Compensation and Personnel Committee charter. The Compensation and Personnel Committee charter will be posted on our website and will be available in print to any shareholder who requests it. Each member of the Compensation and Personnel Committee will be a non-employee director and there are no Compensation and Personnel Committee interlocks involving any of the projected members of the Compensation and Personnel Committee.

Nominating and Governance Committee. The members of the Nominating and Governance Committee are expected to be Surya N. Mohapatra (chair), John J. Hamre and . The Nominating and Governance Committee will be responsible for developing and recommending to the Board of Directors criteria for identifying and evaluating director candidates; identifying, reviewing the qualifications of and proposing candidates for election to the Board of Directors; and assessing the contributions and independence of incumbent directors in determining whether to recommend them for reelection to the Board of Directors. The Nominating and Governance Committee will also review and recommend action to the Board of Directors on matters concerning transactions with related persons and matters involving corporate governance and, in general, oversee the evaluation of the Board of Directors. The responsibilities of the Nominating and Governance Committee, which are anticipated to be substantially identical to the responsibilities of ITT's Nominating and Governance Committee, will be more fully described in the Nominating and Governance Committee charter. The Nominating and Governance Committee charter will be posted on our website and will be available in print to any shareholder who requests it.

Director Independence. Our Board of Directors, upon recommendation of our Nominating and Governance Committee, is expected to formally determine the independence of its directors following the spin-off. The Board of Directors of ITT has affirmatively determined that the following directors, who are anticipated to be elected to our Board of Directors, are independent: Curtis J. Crawford, John J. Hamre, Surya N. Mohapatra and Markos I. Tambakeras. Our Board of Directors is expected to annually determine the independence of directors based on a review by the directors and the Nominating and Governance Committee. No director will be considered independent unless the Board of Directors determines that he or she has no material relationship with us, either directly or as a partner, shareholder, or officer of an organization that has a material relationship with us. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships, among others. To evaluate the materiality of any such relationship, the Board of Directors has determined it is in the best interests of the company to adopt

categorical independence standards which will be set forth in the Corporate Governance Guidelines. The standards that will be relied upon by the Board of Directors in affirmatively determining whether a director is independent are composed, in part, of those objective standards set forth in the NYSE rules, which generally provide that:

- A director who is an employee, or whose immediate family member (defined as a spouse, parent, child, sibling, father- and mother-in-law, son- and daughter-in-law, brother- and sister-in-law and anyone, other than a domestic employee, sharing the director's home) is an executive officer, of the company, would not be independent until three years after the end of such relationship.
- A director who receives, or whose immediate family member receives, more than \$120,000 per year in direct compensation from the company, other than director and committee fees and pension or other forms of deferred compensation for prior services (provided such compensation is not contingent in any way on continued service) would not be independent until three years after ceasing to receive such amount.
- A director who is a partner of or employed by, or whose immediate family member is a partner of or employed by and personally works on the company's audit, a present or former internal or external auditor of the company would not be independent until three years after the end of the affiliation or the employment or auditing relationship.
- A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the company's present executives serve on the other company's compensation committee would not be independent until three years after the end of such service or employment relationship.
- A director who is an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, would not be independent until three years after falling below such threshold.

Compensation of Non-Employee Directors

Following the spin-off, director compensation will be determined by our Board of Directors with the assistance of its Nominating and Governance Committee. It is anticipated that such compensation will consist of an annual retainer, an annual equity award, annual fees for serving as an Audit Committee chair and other types of compensation.

Director Compensation Table

The following table sets forth information concerning the 2010 compensation awarded by ITT to non-employee directors of ITT who are expected to be non-employee directors of Xylem. The table below represents the 2010 grant date fair value of compensation computed in accordance with GAAP. All non-employee directors received the same cash, stock, and options awards for service as a non-employee director. Mr. Loranger, as an employee director, did not receive compensation for his service on the ITT Board of Directors. The grant date fair value of stock awards and option awards granted to non-employee directors in 2010 is provided in footnote (b) to the table. Stock awards are composed of restricted stock units. Option awards are composed of non-qualified stock options.

Name	Fees Earned or Paid in Cash \$(a)	Stock Awards \$(b)	Option Awards \$(b)	Total (\$)
Curtis J. Crawford	90,000	90,192	40,126	220,318
John J. Hamre	90,000	90,192	40,126	220,318
Surya N. Mohapatra	90,000	90,192	40,126	220,318
Markos I. Tambakeras	90,000	90,192	40,126	220,318

- (a) Fees earned were paid, at the election of the director, in cash or deferred cash. Non-employee directors could have irrevocably elected deferral into an interest-bearing cash account or an account that tracks an index of ITT's stock.
- (b) Awards reflect the grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718, Stock Compensation. Non-employee directors do not receive differing amounts of equity compensation, the grant date fair value for restricted stock units was \$52.59 per share and was determined on May 11, 2010, the date of the ITT's 2010 Annual Meeting. The grant price reflects the closing price of ITT stock on the grant date. The grant date fair value of non-qualified stock options was \$14.03 per share, determined on March 5, 2010, the date on which director stock options were awarded.

The following table represents restricted common stock and stock options outstanding as of December 31, 2010 awarded by ITT to non-employee directors of ITT who are expected to be non-employee directors of Xylem. Outstanding restricted common stock awards include unvested restricted stock units and vested but deferred restricted stock units.

**Restricted Common Stock and
Stock Option Awards Outstanding at 2010 Fiscal Year-End**

<u>Name</u>	<u>Outstanding Restricted Common Stock Awards</u>	<u>Outstanding Stock Option Awards</u>
Curtis J. Crawford	22,160	26,130
John J. Hamre	14,224	26,130
Surya N. Mohapatra	3,412	10,470
Markos I. Tambakeras	4,674	26,130

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

We are currently a wholly owned subsidiary of ITT. Following the spin-off, Xylem will own the subsidiaries that currently conduct the operations of ITT's water-related businesses. Our historical compensation strategy has been primarily determined by the Compensation and Personnel Committee of ITT's Board of Directors (the "ITT Compensation Committee"), which approves and oversees administration of ITT's executive compensation program. Since the information presented in this document relates primarily to the 2010 fiscal year, which ended on December 31, 2010, this Compensation Discussion and Analysis focuses primarily on ITT's compensation programs and decisions with respect to 2010, describing all elements of ITT's executive compensation program as determined by the ITT Compensation Committee. This Compensation Discussion and Analysis also describes the ways in which we anticipate that our compensation philosophy will differ from that of ITT's after we become a separate public company. As explained under "The Spin-Off — Reasons for the Spin-Off" separation from ITT will provide us with the flexibility to establish appropriate compensation policies to attract, motivate and retain our executives. We will form our own Compensation Committee (the "Xylem Compensation Committee") that will be responsible for our executive compensation programs prospectively, which may be different from the compensation programs in place for 2010.

This Compensation Discussion and Analysis describes ITT's compensation philosophy for those individuals who are expected to be the most highly compensated Xylem executive officers based on their fiscal 2010 compensation with ITT. These officers are referred to herein as Named Executive Officers ("NEOs") and Xylem also is referred to as "we", "us" or "our." Our named executives are Gretchen W. McClain, who is expected to be Chief Executive Officer and was Senior Vice President and President, Fluid and Motion Control of ITT; Michael T. Speetzen, who is expected to be Chief Financial Officer and was Vice President of Finance for Fluid and Motion Control of ITT; Frank R. Jimenez, who is expected to be General Counsel and Corporate Secretary and was Vice President and General Counsel of ITT; Angela A. Buonocore, who is expected to be Chief Communications Officer and was Senior Vice President, Chief Communications Officer of ITT; and Kenneth Napolitano, who will serve as our President of Residential and Commercial Water and who previously served as President of ITT Residential and Commercial Water.

Our Executive Compensation Program

Overall compensation policies and programs

Historically. In 2010, the ITT Compensation Committee retained Pay Governance LLC as its independent compensation consultant ("Pay Governance" or the "Compensation Consultant"). Pay Governance provides independent consulting services in support of the ITT Compensation Committee's charter. The Compensation Consultant also provided independent consulting services in support of ITT's Nominating and Governance Committee's charter, including providing competitive data on director compensation. The Compensation Consultant's engagement leader provided objective expert analyses, assessments, research and recommendations for executive employee compensation programs, incentives, perquisites, and compensation standards. In this capacity, the Compensation Consultant provided services that related solely to work performed for and at the direction of ITT's Compensation Committee including analysis of material prepared by ITT for ITT's Compensation Committee's review. In 2010, ITT's human resources, finance and legal departments supported the work of the ITT Compensation Committee, provided information, answered questions and responded to requests. Additionally, the Compensation Consultant provided analyses to ITT's Nominating and Governance Committee and the full Board of Directors on Non-Management Director compensation. The Compensation Consultant provided no other services to ITT during 2010.

In 2010, as in past years, the ITT Compensation Committee looked to competitive market compensation data for companies comparable to ITT to establish overall policies and programs that address executive compensation, benefits and perquisites. This review included analysis of the Towers Watson Compensation Data Bank ("CDB") information provided by the Compensation Consultant. The analyses used a sample of

174 companies from the S&P® Industrials Companies that were available in the CDB. The compensation data from these companies were evaluated by the Compensation Consultant for differences in the scope of operation as measured by annual revenue. Appendix A at the end of this section lists the sample of companies from the S&P® Industrials Companies that were used in the CDB analyses. The ITT Compensation Committee believes that these 174 companies most closely reflect the labor market in which ITT competes for talent.

The ITT Compensation Committee has delegated to ITT's Senior Human Resources Executive responsibility for administering the executive compensation program. During 2010, ITT's Chief Executive Officer and Senior Human Resources Executive made recommendations to the ITT Compensation Committee regarding executive compensation actions and incentive awards. The ITT Compensation Committee reviewed each compensation element for Mses. McClain and Buonocore and Mr. Jimenez, as each of these individuals was a NEO of ITT in 2010, and made the final determination regarding executive compensation for these officers using the processes described in this Compensation Discussion and Analysis. With respect to Messrs. Speetzen, and Napolitano, Ms. McClain, in her role as Senior Vice President of ITT and President of its Fluid and Motion Control businesses made recommendations to Steven R. Loranger, in his role as President and CEO of ITT and, with respect to Mr. Speetzen, to ITT's Senior Vice President and Chief Financial Officer, regarding Messrs. Speetzen, and Napolitano's executive compensation. After discussing Ms. McClain's recommendations, the final executive compensation determinations for Messrs. Speetzen and Napolitano were made jointly by Mr. Loranger, as ITT's President and CEO, ITT's Senior Vice President and Chief Financial Officer (with respect to Mr. Speetzen) and Ms. McClain. The ITT Compensation Committee also approved the 2010 long-term incentive awards for the NEOs. The ITT Compensation Committee believes ITT's compensation programs reflect ITT's overarching business rationale and are designed to be reasonable, fair, fully disclosed, and consistently aligned with long-term value creation. The ITT Compensation Committee further believes this compensation philosophy encourages individual and group behaviors that balance risk and reward and assist ITT in achieving steady, sustained growth and earnings performance.

Going Forward. Following the separation, it is expected that the Xylem Compensation Committee will retain a compensation consultant and the nature and scope of the compensation consultant's engagement will be similar to that of ITT's Compensation Consultant. In addition, we expect to establish a similar executive compensation philosophy with respect to our NEOs following the separation. We expect that our compensation objective will be to implement compensation programs that reflect overarching business rationale and are designed to be reasonable, fair, fully disclosed, and consistently aligned with long-term value creation. We also expect that the Xylem Compensation Committee will delegate to a senior Human Resources executive responsibility for administering the Executive Compensation program.

Individual executive positions

Historically. ITT's senior management positions, including each of its NEO positions, were compared to positions with similar attributes and responsibilities based on the CDB information. This information was used to provide the market median dollar value for annual base salary, annual incentives and long-term incentives. Compensation levels within approximately 10% above or below the market median dollar value are considered by the Compensation Consultant and the ITT Compensation Committee to be within the market median range. The ITT Compensation Committee used the CDB information, along with other qualitative information described below, in making its determination of target and actual compensation provided to each of ITT's NEOs. The ITT Compensation Committee may consider deviations from the market median range depending on a position's strategic value, ITT's objectives and strategies, and individual experience and performance in the position. The ITT Compensation Committee may, but is not required to, consider prior year's compensation, including short-term or long-term incentive payouts, restricted stock or restricted stock unit vesting or option exercises in compensation decisions for the NEOs.

The following chart sets out 2010 total target NEO compensation for annual base salary, annual incentive, long-term incentive and total compensation relative to the market median dollar value. For Ms. McClain and Messrs. Jimenez and Napolitano, deviations below the market median range were primarily related to the relatively short tenure of each in their current positions at ITT. For Mr. Speetzen and Ms. Buonocore, deviations above the market median range were primarily related to their individual experience and the importance of their positions to the success of the business.

Named Executive Officer and Title	Annual Base Salary Position as Percentage of Market Median Dollar Value	Annual Incentive Target Position as Percentage of Market Median Dollar Value	Long-Term Incentive Position as Percentage of Market Median Dollar Value	Total Compensation Position as Percentage of Market Median Dollar Value
Gretchen W. McClain, Chief Executive Officer (formerly SVP and President, Fluid and Motion Control of ITT)	96%	94%	84% (Below market median range)	89% (Below market median range)
Michael T. Speetzen, Chief Financial Officer(1) (formerly VP of Finance, Fluid and Motion Control of ITT)	114% (Above market median range)	111% (Above market median range)	117% (Above market median range)	122% (Above market median range)
Frank R. Jimenez, General Counsel and Corporate Secretary (formerly Vice President and General Counsel of ITT)	82% (Below market median range)	66% (Below market median range)	50% (Below market median range)	61% (Below market median range)
Angela A. Buonocore, Chief Communications Officer (formerly SVP and Chief Communications Officer of ITT)	105%	120% (Above market median range)	133% (Above market median range)	119% (Above market median range)
Kenneth Napolitano, President, Residential and Commercial Water (formerly President, ITT Residential and Commercial Water)	87% (Below market median range)	71% (Below market median range)	89% (Below market median range)	85% (Below market median range)

(1) Mr. Speetzen also received 8,000 shares of restricted stock as a special retention award.

Going Forward. While it is expected that the Xylem Compensation Committee will adopt a similar approach to evaluating and determining target and actual compensation provided to each of our NEOs, the use of the CDB or the peers included in the market sample may change to be more reflective of our industry, size and/or business model.

Our compensation cycle

Historically. Compensation is reviewed in detail every year during the first quarter. This review includes:

- Annual performance reviews for the prior year,
- Base salary merit increases — normally established in March,
- Annual Incentive Plans (“AIP”) target awards, and
- Long-term incentive target awards (including stock options, restricted stock or restricted stock units and target total shareholder return (“TSR”) awards).

The actual award date of stock options, restricted stock or restricted stock units and target TSR awards is determined on the date on which the ITT Compensation Committee approves these awards. In recent years, this date has been in March. Target TSR awards reflect a performance period starting on January 1 of the year in which the ITT Compensation Committee approved the TSR award. Restricted stock or restricted stock units, TSR and stock option award recipients receive communication of the award as soon as reasonably practical after the grant date of the award. The ITT Compensation Committee reviewed and assessed the performance of ITT’s NEOs during 2010. The ITT Compensation Committee will continue to review and assess the performance of the Chief Executive Officer and all senior executives and authorize salary actions it believes are appropriate and commensurate with relevant competitive data and the approved salary program.

Going Forward. It is expected that the Xylem Compensation Committee will review, decide and award compensation to our NEOs following a similar annual cycle.

Qualitative considerations

Historically. ITT considers individual performance, including consideration of the following qualitative performance factors, in addition to the quantitative measures discussed in this Compensation Discussion and Analysis. While there is no formal weighting of qualitative factors, the following factors may be considered important in making compensation decisions:

- Portfolio Repositioning,
- Differentiated Organic Growth,
- Strategic Execution, and
- Cultural Transformation.

Going forward. It is expected that the Xylem Compensation Committee will consider similar qualitative factors in making compensation decisions. These qualitative performance factors may change to reflect our business focus and strategy.

Compensation Program Objectives

Historically. The following sections, including material supplied in tabular form, provide more information about the ITT compensation program, and its objectives, general principles and specific approaches.

Objective	How We Achieve Our Objectives	
Attract and retain well-rounded, capable leaders.	Design ITT’s executive compensation program to attract, reward and retain capable executives. Design total executive compensation to provide a competitive balance of salary, short-term and long-term incentive compensation.	ITT’s overarching philosophy is to target total compensation at the competitive median of the CDB. ITT considers total compensation (salary plus short-term and long-term compensation) when determining each component of NEO compensation.
Match compensation components to ITT’s short-term and long-term operating and strategic goals.	In addition to salary, ITT includes short-term and long-term performance incentives in its compensation program.	ITT believes the mix of short-term and long-term performance-based incentives focuses executive behavior on annual performance and operating goals, as well as strategic business objectives that will promote long-term shareholder value creation.
Provide a clear link between at-risk compensation with business performance.	ITT believes the measures of performance in our compensation programs must be aligned with measures key to the success of its businesses. The clear link between compensation and performance is intended to provide incentives for achieving performance and business objectives and increasing the long-term value of ITT’s stock. If ITT’s businesses succeed, our shareholders will benefit.	ITT links compensation and performance through its long-term incentive program, comprising restricted stock or restricted stock unit awards, non-qualified stock options awards and TSR target awards. If performance goals are not met, at-risk compensation is reduced or not paid at all.

Objective	How We Achieve Our Objectives	
Align at-risk compensation with levels of executive responsibility.	As executives move to greater levels of responsibility, the proportion of compensation at risk, whether through annual incentive plans or long-term incentive programs, increases in relation to the increased level of responsibility.	NEO compensation is structured so that a substantial portion of compensation is at risk for executives with greater levels of responsibility. The ITT Compensation Committee considered allocation of short-term and long-term compensation, cash and non-cash compensation and different forms of non-cash compensation for NEOs based on its assessment of the proper compensation balance needed to achieve ITT’s short-term and long-term goals. The Compensation Consultant compiled and analyzed data that the ITT Compensation Committee considered in weighting compensation components for each of the NEOs.
Tie short-term executive compensation to specific business objectives.	The AIP performance metrics are designed to further ITT’s total enterprise objectives. By linking AIP performance to total enterprise performance, collaboration across the enterprise is rewarded.	The AIP sets out short-term performance components. If specific short-term performance goals are met, cash payments that reflect performance across the enterprise may be awarded.
Tie long-term executive compensation to increasing shareholder return.	The long-term incentive award programs link executive compensation to increases in absolute shareholder return or relative shareholder return against industrial peers.	Long-term executive compensation comprises restricted stock or restricted stock units, stock options and target TSR cash awards that are tied to the achievement of three-year relative total shareholder return goals.
Provide reasonable and competitive benefits and perquisites.	Make sure that other employee benefits, including perquisites, are reasonable in the context of a competitive compensation program.	NEOs participate in many of the same benefit plans with the same benefit plan terms as other employees. Certain other benefit plans are available to NEOs and described more fully in “Compensation Tables — ITT Pension Benefits” and “Compensation Tables — ITT Deferred Compensation Plan.” The Compensation Consultant provides survey data on perquisites to the ITT Compensation Committee. Perquisites provided to NEOs are designed to be consistent with competitive practice and are regularly reviewed by the ITT Compensation Committee.

Going Forward. It is expected that the Xylem Compensation Committee will conduct a thorough review of the current ITT compensation program and adopt a program with objectives, principles and approaches that appropriately reflect our business needs and strategy.

Primary Compensation Components

Historically. The following sections, including information supplied in tabular form, provide information about Base Salary, the AIP and Long-Term Incentive Target Awards.

BASE SALARY

General Principle

A competitive salary provides a necessary element of stability.

Salary levels reflect comparable salary levels based on survey data provided by the Compensation Consultant. Salary levels are reviewed annually.

Base salary should recognize individual performance, market value of a position and the incumbent's tenure, experience, responsibilities, contribution to ITT and growth in his or her role.

Merit increases are based on overall performance and relative competitive market position.

ANNUAL INCENTIVE PLAN (AIP)

General Principle

The AIP award recognizes contributions to the year's results and is determined by performance against specific premier metrics on the enterprise level, or, as applicable, Value Center level as well as qualitative factors, as described in more detail in "Compensation Discussion and Analysis — Our Executive Compensation Program — Qualitative Considerations." The 2010 AIP is structured to reward and emphasize overall enterprise, or, as applicable, Value Center performance, and emphasizes collaboration among ITT's Groups.

The AIP focuses on operating performance, targeting premier metrics considered predictive of top-ranking operating performance.

2010 AIP targets for Ms. McClain and Buonocore and Messrs. Speetzen and Jimenez were established based on the following four internal premier performance metrics:

- earnings per share performance,
- free cash flow,
- sum of Group return on invested capital, and
- the sum of Group revenue.

2010 AIP targets for Mr. Napolitano were based on the following five internal performance metrics:

- earnings per share performance,
- Value Center and Group cash flow,
- Group return on invested capital,
- Value Center and Group revenue, and
- Value Center operating margin.

Structure AIP target awards to achieve competitive compensation levels when targeted performance results are achieved. Use objective formulas to establish potential AIP performance awards.

ITT's AIP provides for an annual cash payment to participating executives established as a target percentage of base salary. AIP target awards are set with reference to the median of competitive practice based on the CDB. Any AIP payment is the product of the annual base salary rate multiplied by the target base salary percentage multiplied by the AIP annual performance factor based on the approved metrics. The ITT Compensation Committee may approve negative discretionary adjustments with respect to NEOs.

LONG-TERM INCENTIVE AWARDS

General Principle

Design long-term incentives for NEOs to link payouts to success in the creation of shareholder value over time.

The ITT Compensation Committee believes that long-term incentives directly reward NEOs for success in the creation of long-term value creation and enhanced total shareholder return. The ITT Compensation Committee employed four considerations in designing the long-term incentive award program:

- alignment of executive interests with shareholder interests,
- a multi-year plan that balances short-term and long-term decision-making,
- long-term awards included as part of a competitive total compensation package, and
- retention.

For NEOs, long-term equity-based incentives should recognize current performance as well as the expectation of future contributions.

The ITT Compensation Committee grants restricted stock or restricted stock units and stock options awards to link executive compensation to absolute share price performance. It grants TSR awards to provide a link to ITT's total shareholder return relative to the TSR Performance Index.

Review award programs annually to provide for regular assessment.

As part of its annual compensation review, the ITT Compensation Committee determines long-term incentive award program components, the percentage weight of each component, and long-term award target amounts.

Use competitive market survey data provided by the Compensation Consultant from a sample of S&P® Industrial Companies to select long-term components designed to advance ITT's long-term business goals as well as determining competitive target amounts.

In 2010, the ITT Compensation Committee, based on management recommendations, used competitive market data for each of the NEO positions to determine the 2010 long-term award value for each NEO.

Balance absolute share price return and relative share price return.

The ITT Compensation Committee balanced long-term awards among awards designed to encourage relative share price performance and awards designed to encourage absolute share price performance. More information on this allocation is provided in "Compensation Discussion and Analysis — Long Term Incentive Awards Programs."

Consider the median of competitive market data, as well as individual contributions and business performance in determining target awards.

Specific target awards are set out in the Grants of Plan-Based Awards table below.

Going forward. It is expected that the Xylem Compensation Committee will adopt similar principles and approaches with respect to Base Salary. With regard to the AIP and aggregate Long-Term Incentive Target Awards (or their equivalents), we expect to develop programs reflecting appropriate measures, goals, and targets for our industry and business objectives and based on our competitive marketplace.

Overview of the AIP and Long-Term Incentive Target Awards

Establishing AIP Performance in 2010

The 2010 AIP format was designed to consider internal business achievements. For 2010, NEOs include officers from the Fluid Technology and the Motion & Flow Control segment and Corporate headquarters.

2010 Internal Premier Performance Metrics (Corporate and Group Level)

The ITT Compensation Committee studied past and projected earnings per share and other performance measures of comparable multi-industry peers. Six multi-industry companies were identified as “premier” based on their rankings in the top quartile of the majority of the quantitative metrics evaluated. These six companies are:

3M Co.
United Technologies Corp.
Illinois Tool Works, Inc.

General Electric Co.
Emerson Electric Co.
Danaher Corp.

Based on an analysis of these premier companies, for Mses. McClain and Buonocore and Messrs. Speetzen and Jimenez, ITT identified four internal premier performance metrics as most closely predictive of top-ranking operating performance. The AIP design for the 2010 performance year was modified to emphasize business collaboration across each of ITT’s business segments (or “Groups”).

Premier Performance Metric

- Sum of Group revenue
Revenue reflects ITT’s emphasis on growth. Revenue is defined as reported GAAP revenue excluding the impact of foreign currency fluctuations and contributions from acquisitions and divestitures. ITT’s definition of revenue may not be comparable to similar measures utilized by other companies. Revenue is based on the local currency exchange.
- Free cash flow
Free cash flow reflects ITT’s emphasis on cash flow generation. Free cash flow is defined as GAAP net cash flow from operating activities, less capital expenditures and adjusted for other non-cash special items and discretionary pension contributions. Free cash flow should not be considered a substitute for cash flow data prepared in accordance with GAAP. ITT’s definition of free cash flow may not be comparable to similar measures utilized by other companies. Management believes that free cash flow is an important measure of performance and it is utilized as a measure of ITT’s ability to generate cash.
- Sum of Group return on invested capital (“ROIC”)
The ITT Compensation Committee considers ROIC to be an appropriate measurement of capital utilization in ITT’s businesses and a key element of premier performance. ROIC is defined as EBITA divided by average invested capital. EBITA is equal to operating income plus amortization, which consists of software amortization and other intangible amortization. Invested capital is equal to total assets minus current liabilities, excluding interest bearing current liabilities. Average invested capital is calculated by averaging invested capital over the five most recent quarters.

[Table of Contents](#)

Premier Performance Metric

- Earnings per share (“EPS”) performance

The ITT Compensation Committee believes that EPS performance is an appropriate measure of ITT’s total performance and employed the ITT EPS performance metric to encourage focus on the achievement of premier earnings performance for the overall company. EPS performance is defined as GAAP net income from continuing operations per diluted share, adjusted to exclude items such as unusual and infrequent non-operating items, non-operating tax settlements or adjustments relating to prior periods and impacts from acquisitions and divestitures.

2010 Internal Performance Metrics (Value Center Level)

The Fluid Technology business is a business Group which is comprised of Value Centers, each of which is a collection of similarly themed and synergetic business areas. Value Center AIP design applicable to Mr. Napolitano rewards individual Value Center performance, as well as Group and enterprise performance. Value Center performance is directly related to the ability to capture new business, execute contractual requirements and take appropriate actions to optimize cost structures and efficiently run the Value Center. For Mr. Napolitano, the AIP design for the 2010 performance year rewarded both the performance of his Value Center and performance across the enterprise.

Performance Metric

- Value Center and Group revenue

Value Center and Group revenue reflects ITT’s emphasis on growth. Value Center and Group revenue is defined as reported GAAP revenue for a Value Center or Group excluding the impact of foreign currency fluctuations and contributions from acquisitions and divestitures. ITT’s definition of revenue may not be comparable to similar measures utilized by other companies. Value Center and Group revenue is based on the local currency exchange.

- Value Center and Group cash flow

Value Center and Group cash flow reflects ITT’s emphasis on cash flow generation for a Value Center or Group. Cash flow is defined as GAAP net cash flow from operating activities, less capital expenditures and adjusted for other non-cash special items and discretionary pension contributions. Cash flow should not be considered a substitute for cash flow data prepared in accordance with GAAP. ITT’s definition of Value Center and Group cash flow may not be comparable to similar measures utilized by other companies. Management believes that Value Center and Group cash flow is an important measure of performance and it is utilized as a measure of ITT’s ability to generate cash.

- Value Center operating margin

Operating margin is a metric for Value Center performance. It is defined as operating income divided by sales. This performance metric is employed to determine how the Value Center actually performed as compared to the applicable Value Center budget.

[Table of Contents](#)

Performance Metric

- Group return on invested capital (“ROIC”)

ROIC is an appropriate measurement of capital utilization in ITT’s businesses and a key element of Group performance. ROIC is defined as EBITA divided by average invested capital. EBITA is equal to operating income plus amortization, which consists of software amortization and other intangible amortization. Invested capital is equal to total assets minus current liabilities, excluding interest bearing current liabilities. Average invested capital is calculated by averaging invested capital over the five most recent quarters.

- Earnings per share (“EPS”) performance

EPS performance is an appropriate measure of ITT’s total performance. This performance metric is employed to encourage focus on the achievement of earnings performance for the overall enterprise. EPS performance is defined as GAAP net income from continuing operations per diluted share, adjusted to exclude items such as unusual and infrequent non-operating items, non-operating tax settlements or adjustments relating to prior periods and impacts from acquisitions and divestitures.

Internal performance metrics are weighted to represent operational goals. In order to encourage focus on total company performance, earnings per share performance across the enterprise represented 40% of the overall performance metrics for ITT’s 2010 AIP.

2010 Internal Performance Metrics Weight (Corporate and Group Levels)

<u>2010 Metrics</u>	<u>Performance Percentage</u>
Sum of Group Revenue	20%
Free Cash Flow	20%
Sum of Group ROIC	20%
EPS Performance	40%

2010 Internal Performance Metrics Weight (Value Center Level)

<u>2010 Metrics</u>	<u>Performance Percentage</u>
Value Center and Group Revenue	20%
Value Center and Group Cash Flow	20%
Value Center Operating Margin	10%
Group ROIC	10%
EPS Performance	40%

The Group ROIC metric is utilized at the Value Center level to reflect each of the Value Center’s contributions and cooperation in attaining efficient return on invested capital. In addition, in order to encourage focus on total company performance, earnings per share performance across the enterprise represented 40% of the overall performance metrics for ITT’s 2010 AIP.

2010 Internal Performance Metric Attainment and Payout Design

We pay for AIP performance that clearly demonstrates substantial achievement of plan goals. We established strong incentives for revenue performance and set aggressive goals for other metrics. In order to achieve an AIP payout, each metric must meet a certain threshold for that component to be considered in the

[Table of Contents](#)

calculation. For example, EPS performance below the 50% payout percentage of target would result in that metric being reflected as zero in the AIP calculation.

Earnings Per Share Performance	\$3.75	\$4.00	\$4.50
Earnings Per Share Payout Percentage of Target	50%	100%	200%

Sum of Group revenue must meet or exceed a 90% threshold performance. The remaining metrics must meet or exceed an 85% threshold performance level (as described in the chart below).

	2010 AIP Attainment and Payout Design					
	Revenue			Remaining Metrics		
Performance Percentage of Target	90%	100%	110%	85%	100%	120%
Payout Percentage of Target	50%	100%	200%	50%	100%	200%

In 2010, each performance component of the AIP and the overall AIP award were capped at 200%. Results are interpolated between points.

2010 AIP Performance Targets and Performance

The ITT Compensation Committee, after considering management recommendations, established 2010 AIP performance targets for the NEOs based on the applicable internal premier performance metrics and ITT’s approved annual operating plan, taking into consideration ITT’s aspirational business goals. Successful attainment of both qualitative factors and quantitative factors (described in “Compensation Discussion and Analysis — Our Executive Compensation Program — Qualitative Considerations” and “Compensation Discussion and Analysis — 2010 Internal Performance Metric Attainment and Payout Design”) are achievable only if the enterprise and the individual NEO perform at levels established by the ITT Compensation Committee. As permitted by the 1997 Annual Incentive Plan for Executive Officers, the ITT Compensation Committee may exclude the impact of acquisitions, dispositions and other special items in computing AIP.

2010 AIP Performance Targets (Corporate and Group Levels)

Metric	Performance Target at 100% Payment
	(All \$ amounts in millions other than earnings per share performance)
EPS Performance	\$ 4.00
Free Cash Flow	\$ 740
Sum of Group Revenue	\$ 11,200
Sum of Group ROIC	21.1%

2010 AIP Performance Targets (Value Center Level for Mr. Napolitano)

In 2010, we used the same EPS performance target for both the Corporate and Group Levels and the Value Center Level. The performance targets for Group Cash Flow, Group Revenue, Group ROIC, Value Center Cash Flow and Value Center Revenue are described below.

Group Metrics for Fluid Technology Group

Metric	Performance Target at 100% Payment
	(All \$ amounts in millions)
Group Cash Flow	\$ 440
Group Revenue	\$ 3,425
Group ROIC	19.2%

Mr. Napolitano — Residential and Commercial Water Value Center

Metric	Performance Target at 100% Payment	
	(All \$ amounts in millions)	
Value Center Cash Flow	\$	144
Value Center Revenue	\$	1,134

Remaining Performance Targets. For Mr. Napolitano, we set the remaining performance target, Operating Margin, at a challenging level that is consistent with our long-term premier targets and designed to meet high shareholder expectations. We consider Operating Margin to be difficult to attain.

2010 Target AIP Award Percentage of Base Salary and Weighting of AIP Performance Components

Named Executive Officer	Target Award Percentage of Base Salary	Sum of Group Revenue(a)	Free Cash Flow(b)	Sum of Group ROIC (c)	ITT EPS Performance (d)	Total Enterprise Performance
	Gretchen W. McClain	80%	20%	20%	20%	40%
Michael T. Speetzen	50%	20%	20%	20%	40%	a+b+c+d
Frank R. Jimenez	60%	20%	20%	20%	40%	a+b+c+d
Angela A. Buonocore	60%	20%	20%	20%	40%	a+b+c+d

Named Executive Officer	Target Award Percentage of Base Salary	Value Center Performance			Group Performance			ITT EPS Performance (g)	Total Performance
		Cash Flow (a)	Revenue Growth (b)	Operating Margin (c)	Cash Flow (d)	Revenue Growth (e)	ROIC (f)		
Mr. Napolitano	50%	10%	10%	10%	10%	10%	10%	40%	a+b+c+d+e+f+g

For Mses. McClain and Buonocore and Messrs. Speetzen and Jimenez, the 2010 AIP potential payment was calculated according to the following formula: 2010 AIP Potential Payout = Annual Base Salary Rate x Target Award Percentage of Base Salary x Results of Total Enterprise Performance interpolated up to 200% for performance above goal. As executive officers of ITT in 2010, Ms. McClain's, Ms. Buonocore's and Mr. Jimenez's 2010 AIP awards were subject to negative discretion by the ITT Compensation Committee based on the following four qualitative business goals: Portfolio Repositioning, Differentiated Organic Growth, Strategic Execution, and Cultural Transformation. However, since Messrs. Speetzen and Napolitano were not executive officers of ITT in 2010, their respective 2010 AIP awards were subject to both negative and positive discretion based on an assessment of individual performance by Ms. McClain in her role as President of Fluid and Motion Control of ITT along with the President and Chief Executive Officer of ITT and ITT's Senior Vice President and Chief Financial Officer (with respect to Mr. Speetzen).

For Mr. Napolitano and the Residential and Commercial Water Value Center, Total Performance was calculated according to the following formula: 30% Value Center Performance (10% cash flow, + 10% revenue growth + 10% operating margin) plus 30% Group Performance (10% cash flow, + 10% revenue growth, +10% ROIC) plus 40% ITT EPS.

2010 AIP Awards Paid in 2011

On March 3, 2011, the ITT Compensation Committee determined the 2010 AIP award for Mses. McClain and Buonocore and Mr. Jimenez. No negative discretion was exercised by the ITT Compensation Committee. As permitted by the 1997 Annual Incentive Plan for Executive Officers, the ITT Compensation Committee excluded the impact of acquisitions, dispositions and other special items in computing AIP performance relating to AIP targets, which AIP targets also excluded these items. In addition to her 2010 AIP Award, the ITT Compensation Committee also awarded Ms. Buonocore a discretionary bonus award of \$15,700 outside of the 2010 AIP in recognition of her strong contributions and strategic importance to the business.

During February and March of 2011, the 2010 AIP awards for Messrs. Speetzen and Napolitano were reviewed and approved by Ms. McClain in her role as Senior Vice President and President, Fluid and Motion Control of ITT along with the President and Chief Executive Officer of ITT and the Senior Vice President and

[Table of Contents](#)

Chief Financial Officer of ITT, with respect to Mr. Speetzen. Ms. McClain, jointly with the Chairman, President and Chief Executive Officer of ITT (and the Senior Vice President and Chief Financial Officer of ITT with respect to Mr. Speetzen’s award) determined to exercise their positive discretion and awarded 2010 AIP Awards to each of Messrs. Speetzen and Napolitano that were 8% and 5%, respectively, above the payout they would have received based on their respective Total Enterprise Performance Percentage Achieved and Total Performance Percentage Achieved. The decision to increase the 2010 AIP Awards by 8% and 5%, respectively, reflects the contributions of each of these individuals to the strategic execution of their Group or Value Centers, as applicable, during 2010. This additional payout is reflected in the Summary Compensation Table below as “Bonus” rather than “Non-Equity Incentive Plan Compensation.” Except as discussed above, 2010 AIP Awards for NEOs are also included in the Summary Compensation Table below as “Non-Equity Incentive Plan Compensation.”

The adjusted AIP targets and AIP performance and the resulting performance and payout percentages for each component of the AIP were as follows:

Metric (all \$ amounts in millions other than earnings per share performance)	Adjusted Performance Target at 100% Payment	Adjusted 2010 Performance	Performance Percentage of Target	Payout Percentage of Target
	EPS Performance	\$ 3.93	\$ 4.34	110.4%
Free Cash Flow	\$ 720	\$ 924	128.4%	200%
Sum of Group Revenue	\$ 11,000	\$ 10,831	98.5%	93%
Sum of Group ROIC	21.2%	21.86%	103.0%	115%

The adjusted AIP targets and AIP performance and the resulting performance and payout percentages for Group Cash Flow, Group Revenue and Group ROIC were as follows for the Fluid Technology Group level:

Metric (all \$ amounts in millions)	Adjusted Performance Target at 100% Payment	Adjusted 2010 Performance	Performance Percentage of Target	Payout Percentage of Target
	Group Cash Flow	\$ 440	\$ 449	102.0%
Group Revenue	\$ 3,425	\$ 3,454	100.9%	108.6%
Group ROIC	19.2%	19.8%	103.3%	116.5%

Mr. Napolitano — Residential and Commercial Water Value Center

Metric (all \$ amounts in millions)	Performance Target at 100% Payment	Adjusted 2010 Performance	Performance Percentage of Target	Payout Percentage of Target
	Value Center Cash Flow	\$ 144	\$ 140	97.2%
Value Center Revenue	\$ 1,134	\$ 1,133	99.9%	99.5%

The following table illustrates the calculation of the 2010 AIP Awards at the Corporate or Group level paid in 2011:

Named Executive Officer	Annual Base Salary *	Sum of Group Revenue Percentage Achieved(a)	Free Cash Flow Payout Percentage Achieved (b)	Sum of Group ROIC Percentage Achieved (c)	ITT EPS Performance Percentage Achieved (d)	Total Enterprise Performance Percentage Achieved (a+b+c+d)	Actual AIP 2010 Awards (x) *
	Target Award Percentage of Base Salary(x)						
Gretchen W. McClain	\$ 424,000	18.5%	40%	23.1%	72.8%	154.4%	\$ 654,700
Michael T. Speetzen	\$ 156,000	18.5%	40%	23.1%	72.8%	154.4%	\$ 260,100(1)
Frank R. Jimenez	\$ 249,000	18.5%	40%	23.1%	72.8%	154.4%	\$ 384,500
Angela A. Buonocore	\$ 204,000	18.5%	40%	23.1%	72.8%	154.4%	\$ 315,000

(1) As described above, in recognition of his contributions to the strategic execution of the business, Mr. Speetzen was awarded a 2010 AIP Award that was 8% above the payout he would have received based on his Total

[Table of Contents](#)

Enterprise Performance Percentage Achieved. This additional payout of \$19,200 is reflected in the Summary Compensation Table below as “Bonus” rather than “Non-Equity Incentive Plan Compensation.”

The following table illustrates the calculation of the 2010 AIP Awards at the Residential and Commercial Water Value Center level paid in 2011:

Named Executive Officer	Annual Base Salary* Target Award Percentage of Base Salary (s)	Value Center Performance			Group Performance			ITT EPS Performance Achieved (g)	Total Performance Percentage Achieved (a+b+c+d+e+f+g)	Actual AIP 2010 Awards (x)* (a+b+c+d+e+f+g)
		Cash Flow Percentage Achieved	Revenue Growth Percentage Achieved	Operating Margin Percentage Achieved	Cash Flow Percentage Achieved	Revenue Growth Percentage Achieved	ROIC Percentage Achieved			
		(a)	(b)	(c)	(d)	(e)	(f)			
Kenneth Napolitano	156,000	12.8%	10.0%	7.9%	11.0%	10.9%	11.6%	72.8%	136.9%	\$ 224,200(1)

- (1) As described above, in recognition of his contributions to the strategic execution of his Value Center, Mr. Napolitano was awarded a 2010 AIP Award that was 5% above the payout he would have received based on his Total Performance Percentage Achieved. This additional payout of \$10,600 is reflected in the Summary Compensation Table below as “Bonus” rather than “Non-Equity Incentive Plan Compensation.”

2011 Internal Performance Metric Attainment and Payout Design

To focus the businesses on operating performance during the spin-off, the 2011 Internal Performance Metric Attainment and Payout Design is structured to emphasize performance at the value center level, which is a level below the business segment or group level. For Mses. McClain and Buonocore and Messrs. Speetzen and Jimenez, 2011 AIP awards for the NEOs will still be based on the performance of all ITT businesses as a whole through the date immediately prior to the spin-off. The 2011 AIP Award for Mr. Napolitano will be based 50% on the performance of all the Value Centers across the enterprise and 50% on the performance of his individual Value Center (as described below). The performance metrics and payout design for 2011 AIP awards for the period after the spin-off have not yet been determined.

The 2011 AIP metrics for Mses. McClain and Buonocore and Messrs. Speetzen and Jimenez for the period prior to the spin-off are weighted as follows:

Total Value Center Consolidated Operating Income	50%
Total Value Center Operating Plan Cash Flow	30%
Total Value Center Plan Revenue	20%

The 2011 AIP metrics for Mr. Napolitano for the period prior to the spin-off are weighted as follows:

Total Value Center Consolidated Operating Income	50%
Total Value Center Operating Plan (comprised of):	50%
• Revenue 15%	
• Operating Plan Cash Flow 20%	
• Margin 15%	
	100%

While the ITT Compensation Committee did not undertake a study of “premier” companies in setting the 2011 AIP metrics for the period prior to the spin-off, the ITT Compensation Committee determined that the above metrics would be most closely predictive of top-ranking operating performance in 2011. Internal performance metrics were weighted to represent operational goals. The ITT Compensation Committee eliminated earnings per share performance across the enterprise as one of the performance metrics for the period prior to the spin-off in order to further emphasize operating performance at the value center level.

Total Value Center Consolidated Operating Income must meet or exceed a 90% threshold performance. The remaining metrics must meet or exceed an 85% threshold performance level (as described in the chart below).

2011 AIP Attainment and Payout Design

	Consolidated Operating Income			Remaining Metrics		
Performance Percentage of Target	90%	100%	110%	85%	100%	120%
Payout Percentage of Target	50%	100%	200%	50%	100%	200%

Similar to the 2010 AIP, in 2011, each performance component of the AIP and the overall AIP award will be capped at 200% and results will be interpolated between points.

2011 Target AIP Award Percentage of Base Salary and Weighting of AIP Performance Components

Named Executive Officer	Target Award Percentage of Base Salary	Total Value Center Consolidated Operating Income (a)	Total Value Center Operating Plan Cash Flow (b)	Total Value Center Plan Revenue (c)	Total Value Center Performance
Gretchen W. McClain	85%	50%	30%	20%	a+b+c
Michael T. Speetzen	50%	50%	30%	20%	a+b+c
Frank R. Jimenez	60%	50%	30%	20%	a+b+c
Angela A. Buonocore	60%	50%	30%	20%	a+b+c

Named Executive Officer	Target Award Percentage of Base Salary	Total Value Center Consolidated Operating Income (a)	Individual Value Center Operating Income Plan		Total Performance	
			Revenue (b)	Operating Plan Cash Flow (c)		Margin (d)
Kenneth Napolitano	50%	50%	15%	20%	15%	a+b+c+d

For NEOs, the 2011 AIP potential payment for the period prior to the spin-off will be calculated as follows:

2011 AIP Potential Payout = Annual Base Salary Rate x Target Award Percentage of Base Salary x Results of Total Value Center Performance (Total Performance with respect to Mr. Napolitano) interpolated up to 200% for performance above goal, subject to negative discretion.

Going Forward. In connection with the separation, we expect to adopt an annual incentive plan with terms to be determined by the Xylem Compensation Committee. We expect this program will be designed to reflect measures, targets and goals reflective of our business and industry using our competitive marketplace as a benchmark.

Long-Term Incentive Awards Program

Historically. ITT's long-term incentive award component for senior executives has three subcomponents, each of which directly ties long-term compensation to long-term value creation and shareholder return:

- Restricted stock or restricted stock unit awards. In 2010 the ITT Compensation Committee awarded restricted stock awards. In 2011 the ITT Compensation Committee determined to award restricted stock units, which will be settled in shares upon vesting. Restricted stock units provide the same economic risk or reward as restricted stock, but recipients do not have voting rights and do not receive cash dividends during the restriction period. Dividend equivalents are accrued and paid in cash upon vesting of the restricted stock units. The ITT Compensation Committee determined to award restricted stock units rather than restricted stock in 2011 because restricted stock unit awards provide consistent tax treatment for domestic and international employees,
- Non-qualified stock option awards, and
- *Performance-based Cash Awards, referred to as TSR Awards.* The TSR award plan provides a target cash incentive that directly links ITT's three-year total shareholder return performance to the same performance measure for each company included within the S&P 500 index, excluding companies in the utility, transportation service and financial service industries (described herein as the "TSR Performance Index"). The TSR Performance Index is adjusted to exclude companies that are added or

deleted from the S&P 500 index during the performance period. As of December 31, 2010 the TSR Performance Index included between 312 and 365 companies, based on award year.

The following table describes the 2010 TSR target and equity awards for the NEOs.

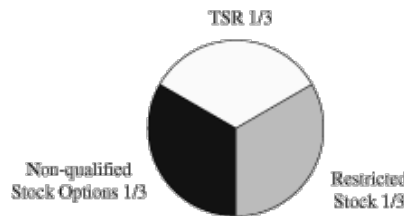
Named Executive Officer	TSR (Target Cash Award)	Non-Qualified Stock Option Award	Restricted Stock Award
	s	# Options	# Shares
Gretchen W. McClain	360,000	24,049	7,503
Michael T. Speetzen(1)	100,000	7,135	2,084
			8,000
Frank R. Jimenez	166,700	11,890	3,474
Angela A. Buonocore	135,000	9,019	2,814
Kenneth Napolitano	141,700	10,105	2,953

(1) As described in “Compensation Tables — Grants of Plan Based Awards,” Mr. Speetzen received a special retention award of 8,000 shares of restricted stock in recognition of his strategic importance to the business. 2,400 shares vest on March 5, 2013 and 5,600 shares vest on March 5, 2014.

Allocation of Long-Term Incentive Components

The 2010 Long-Term Incentive Program Awards were allocated as follows: 1/3 TSR calculated at target payment amount, 1/3 non-qualified stock options and 1/3 shares of restricted stock. A program valuation date of February 8, 2010 was used to determine the number of options and shares of restricted stock to be granted pursuant to this allocation. The number of options to be granted was based on the lattice value on the February 8, 2010 valuation date. The number of shares of restricted stock to be granted was based on the average of the high and low ITT stock price on the valuation date. The actual awards were granted on March 5, 2010.

2010 Long-Term Incentive Program



Restricted Stock Subcomponent

Grants of restricted stock provide NEOs with stock ownership of unrestricted shares after the restriction lapses. NEOs received restricted stock awards because, in the judgment of the ITT Compensation Committee and based on management recommendations, these individuals are in positions most likely to assist in the achievement of ITT’s long-term value creation goals and to create shareholder value over time. The ITT Compensation Committee reviews all proposed grants of shares of restricted stock for executive officers prior to award, including awards based on performance, retention-based awards and awards contemplated for new employees as part of employment offers.

Key elements of the 2010 restricted stock program were:

- Holders of restricted stock have the right to receive dividends and vote the shares during the restriction period,
- Restricted stock generally is subject to a three-year restriction period,
- If an acceleration event occurs (as described in “Compensation Tables — Change of Control Arrangements”) the restricted stock vests in full,

- If an employee dies or becomes disabled, the restricted stock vests in full,
- If an employee leaves ITT prior to vesting, whether through resignation or termination for cause, the restricted stock is forfeited, and
- If an employee retires or is terminated other than for cause, a pro-rata portion of the restricted stock award vests. With respect to a termination other than for cause, the pro-rata portion includes vesting that reflects the applicable severance period.

In certain cases, such as for new hires or to facilitate retention, selected employees may receive restricted stock subject to different vesting terms as determined by the ITT Compensation Committee.

Non-Qualified Stock Options Subcomponent

Non-qualified stock options permit optionees to buy ITT stock in the future at a price equal to the stock's value on the date the option was granted, which is the option exercise price. Non-qualified stock option terms were selected after the ITT Compensation Committee's review and assessment of the CDB and consideration of terms best suited to ITT.

For Ms. McClain and Ms. Buonocore, non-qualified stock options do not vest until three years after the award date. This delayed vesting is referred to as three-year cliff vesting. This vesting schedule prohibits early option exercises, notwithstanding share price appreciation, and focuses senior executives on ITT's long-term value creation goals. Stock options awarded to Messrs. Speetzen, Jimenez, and Napolitano in 2010 vest in one-third annual installments.

In 2010, the fair value of stock options granted under the employee stock option program was calculated using a binomial lattice valuation model. The ITT Compensation Committee considered this a preferred model since the model can incorporate multiple and variable assumptions over time, including assumptions such as employee exercise patterns, stock price volatility and changes in dividends.

Key elements of the 2010 non-qualified stock option program were:

- The option exercise price of stock options awarded is the NYSE closing price of ITT's common stock on the date the award is approved by the ITT Compensation Committee,
- For options granted to new executives, the option exercise price of approved stock option awards is the closing price on the grant date, generally the day following the first day of employment,
- Options cannot be exercised prior to vesting,
- Three-year cliff vesting is required for executives at the level of senior vice president or above. Stock options vest in one-third cumulative annual installments for executives below the senior vice president level,
- If an acceleration event occurs (as described in "Compensation Tables — Change of Control Arrangements"), the stock option award vests in full,
- Options awarded in 2010 and 2011 and prior to 2005 expire ten years after the grant date. Options awarded between 2005 and 2009 expire seven years after the grant date. In 2010, the seven-year option term was extended to ten years based on a review of competitive market practices,
- If an employee is terminated for cause, vested and unvested portions of the options expire on the date of termination,
- ITT Corporation 2003 Equity Incentive Plan (the "2003 Plan") and ITT's 2011 Omnibus Incentive Plan prohibit the repricing of, or exchange of, stock options and stock appreciation rights that are priced below the prevailing market price with lower-priced stock options or stock appreciation rights without shareholder approval, and
- There may be adjustments to the post-employment exercise period of an option grant if an employee's tenure with ITT is terminated due to death, disability, retirement or termination by ITT other than for cause. Any post-employment exercise period, however, cannot exceed the original expiration date of the

option. If employment is terminated due to an acceleration event or because the option holder believes in good faith that he or she would be unable to discharge his or her duties effectively after the acceleration event, the option expires on the earlier of the date seven months after the acceleration event or the normal expiration date.

- Currently, no individual may receive more than 600,000 options under the 2003 Plan in any one year.

Why both restricted stock or restricted stock units and stock options. A balanced award of restricted stock or restricted stock units and non-qualified stock options provides a combination of incentives for absolute share price appreciation. The following table provides an overview of some of the main characteristics of restricted stock or restricted stock units and non-qualified stock options.

Restricted Stock or Restricted Stock Units

A restricted stock award is a grant of ITT stock, subject to certain vesting restrictions. A restricted stock unit award is a promise to deliver to the recipient, upon vesting, shares of ITT stock. Both restricted stock and restricted stock units carry the same economic risk and reward.

Holders of restricted stock, as shareholders of ITT, are entitled to vote the shares and receive dividends or dividend equivalents prior to vesting. Holders of restricted stock units are not entitled to vote the shares and do not receive cash dividends during the restriction period. Dividend equivalents are paid in cash upon restricted stock unit vesting beginning with the 2011 awards.

Restricted stock and restricted stock units have intrinsic value on the day the award is received and retain some realizable value even if the share price declines during the restriction period. Since restricted stock and restricted stock units do not expire, each provides strong employee retention value even after vesting.

Non-qualified stock options provide the opportunity to purchase ITT stock at a specified price called the “exercise price” at a future date.

Stock option holders do not receive dividends on shares underlying options and cannot vote their shares.

Non-qualified stock options increase focus on activities primarily related to absolute share price appreciation. ITT’s non-qualified stock options expire ten or seven years after their grant date depending on the year of award. If the value of ITT’s stock increases and the optionee exercises his or her option to buy at the exercise price, the optionee receives a gain in value equal to the difference between the option exercise price and the price of the stock on the exercise date. If the value of ITT’s stock fails to increase or declines, the stock option has no realizable value. Stock options provide less retention value than restricted stock since stock options have realizable value only if the share price appreciates over the option exercise price before the options expire.

The ITT Compensation Committee has selected vesting terms for restricted stock, restricted stock units and stock options based on the Compensation Consultant’s review and assessment of the CDB, as well as the ITT Compensation Committee’s view of the vesting terms appropriate for ITT. The ITT Compensation Committee considers the Compensation Consultant’s review and assessment of CDB, as well as individual performance, in determining the quantity of restricted stock, restricted stock units and stock option awards.

Total Shareholder Return (TSR) Awards Subcomponent

The following table describes some of the main features of TSR awards and describes how the ITT Compensation Committee considers those features as it determines target TSR awards.

Feature

TSR rewards comparative stock price appreciation relative to that of the TSR Performance Index

The ITT Compensation Committee, at its discretion, determines the size and frequency of target TSR awards, performance measures and performance goals, in addition to performance periods. In determining the size of target TSR awards for executives, the ITT Compensation Committee considers comparative data provided by the Compensation Consultant and ITT's internal desired growth in share price. ITT's target TSR awards provided to NEOs are generally based on a participant's position, competitive market data, individual performance and anticipated potential contributions to ITT's long-term goals.

Three-year performance period

A three-year TSR performance period encourages behaviors and performance geared to ITT's long-term goals and, in the view of the ITT Compensation Committee, discourages behaviors that might distract from the three-year period focus. The three-year performance period is consistent with ITT's business cycle because it allows sufficient time for focus on long-term goals and mutes market swings not based on performance. The three-year performance period is also somewhat independent of short-term market cycles.

Performance measurement and award frequency:

ITT's performance for purposes of the TSR awards is measured by ranking ITT's calculated total shareholder return (see TSR calculation feature) within the TSR performance index. Payouts, if any, are based on a non-discretionary formula and interpolated for values between the 35th and 80th percentile of performance. The ITT Compensation Committee felt these breakpoints were properly motivational and rewarded the desired behavior. The payout factor (percentage of target award) is 50% at the 35th percentile and 200% at the 80th percentile.

TSR awards are expressed as target cash awards and paid in cash.

Cash awards compensate relative performance while reducing share dilution.

Components of TSR

The ITT Compensation Committee considered the components of a measurable return of value to shareholders, reviewed peer practices and received input from the Compensation Consultant. Based on that review the ITT Compensation Committee determined that the most significant factors to measure return of value to shareholders were:

- dividend yields,
- cumulative relative change in stock price, and
- extraordinary shareholder payouts.

[Table of Contents](#)

Feature

TSR calculation

TSR = the sum of 1) dividends paid and reinvested and any other extraordinary shareholder payouts during the three-year performance period and 2) the cumulative change in stock price from the beginning to the end of the performance period as a percentage of beginning stock price.

Amount of target TSR awards. The ITT Compensation Committee considers individual performance and competitive market data in determining target TSR awards.

Key elements of the long-term incentive plan under which TSR awards are granted include:

- If a participant’s employment terminates before the end of the three-year performance period, the award is forfeited except in two cases: 1) if a participant dies or becomes disabled, the TSR award vests in full and payment, if any, is made according to its original terms. Vesting in full in the case of death or disability reflects the inability of the participant to control the triggering event and is consistent with benefit plan provisions related to death and disability; and 2) if a participant retires or is terminated by ITT other than for cause, a pro-rata payout, if any, is provided based on the number of full months of employment during the measurement period divided by thirty-six months (the term of the three-year TSR). This pro-rated payout, if any, is provided because it reflects the participant’s service during the pro-rated period.
- ITT’s performance for purposes of the TSR awards is measured by comparing the average stock price performance over the trading days in the month of December immediately prior to the start of the TSR three-year performance period to the average stock price performance over the trading days in the last month of the three-year cycle, including adjustments for dividends and extraordinary payments. (For example, trading days in the month of December 2010 are used as a base for 2011 TSR awards, which will be measured from January 1, 2011 to December 31, 2013).
- Payment, if any, of cash awards generally will be made following the end of the applicable three-year performance period and will be based on ITT’s performance measured against the total shareholder return performance of the TSR Performance Index.
- Subject to the provisions of Section 409A, in the event of an acceleration event in a change of control (described in “Compensation Tables — Change of Control Arrangements”), a pro-rata portion of outstanding awards will be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%). There may be up to three outstanding TSR awards at any time.
- Performance goals for the applicable TSR performance period are established in writing no later than ninety days after the beginning of the applicable performance period.

Performance Goals and Payments for the TSR. Individual targets for the NEOs for the 2010-2012 performance period are provided in the Grants of Plan Based Awards table below. Payouts, if any, are based on a non-discretionary formula and interpolated for values between the 35th and 80th percentile of performance. The ITT Compensation Committee felt these breakpoints were properly motivational and rewarded the desired behavior.

If ITT’s Total Shareholder Return Rank Against the Companies that Comprise the TSR Performance Index is	Payout Factor (% of Target Award)
less than the 35(th) percentile	0%
at the 35(th) percentile	50%
at the 50(th) percentile	100%
at the 80(th) percentile or more	200%

[Table of Contents](#)

The following performance goals were established for TSR awards for the performance period January 1, 2008 through December 31, 2010 and January 1, 2009 through December 31, 2011.

If ITT's Total Shareholder Return

Rank Against the Companies that Comprise
the TSR Performance Index is

	Payout Factor (% of Target Award)
less than the 35(th) percentile	0%
at the 35(th) percentile	50%
at the 50(th) percentile	100%
at the 80(th) percentile or more	200%

ITT achieved a 25.89th percentile ranking in the TSR Performance Index for the 2008-2010 performance period, resulting in no cash payment under the TSR for this performance period.

Going Forward. It is expected that the Xylem Compensation Committee will review ITT's long-term incentive awards program and determine the appropriate structure and mix of components appropriate for our business needs. Similar to ITT, we would expect to deliver multiple forms of long-term incentive awards; however, the vehicles provided, the blend of these vehicles and the measures used to determine our long-term performance may differ.

2011 Long-Term Incentive Awards

The following table describes the 2011 long-term incentive awards for the NEOs, as determined by the ITT Compensation Committee on March 3, 2011.

Named Executive Officer	TSR (Target Cash Award)	Non-Qualified Stock Option Award	Restricted Stock Unit Award
	\$	# Options	# Units
Gretchen W. McClain	533,300	33,459	9,111
Michael T. Speetzen	110,000	7,640	1,879
Frank R. Jimenez	233,300	16,205	3,986
Angela A. Buonocore	166,700	10,456	2,847
Kenneth Napolitano	141,700	9,840	2,420

Going Forward. We intend to adopt, subject to the approval of ITT prior to the separation in its capacity as our sole stockholder, the Xylem 2011 Omnibus Incentive Plan. The Xylem 2011 Omnibus Incentive Plan is expected to permit us to grant stock options, stock appreciation rights, stock awards, other stock-based awards and target cash awards based on attainment of performance goals. The reserve placed in the Xylem 2011 Omnibus Incentive Plan will be expected to maintain our stock-based incentive plans for years. Under the Xylem 2011 Omnibus Incentive Plan, no individual may receive more than options in any one year. The Xylem 2011 Omnibus Incentive Plan will not permit repricing of stock options without shareholder approval and will generally comply in all significant aspects with best practices in corporate governance of stock-based compensation plans.

Stock Ownership Guidelines

Historically. The ITT Board of Directors' share ownership guidelines currently provide for share ownership levels at five times the annual retainer amount. Non-management directors receive a portion of their retainer in restricted stock or restricted stock units, which are paid in shares when the restricted stock units vest. Non-management directors are encouraged to hold such shares until their total share ownership meets or exceeds the ownership guidelines.

Share ownership guidelines for corporate officers, first approved by ITT's Board of Directors during 2001, are regularly reviewed. The guidelines specify the desired levels of ITT stock ownership and encourage a set of behaviors for each officer to reach the guideline levels. The approved guidelines require share ownership expressed as a multiple of base salary for all corporate officers.

Specifically the guidelines apply as follows: chief executive officer at five times annual base salary; chief financial officer at three times annual base salary; senior vice presidents and group presidents at two times annual base salary; and all other corporate vice presidents at one times annual base salary. In achieving these ownership levels, shares owned outright, ITT restricted stock and restricted stock units, shares held in the ITT dividend reinvestment plan, shares owned in the ITT Salaried Investment and Savings Plan, and “phantom” shares held in a fund that tracks an index of ITT’s stock in the deferred compensation plan are considered.

To attain the ownership levels set forth in the guidelines it is expected that any restricted shares that become unrestricted will be held, and that all shares acquired through the exercise of stock options will be held, except, in all cases, to the extent necessary to meet tax obligations.

Compliance with the guidelines is monitored periodically. Consistent with the guidelines, the share ownership levels have been substantially met for most of non-management directors and ITT officers as of January 31, 2011. Non-management directors and ITT officers are afforded a reasonable period of time to meet the guidelines. ITT has taken the individual tenure and non-management directors and corporate officer share ownership levels into account in determining compliance with the guidelines.

Stock Ownership Guidelines Summary

Non-management directors	5 X Annual Retainer Amount
CEO	5 X Annual Base Salary
CFO	3 X Annual Base Salary
Senior Vice Presidents	2 X Annual Base Salary
Vice Presidents	1 X Annual Base Salary

Going Forward. It is expected that the Xylem Compensation Committee will establish similar share ownership guidelines for our non-management directors and corporate officers that are consistent with general marketplace practices in this regard. Specific guidelines have not yet been determined.

Recoupment Policy

Historically. In 2008, ITT, upon the recommendation of the ITT Compensation Committee, adopted a policy that provides for recoupment of performance-based compensation if the Board of Directors determines that a senior executive has engaged in fraud or willful misconduct that caused or otherwise contributed to the need for a material restatement of ITT’s financial results. In such a situation, the Board will review all compensation awarded to or earned by that senior executive on the basis of ITT’s financial performance during fiscal periods materially affected by the restatement. This would include annual cash incentive and bonus awards and all forms of equity-based compensation. If, in the Board’s view, the compensation related to ITT’s financial performance would have been lower if it had been based on the restated results, the Board will, to the extent permitted by applicable law, seek recoupment from that senior executive of any portion of such compensation as it deems appropriate after a review of all relevant facts and circumstances. The NEOs are covered by this policy.

Going Forward. The Xylem Compensation Committee will consider and develop a similar policy to provide for recoupment of performance-based compensation if the Board of Directors determines that a senior executive has engaged in fraud or willful misconduct. However, the policy will be reviewed and updated for consistency with the final rules issued by the SEC implementing the clawback provisions set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Consideration of Material Non-Public Information

Historically. ITT typically closes the window for insiders to trade in ITT’s stock in advance of, and for a period of time immediately following, earnings releases and Board and Committee meetings, because ITT and insiders may be in possession of material non-public information. The first quarter Committee meeting at which compensation decisions and awards are typically made for employees usually occurs during a Board meeting period, so stock option awards may occur at a time when ITT is in possession of material non-public

information. The ITT Compensation Committee does not consider the possible possession of material non-public information when it determines the number of non-qualified stock options granted, price of options granted or timing of non-qualified stock options granted. Rather, it uses competitive data, individual performance and retention considerations when it grants non-qualified stock options, restricted stock or restricted stock units and TSR awards under the long-term incentive program.

Non-qualified stock option awards and restricted stock awards or restricted stock unit awards granted to NEOs, senior and other executives, and Directors are awarded and priced on the same date as the approval date. ITT may also award non-qualified stock options in the case of the promotion of an existing employee or hiring of a new employee. Again, these non-qualified stock option grants may be made at a time ITT is in possession of material non-public information related to the promotion or the hiring of a new employee or other matters. ITT does not time its release of material non-public information for the purpose of affecting the value of executive compensation, and executive compensation decisions are not timed to the release of material non-public information.

Going Forward. It is expected that the Xylem Compensation Committee will establish a similar policy with respect to window periods in advance of, and immediately following, earnings releases and Board and Committee meetings, and the appropriate treatment of material non-public information.

ITT Salaried Investment and Savings Plan

Historically. Most of ITT's salaried employees who work in the United States participate in the ITT Salaried Investment and Savings Plan, a tax-qualified savings plan, which allows employees to contribute to the plan on a before-tax basis and/or after-tax basis. ITT makes a floor contribution of $\frac{1}{2}$ of 1% of base salary to the plan for all eligible employees and matches employee contributions up to 6% of base salary at the rate of 50%. Participants can elect to have their contributions and those of ITT invested in a broad range of investment funds including ITT stock. Federal law limits the amount of compensation that can be used to determine employee and employer contribution amounts (\$245,000 in 2010) to the tax-qualified plan. Accordingly, ITT has established and maintains a non-qualified, unfunded ITT Excess Savings Plan that is discussed in more detail in the narrative to the 2010 Nonqualified Deferred Compensation table below.

Going Forward. It is expected that the Xylem Compensation Committee will adopt and implement competitive post-employment compensation programs. The specific plans and terms of such plans have not yet been determined.

Post-Employment Compensation

Salaried Retirement Plan

Historically. Most of ITT's salaried employees who work in the United States participate in the ITT Salaried Retirement Plan. Under the plan, participants have the option, on an annual basis, to elect to be covered by either a Traditional Pension Plan or a Pension Equity Plan formula for future pension accruals. The ITT Salaried Retirement Plan is a tax-qualified plan, which provides a base of financial security for employees after they cease working. The plan is described in more detail in the narrative related to Pension Benefits in "Compensation Tables — ITT Pension Benefits" and in the 2010 Pension Benefits table below.

Going Forward. It is expected that ITT will transfer the ITT Salaried Retirement Plan, together with all of its associated assets and liabilities, to Exelis and that Exelis will maintain the ITT Salaried Retirement Plan going forward. It is expected that the NEOs will no longer participate in the ITT Salaried Retirement Plan and that benefits under this plan will be frozen as of the date of the spin-off for all Xylem and ITT employees not solely dedicated to Exelis. It is expected that Xylem and ITT will adopt and implement competitive post-employment compensation programs.

Excess Pension Plans

Historically. Because federal law limits the amount of benefits that can be paid and the amount of compensation that can be recognized under tax-qualified retirement plans, ITT has established and maintains non-qualified, unfunded excess pension plans solely to pay retirement benefits that could not be paid from the

ITT Salaried Retirement Plan. Benefits under the excess pension plans are generally paid directly by ITT. Participating officers with excess plan benefits had the opportunity to make a one-time election prior to December 31, 2008 to receive their excess benefit earned under the Traditional Pension Plan formula (described in “Compensation Tables — ITT Pension Benefits”) in a single discounted sum payment or as an annuity. An election of a single-sum payment is only effective if the officer meets the requirements for early or normal retirement benefits under the plan; otherwise, the excess benefit earned under the Traditional Pension Plan formula will be paid as an annuity. Since the excess pension plans are an unfunded obligation of ITT, in the event of a change of control, any excess plan benefit would be immediately payable, subject to any applicable Section 409A restrictions with respect to form and timing of payments, and would be paid in a single discounted sum. The single-sum payment provision provides executives the earliest possible access to the funds in the event of a change of control, and avoids leaving unfunded pension payments in the hands of the acquirer.

Going Forward. It is expected that ITT will transfer the Excess Pension Plan, together with all of its associated assets and liabilities, to Exelis and that Exelis will maintain the Excess Pension Plan going forward. It is expected that the NEOs will no longer participate in the Excess Pension Plan and that benefits under this plan will be frozen as of the date of the spin-off for all Xylem and ITT employers not solely dedicated to Exelis. It is expected that the Xylem Compensation Committee will adopt and implement competitive post-employment compensation programs. The specific plans and terms of such plans have not yet been determined.

Deferred Compensation Plan

Historically. ITT NEOs are also eligible to participate in the ITT Deferred Compensation Plan, which is described in more detail in “Compensation Tables — ITT Deferred Compensation Plan.” This plan provides executives an opportunity to defer receipt of between 2% and 90% of any AIP payments they earn. The amount of deferred compensation ultimately received reflects the performance of benchmark investment funds made available under the Deferred Compensation Plan as selected by the executive. Participants in the Deferred Compensation Plan may elect a fund that tracks the performance of ITT common stock.

Going Forward. It is expected that the Xylem Compensation Committee will adopt and implement competitive post-employment compensation programs. The specific plans and terms of such plans have not yet been determined.

Severance Plan Arrangements

Historically. ITT maintains two severance plans for its senior executives — the Senior Executive Severance Pay Plan and the Special Senior Executive Severance Pay Plan. ITT’s Senior Executive Severance Pay Plan and Special Senior Executive Severance Pay Plan were originally established in 1984 and are regularly reviewed by the ITT Compensation Committee. These plans are described in more detail “Compensation Tables — Potential Post-Employment Compensation.” The severance plans apply to ITT’s key employees as defined by Section 409A. ITT’s severance plan arrangements are not considered in determining other elements of compensation.

Senior Executive Severance Pay Plan. The purpose of this plan is to provide a period of transition for senior executives. Senior executives who are U.S. citizens or who are employed in the United States are covered by this plan. The plan generally provides for severance payments if ITT terminates a senior executive’s employment without cause.

The exceptions to severance payment are:

- the executive terminates his or her own employment,
- the executive’s employment is terminated for cause,
- termination occurs after the executive’s normal retirement date under the ITT Salaried Retirement Plan, or

- termination occurs in certain divestiture instances if the executive accepts employment or refuses comparable employment.

No severance is provided for termination for cause, because ITT believes employees terminated for cause should not receive additional compensation. No severance is provided in the case of termination after a normal retirement date because the executive will be eligible for retirement payments under the ITT Salaried Retirement Plan. No severance is provided where an executive accepts or refuses comparable employment because the executive has the opportunity to receive employment income from another party under comparable circumstances.

Mses. McClain and Buonocore and Mr. Jimenez participate in this plan. Mr. Speetzen and Mr. Napolitano do not participate in this plan. Mr. Speetzen and Mr. Napolitano are covered by the ITT Severance Policy which provides for severance based on salary level and years of service.

Special Senior Executive Severance Pay Plan. The purpose of this plan is to provide compensation in the case of termination of employment in connection with an acceleration event (defined in “Compensation Tables — Change of Control Arrangements”) including a change of control. The provisions of this plan are specifically designed to address the inability of senior executives to influence ITT’s future performance after certain change of control events. The plan is structured to encourage executives to act in the best interests of shareholders by providing for certain compensation and retention benefits and payments, including change of control provisions, in the case of an acceleration event.

The purposes of these provisions are to:

- provide for continuing cohesive operations as executives evaluate a transaction, which, without change of control protection, could be personally adverse to the executive,
- keep executives focused on preserving value for shareholders,
- retain key talent in the face of potential transactions, and
- aid in attracting talented employees in the competitive marketplace.

As discussed above, this plan provides severance benefits for covered executives, including any NEO whose employment is terminated by ITT other than for cause, or where the covered executive terminates his or her employment for good reason within two years after the occurrence of an acceleration event as described below (including a termination due to death or disability) or if during the two-year period following an acceleration event, the covered executive had grounds to resign with good reason or the covered executive’s employment is terminated in contemplation of an acceleration event that ultimately occurs.

The plan is designed to put the executive in the same position, from a compensation and benefits standpoint, as he or she would have been in without the acceleration event. With respect to incentive plan awards, since the executive will no longer have the ability to influence the corporate objectives upon which the awards are based, the plan provides that any AIP awards are paid out at target 100%. In the event of a change of control, a pro-rata portion of outstanding TSR awards will be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%). More information about the Special Senior Executive Severance Pay Plan is provided in “Compensation Tables — Potential Post-Employment Compensation — Special Senior Executive Severance Pay Plan.”

Mses. McClain and Buonocore participate in the Special Senior Executive Severance Pay Plan at the highest level of benefits and Messrs. Speetzen, Jimenez and Napolitano participate in the Special Senior Executive Severance Pay Plan at the lower level.

Going Forward. It is expected that the Compensation Committee will adopt and implement severance plans similar to the Senior Executive Severance Pay Plan and the Special Senior Executive Severance Pay Plan and that each of the NEOs will participate in these plans. The specific arrangements and terms of such severance plans or arrangements have not yet been determined.

Change of Control Arrangements

Historically. As described more fully in “Compensation Tables — Change of Control Arrangements,” many of ITT’s short-term and long-term incentive plans, severance arrangements and nonqualified deferred compensation plans provide additional or accelerated benefits upon a change of control. Generally, these change of control provisions are intended to put the executive in the same position he or she would have been in had the change of control not occurred. Executives then can focus on preserving value for shareholders when evaluating situations that, without change of control provisions, could be personally adverse to the executive.

Going Forward. It is expected that the Xylem Compensation Committee will provide for similar treatment of short-term and long-term incentive plans, severance arrangements and nonqualified deferred compensation plans upon a change of control. The specific terms of these plans and arrangements have yet not been determined.

Employee Benefits and Perquisites

Historically. Executives, including the NEOs, are eligible to participate in ITT’s broad-based employee benefits program. The program includes a pension program, an investment and savings plan which includes before-tax and after-tax savings features, group medical and dental coverage, group life insurance, group accidental death and dismemberment insurance and other benefit plans. These other benefit plans include short- and long-term disability insurance, long-term care insurance and a flexible spending account plan.

Certain perquisites to the NEOs.

Historically. ITT provides only those perquisites that it considers to be reasonable and consistent with competitive practice. Beginning with tax year 2011, the ITT Compensation Committee eliminated any tax gross-up provisions for the NEOs associated with financial counseling and tax preparation for senior executives. No offsetting salary increase will be provided. Perquisites (which are described more fully in “Compensation Tables — All Other Compensation Table” and the related narrative) available for NEOs include a car allowance up to \$1,300 per month and financial and estate planning.

Going Forward. The Xylem Compensation Committee will review these benefits and perquisites after the separation.

Consideration of Tax and Accounting Impacts

Historically. Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that ITT may deduct in any one year with respect to its Chief Executive Officer and the three other highest-paid NEOs, other than the Chief Financial Officer. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements. Compensation attributable to awards under ITT’s AIP and long-term incentive program are generally structured to qualify as performance-based compensation under Section 162(m).

However, the ITT Compensation Committee realizes that evaluation of the overall performance of the senior executives cannot be reduced in all cases to a fixed formula. There may be situations in which the prudent use of discretion in determining pay levels is in the best interests of ITT and its shareholders and, therefore, desirable. In those situations where discretion is used, awards may be structured in ways that will not permit them to qualify as performance-based compensation under Section 162(m).

ITT has also agreed to provide a tax reimbursement should an NEO’s post-termination compensation be determined to constitute an excess parachute payment. ITT’s plans are intended to comply with Section 409A, to the extent applicable, and ITT made amendments to the plans during 2008 in this regard. While ITT complies with other applicable sections of the Internal Revenue Code with respect to compensation, ITT and the ITT Compensation Committee do not consider other tax implications in designing the Company’s compensation programs.

Going Forward. It is expected that the Xylem Compensation Committee will establish a similar policy and practice with respect to compliance with Sections 162(m) and 409A of the Internal Revenue Code.

Business Risk and Compensation

Historically. In 2010, as in past years, the ITT Compensation Committee evaluated risk factors associated with ITT's businesses in determining compensation structure and pay practices. The structure of the Board of Director Committees facilitates this evaluation and determination. During 2010, the Chair of the ITT Compensation Committee was a member of the Audit Committee and the Audit Committee Chair was a member of the ITT Compensation Committee. This membership overlap provides insight into ITT's business risks and affords the ITT Compensation Committee access to the information necessary to consider the impact of business risks on compensation structure and pay practices. Further, overall enterprise risk is considered and discussed at Board meetings, providing additional important information to the ITT Compensation Committee. The Chairman, President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer attend those portions of the ITT Compensation Committee meetings at which plan features and design configurations of ITT's annual and long-term incentive plans are considered and approved.

Compensation across the enterprise is structured so that unnecessary or excessive risk-taking behavior is discouraged. Further, total compensation for senior officers is heavily weighted toward long-term compensation consistent with ITT's compensation philosophy, which is focused on long-term value creation. This long-term weighting discourages behaviors that encourage short-term risks.

The following table summarizes our representative compensation components or policies and relevant risk mitigation factors:

Compensation Component or Policy

Salary

- Based on market rates.
- Provides stability and minimizes risk-taking incentives.
- AIP design emphasizes overall performance and collaboration among business Groups. ITT's Fluid Technology, Motion & Flow Control and Defense & Information Solutions businesses are each a business segment or Group.
- AIP components focus on metrics that encourage operating performance and earnings per share appreciation.
- AIP design is tailored to meet unique business considerations for Corporate headquarters and business Groups.
- Individual AIP components and total AIP awards are capped.

Annual Incentive Plan

Long-Term Incentive Awards

- Restricted Stock or Restricted Stock Units
- Stock Options

- Restricted stock or restricted stock units generally vest after three years.
 - Stock options vest after three years for the Chief Executive Officer and for senior vice presidents and in one-third cumulative annual installments after the first, second and third anniversary of the grant date for other optionees. Options awarded in 2010 and 2011 and options awarded prior to 2005 expire ten years after the grant date. Options awarded between 2005 and 2009 expire seven years after the grant date.

[Table of Contents](#)

Compensation Component or Policy

• Total Shareholder Return Awards	<ul style="list-style-type: none">• The three-year vesting threshold for senior vice presidents and the Chief Executive Officer and seven and ten-year option terms encourage long-term behaviors.• The TSR long-term award is based on three-year share price performance and encourages behaviors focused on long-term goals, while discouraging behaviors focused on short-term risks.
Perquisites	Limited perquisites are based on competitive market data. The ITT Compensation Committee has determined that tax reimbursements related to financial counseling and tax preparation for senior executives associated with the 2011 tax year will be eliminated. No salary increase will be provided to offset the elimination of tax reimbursement.
Severance and Pension benefits	Severance and pension benefits are in line with competitive market data.
Recoupment Policy	Provides mechanism for senior executive compensation recapture in certain situations involving fraud or willful misconduct.
Officer Share Ownership Guidelines	ITT officers are required to own ITT shares or share equivalents up to 5x base salary, depending on the level of the officer (discussed in “Compensation Discussion and Analysis — Stock Ownership Guidelines”). Share ownership guidelines align executive and shareholder interests. ITT policy prohibits speculative trading in and out of ITT securities, including prohibitions on short sales and leverage transactions, such as puts, calls, and listed and unlisted options.

Going Forward. It is expected that the Xylem Compensation Committee will adopt a compensation philosophy similar to that of ITT, and that it will be structured and operate similarly so as to discourage unnecessary or excessive risk-taking and promote long-term value creation.

Action Taken in Anticipation of Separation

The following are the anticipated compensation arrangements expected in connection with the spin-off for each of the NEOs. All of these arrangements are subject to review and approval by the Xylem Compensation Committee. Similar to 2010 and past years, the ITT Compensation Committee reviewed CDB information provided by the Compensation Consultant with respect to the 174 companies listed on Annex A to this Information Statement. The ITT Compensation Committee used this information to determine market median dollar values for each of the NEOs for annual base salaries effective upon completion of the spin-off, the Target 2012 Long-Term Incentive Award, which will be an equity-based award, and target awards for the 2012 Annual Incentive Award. With respect to each of these elements, compensation levels within approximately 10% above or below the market median dollar value are considered by the Compensation Consultant and the ITT Compensation Committee to be within the market median range. The ITT Compensation Committee used the CDB information, along with other qualitative information described below, in making its determination of anticipated target and actual compensation to be provided to each of the NEOs. For Ms. McClain and Mr. Speetzen, deviations below the market median range were primarily related to the relatively short tenure each has had in their positions at Xylem. For Messrs. Jimenez and Napolitano, the ITT Compensation Committee determined to maintain substantially the same level of compensation that each has been receiving from ITT based on their individual experience and the importance of their respective positions to the success of Xylem and anticipated compensation at this level placed both of them within the market median range. For Ms. Buonocore, the ITT Compensation Committee also determined to maintain substantially the same level of compensation that she has been receiving

[Table of Contents](#)

from ITT. The ITT Compensation Committee recognized that maintaining Ms. Buonocore’s current level of compensation would set her anticipated compensation with Xylem above the market median range for her new position, but considered such anticipated compensation to be appropriate based on her individual experience. Specifically, the ITT Compensation Committee determined that Ms. Buonocore’s strong marketing and communications background is essential to the re-branding strategy of Xylem.

Named Executive Officer	Annual Base Salary Effective Upon Spin-Off	Annual Base Salary Effective Upon Spin-Off as Percentage of Market Median Dollar Value	Target 2012 Annual Incentive Award	Target 2012 Annual Incentive Award as Percentage of Market Median Dollar Value	2012 Long-Term Incentive Award	2012 Long-Term Incentive Award as Percentage of Market Median Dollar Value	Anticipated Total Compensation as Percentage of Marked Median Range
Gretchen W. McClain	\$ 900,000	85% (Below market median range)	100% of Annual Base Salary	67% (Below market median range)	\$ 3,400,000	72% (Below market median range)	73% (Below market median range)
Michael T. Speetzen	\$ 439,000	85% (Below market median range)	80% of Annual Base Salary	90%	\$ 746,000	65% (Below market median range)	75% (Below market median range)
Frank R. Jimenez	\$ 435,000	101%	60% of Annual Base Salary	98%	\$ 700,000	95%	98%
Angela A. Buonocore	\$ 365,000	155% (Above market median range)	60% of Annual Base Salary	244% (Above market median range)	\$ 500,000	385% (Above market median range)	238% (Above market median range)
Kenneth Napolitano	\$ 360,000	95%	60% of Annual Base Salary	90%	\$ 510,000	99%	96%

It is also anticipated that Founders’ Grants will be awarded to each of the NEOs and to other employees in positions deemed critical to the establishment and success of Xylem and that Transaction Success Incentive Awards will be awarded to Ms. Buonocore and Messrs. Speetzen, Jimenez and Napolitano. These anticipated awards were assessed independently by the ITT Compensation Committee and were not considered in setting the other anticipated compensation arrangements described above. The Founders’ Grants are intended to closely align the economic interests of the recipients with the Xylem shareholders. The ITT Compensation Committee, after consultation with the Compensation Consultant, decided to set the Founders’ Grant award amounts at 1.5 times each NEO’s Target 2012 Long-Term Incentive Award because the ITT Compensation Committee determined that this amount would appropriately align the NEO’s economic interests with Xylem shareholders while also providing an appropriate retention incentive. It is anticipated that the Founders’ Grants will comprise the following: one-half of the Founders’ Grant award will be in restricted stock units and one-half will be in stock options, which combined awards will have a grant date fair value equal to the dollar value of the Founders’ Grant. It is anticipated that the restricted stock units will be subject to three-year cliff vesting and the stock options will vest in one-third cumulative annual installments on the date of the award. Founders’ Grants are expressed below as an aggregate grant date fair value. The Target Transaction Success Incentive Award is a cash award payable with the 2011 AIP Award and is expected to include consideration of the following factors in determining the actual payout of the award: timely completion of the spin-off, retention of key employees and control of corporate costs. The ITT Compensation Committee, after consultation with the Compensation Consultant, approved Transaction Success Incentive Awards at approximately 50% of each NEO’s 2011 base salary because the ITT Compensation Committee determined that this amount would appropriately award the NEOs for the successful completion of their additional responsibilities in connection with the spin-off. With respect to Ms. Buonocore, the ITT Compensation Committee determined that Ms. Buonocore’s marketing and communications efforts were particularly essential to the successful completion of the spin-off and the successful launch of the new company brand. Therefore, the ITT

[Table of Contents](#)

Compensation Committee decided to approve a Transaction Success Incentive Award for Ms. Buonocore that was greater than 50% of her 2011 base salary.

<u>Named Executive Officer</u>	<u>Founders' Grant</u>	<u>Transaction Success Incentive Award</u>
Gretchen W. McClain	\$ 5,100,000	\$ —
Michael T. Speetzen	\$ 1,118,000	\$ 160,000
Frank R. Jimenez	\$ 1,050,000	\$ 220,000
Angela A. Buonocore	\$ 750,000	\$ 550,000
Kenneth Napolitano	\$ 765,000	\$ 165,000

See “Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off — Benefits and Compensation Matters Agreement” for a description of the terms of the Benefits and Compensation Matters Agreement, including the treatment of outstanding ITT equity awards.

Compensation Tables
Summary Compensation Table

Name and Principal (a)	Year (b)	Salary \$(c)	Bonus \$(d)	Stock Awards \$(e)	Option Awards \$(f)	Non-Equity Incentive Plan Compensation \$(g)	Change in Pension Value & Non-Qualified Deferred Compensation Earnings \$(h)	All Other Compensation \$(i)	Total \$(j)
Gretchen W. McClain	2010	527,604	—	761,335	372,279	654,700	97,308	74,141	2,487,367
Chief Executive Officer	2009	504,054	61,000	2,426,708	317,269	474,600	70,753	65,453	3,919,837
(formerly Senior Vice President and President, Fluid and Motion Control of ITT)	2008	426,462	—	801,010	249,883	527,700	39,611	139,099	2,183,765
Michael T. Speetzen	2010	309,692	19,200	639,393	100,104	240,900	20,508	45,978	1,375,775
Chief Financial Officer (formerly Vice President of Finance for Fluid and Motion Control of ITT)									
Frank R. Jimenez	2010	412,115	—	352,524	166,817	384,500	47,578	54,855	1,418,389
General Counsel and Corporate Secretary (formerly Vice President and General Counsel of ITT)									
Angela A. Buonocore	2010	338,077	15,700	285,521	139,614	315,000	64,169	41,785	1,199,866
Chief Communications Officer (formerly Senior Vice President and Chief Communications Officer of ITT)									
Kenneth Napolitano,	2010	311,368	10,600	299,656	141,773	213,600	120,905	91,737	1,189,639
President, Residential and Commercial Water (formerly President, ITT Residential and Commercial Water)									

- (d) For the 2010 performance year, the ITT Compensation Committee awarded Ms. Buonocore a discretionary bonus of \$15,700, which payment was outside the AIP plan. This award was in recognition of Ms. Buonocore’s strong contributions and strategic importance to the business. In addition, for the 2010 performance year, in recognition of their respective contributions to the strategic execution of the business, Messrs. Speetzen and Napolitano were awarded 2010 AIP Awards that were 8% and 5%, respectively, above the payout they would have received based on their respective Total Enterprise Performance Percentage Achieved and Total Performance Percentage Achieved (for further discussion see “Compensation Discussion and Analysis-2010 AIP Awards Paid in 2011”). For the 2009 performance year, the ITT Compensation Committee awarded Ms. McClain a discretionary bonus of \$61,000, which payment was outside the AIP plan. This award was in recognition of Ms. McClain’s exceptional business leadership of the Fluid Technology and Motion and Flow Control business segments during difficult economic conditions.
- (e) Amounts in the Stock Awards column include the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for TSR units and restricted stock. The TSR is considered a liability plan under the provisions of FASB ASC Topic 718. A discussion of restricted stock units, restricted stock, and the TSR may be found in Note 4 to the Combined Financial Statements in this Information Statement. The values of TSR units at target for the 2010-2012 performance period for Ms. McClain, Mr. Speetzen, Mr. Jimenez, Ms. Buonocore and Mr. Napolitano were \$360,000, \$100,000, \$166,700, \$135,000 and \$141,700 respectively. Assuming the maximum value at the highest level of achievement, Ms. McClain, Mr. Speetzen, Mr. Jimenez, Ms. Buonocore and Mr. Napolitano would receive TSR unit payouts of \$720,000, \$200,000, \$333,400, \$270,000 and \$283,400, respectively, following the end of the performance period.
- (f) Amounts in the Option Awards column include the aggregate grant date fair value of: non-qualified stock option awards in the year of grant based on a binomial lattice value of \$15.48 for Ms. McClain and Ms. Buonocore and \$14.03 for Mr. Speetzen, Mr. Jimenez and Mr. Napolitano for the 2010 grant year; \$10.53

for Ms. McClain, and \$14.99 for Ms. McClain for the 2008 grant year. A discussion of assumptions relating to option awards may be found in Note 4 to the Combined Financial Statements in this Information Statement.

- (g) Amounts in the Non-Equity Incentive Plan Compensation column represent AIP awards for performance year 2010, which to the extent not deferred by an executive, were paid out shortly after that date.
- (h) No NEO received preferential or above-market earnings on deferred compensation. The change in the present value in accrued pension benefits was determined by measuring the present value of the accrued benefit at the respective dates using a discount rate of 6.25% at December 31, 2008, 6.00% at December 31, 2009, and 5.75% at December 31, 2010 (corresponding to the discount rates used for the ITT Salaried Retirement Plan, which is a component of ITT's consolidated pension plans, as described in Note 13 to the Combined Financial Statements in this Information Statement and based on the assumption that retirement occurs at the earliest date the individual could retire with an unreduced retirement benefit.)
- (i) Amounts in this column for 2010 represent items specified in the All Other Compensation Table below.

All Other Compensation Table

Name (a)	Other Compensation									
	Personal Use of Corporate Aircraft (b)	Financial Counseling (c)	Relocation (d)	Auto Allowances (e)	Total Perquisites (f)	Excess Savings Plan Contributions (g)	Tax Reimbursements (h)	401(K) Match (i)	Other (j)	Total All Other Compensation (k)
Gretchen W. McClain	8,936	15,895		15,600	40,431	10,011	14,263	8,575	861	74,141
Michael T. Speetzen	—	730	15,868	13,200	29,798	1,315	10,878	3,675	312	45,978
Frank R. Jimenez	—	14,800		15,600	30,400	5,849	9,079	8,575	952	54,855
Angela A. Buonocore	—	8,635		15,600	24,235	3,258	4,922	8,575	795	41,785
Kenneth Napolitano	—	940	41,674	13,200	55,814	2,264	24,618	8,575	466	91,737

- (b) Amounts reflect the aggregate incremental cost to ITT for personal use of the corporate aircraft for Ms. McClain. Ms. McClain's personal use of the corporate aircraft related to a trip where Ms. McClain was a passenger on a trip previously scheduled by Mr. Loranger. The aggregate incremental cost to ITT is determined on a per-flight basis and includes the cost of fuel, a pro-rata share of repairs and maintenance, landing and storage fees, crew-related expenses and other miscellaneous variable costs. A different value attributable to personal use of the corporate aircraft (as calculated in accordance with Internal Revenue Service guidelines) is included as compensation on the W-2 for Ms. McClain in the amount of \$1,771.
- (c) Amounts represent financial counseling and tax service fees paid during 2010. Financial counseling and tax service fees reflect fees for invoices submitted during the calendar year.
- (d) For Mr. Speetzen amounts in this column represent relocation-related expenses. Mr. Napolitano received a company paid apartment in the amount of \$41,674 under a relocation arrangement in 2010, which arrangement terminates October 31, 2011.
- (e) Auto allowances are provided to a range of executives, including the NEOs.
- (g) ITT contributions to the ITT Excess Savings Plan are unfunded and earnings accrue at the same rate as the Stable Value Fund available to participants in the ITT Salaried Investment and Savings Plan.
- (h) Amounts in this column are tax reimbursement allowances intended to offset the inclusion of taxable income of financial counseling and tax preparation services. Tax reimbursement for financial counseling has been eliminated for the 2011 tax year. No compensating salary increase will be provided. Mr. Jimenez's amount also includes a tax-related relocation reimbursement of \$130. Amounts for Mr. Speetzen represent tax reimbursements related to a relocation.
- (i) Amounts represent the aggregate of ITT's floor and matching contributions to the participant's ITT Salaried Investment and Savings Plan account.
- (j) Amounts include taxable group term-life insurance premiums attributable to each NEO.

Grants of Plan-Based Awards Table

The following table provides information about 2010 equity and non-equity awards for the NEOs. The table includes the grant date for equity-based awards, the estimated future payouts under non-equity incentive plan awards (which consist of potential payouts under the 2010 AIP) and estimated future payouts under 2010 equity incentive plan awards (which consist of the TSR target award granted in 2010 for the 2010-2012 performance period (each unit equals \$1)). Also provided is the number of shares underlying all other stock awards, comprising restricted stock and non-qualified stock option awards. The table also provides the exercise price of the non-qualified stock option awards, reflecting the closing price of ITT stock on the grant date and the grant date fair value of each equity award computed under FASB ASC Topic 718. The compensation plans under which the grants in the following table were made are described in the Compensation Discussion and Analysis and include the AIP, TSR, restricted stock awards, and non-qualified stock options awards.

Grants of Plan-Based Awards

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (f)	Exercise or Base Price of Option Awards (\$/Sh) (k)	Grant Date Fair Value of Stock and Option Awards (\$) (l)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)				
Gretchen W. McClain		212,000	424,000	848,000							
	05-Mar-10				180,000	360,000	720,000				360,000
	05-Mar-10							7,503			401,335
Michael T. Speetzen	05-Mar-10	78,000	156,000	312,000					24,049	53.49	372,279
	05-Mar-10				50,000	100,000	200,000				100,000
	05-Mar-10							2,084			111,473
Frank R. Jimenez	05-Mar-10							8,000			427,920
	05-Mar-10	124,500	249,000	498,000					7,135	53.49	100,104
	05-Mar-10				83,350	166,700	333,400	3,474			166,700
Angela A. Buonocore	05-Mar-10								11,890	53.49	185,824
	05-Mar-10	102,000	204,000	408,000							166,817
	05-Mar-10				67,500	135,000	270,000	2,814			135,000
Kenneth Napolitano	05-Mar-10								9,019	53.49	150,521
	05-Mar-10	78,000	156,000	312,000							139,614
	05-Mar-10				70,850	141,700	283,400	2,953			141,700
	05-Mar-10								10,105	53.49	157,956
	05-Mar-10										141,773

(c)(d)(e) Amounts reflect the threshold, target and maximum payment levels, respectively, if an award payout is achieved under the 2010 AIP described above in “Compensation Discussion and Analysis — Overview of the AIP And Long-Term Incentive Target Awards”) These potential payments are based on achievement of specific performance metrics and are completely at risk. The target award is computed based upon the applicable range of net estimated payments denominated in dollars where the target award is equal to 100% of the award potential, the threshold is equal to 50% of target and the maximum is equal to 200% of target.

(f)(g)(h) Amounts reflect the threshold, target and maximum payment levels, if an award payout is achieved, under ITT’s TSR Plan for the 2010-2012 performance period described above in

[Table of Contents](#)

“Compensation Discussion and Analysis — Long-Term Incentive Awards Program — Total Shareholder Return (TSR) Awards Subcomponent.” Each unit under the TSR Plan equals \$1. Payments, if any, under the TSR Plan are paid in cash at the end of the performance period. The performance period for awards under ITT’s TSR Plan, reflected in the Estimated Future Payouts Under Equity Incentive Plan Awards column, for the 2010-2012 performance period is January 1, 2010-December 31, 2012.

- (i) Amounts reflect the number of shares of restricted stock granted in 2010 to the NEOs. The number of shares underlying restricted stock awards was determined by the average of the high and low stock price on the program valuation date of February 8, 2010. Restricted stock grants to NEOs generally vest in full at the end of the three-year restriction period following the grant date. During the restriction period, the holder receives dividends and may vote the shares. With respect to Mr. Speetzen, 2,400 of the 8,000 shares of restricted stock received on March 5, 2010 as a special retention award vest on March 5, 2013 and the remaining 5,600 shares vest on March 5, 2014.
- (j) Amounts reflect the number of non-qualified stock options granted in 2010 to the NEOs. The number of non-qualified stock options was determined by the lattice value on the program valuation date of February 8, 2010. Such non-qualified stock options generally become exercisable at the end of the three-year period following the grant date and expire ten years after the grant date. For Mr. Speetzen, Mr. Jimenez and Mr. Napolitano, one-third of non-qualified stock options granted in 2010 vest in 2011, one-third vest in 2012 and one-third vest in 2013.
- (k) The option exercise price for non-qualified stock options granted in 2010 was the closing price of ITT common stock on March 5, 2010, the date the non-qualified stock options were granted.
- (l) Amounts in this column represent the grant date fair value computed in accordance with FASB ASC Topic 718 for TSR target awards, restricted stock awards and non-qualified stock option awards granted to the NEOs in 2010.

Outstanding Equity Awards at Fiscal Year-End

Name (a)	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable(b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(d)	Option Exercise Price (\$)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(j)
Gretchen W. McClain	33,333	—	—	55.59	9/19/2012	74,500	3,882,195	360,000	360,000
	8,725	—	—	52.68	3/6/2013				
	15,155	—	—	57.99	3/7/2014				
	—	16,670	—	53.09	3/10/2015				
	—	30,130	—	33.19	3/5/2016				
Michael T. Speetzen	—	24,049	—	53.49	3/5/2020	12,723	662,996	100,000	100,000
	3,309	6,616	—	33.19	3/5/2016				
Frank R. Jimenez	—	7,135	—	53.49	3/5/2020	7,111	370,554	166,700	166,700
	5,512	11,023	—	45.81	6/9/2016				
Angela A. Buonocore	—	11,890	—	53.49	3/5/2020	12,310	641,474	135,000	135,000
	6,735	—	—	57.99	3/7/2014				
	5,537	2,768	—	53.09	3/10/2015				
	—	11,300	—	33.19	3/5/2016				
Kenneth Napolitano	—	9,019	—	53.49	3/5/2020	7,541	392,962	133,350	133,350
	5,600	—	—	37.46	2/2/2014				
	5,000	—	—	45.47	3/8/2012				
	3,790	—	—	57.99	3/7/2014				
	3,690	1,845	—	53.09	3/10/2015				
	4,135	8,270	—	33.19	3/5/2016				
	—	10,105	—	53.49	3/5/2020				

(c) Vesting Schedule for Unexercisable Options (options vest on the applicable anniversary of the grant date.)

[Table of Contents](#)

Name	Grant Date	Expiration Date	Vesting Schedule (#'s)		
			2011	2012	2013
Gretchen W. McClain	3/10/2008	3/10/2015	16,670		
	3/5/2009	3/5/2016		30,130	
	3/5/2010	3/5/2020			24,049
Michael T. Speetzen	3/5/2009	3/5/2016	3,308	3,308	
	3/5/2010	3/5/2020	2,379	2,378	2,378
Frank R. Jimenez	6/9/2009	6/9/2016	5,512	5,511	
	3/5/2010	3/5/2020	3,964	3,963	3,963
Angela A. Buonocore	3/10/2008	3/10/2015	2,768		
	3/5/2009	3/5/2016		11,300	
	3/5/2010	3/5/2020			9,019
Kenneth Napolitano	3/10/2008	3/10/2015	1,845		
	3/5/2009	3/5/2016	4,135	4,135	
	3/5/2010	3/5/2020	3,369	3,368	3,368

(g) Vesting Schedule for Restricted Stock (restricted stock vests on the applicable anniversary of the grant date.)

Name	Grant Date	Vesting Schedule (#)				
		2011	2012	2013	2014	2015
Gretchen W. McClain	3/10/2008	4,728				
	3/5/2009		9,499			
	3/5/2009				52,770	
	3/5/2010			7,503		
Michael T. Speetzen	3/5/2009		2,639			
	3/5/2010			2,084		
	3/5/2010			2,400		5,600
Frank R. Jimenez	6/9/2009		3,637			
	3/5/2010			3,474		
Angela A. Buonocore	3/7/2007		4,000			
	3/10/2008	1,934				
	3/5/2009		3,562			
	3/5/2010			2,814		
Kenneth Napolitano	3/10/2008	1,290				
	3/5/2009		3,298			
	3/5/2010			2,593		

(h) Reflects ITT's closing stock price of \$52.11 on December 31, 2010.

(i)(j) Awards are typically expressed as target cash awards and payment, if any, is in cash following the end of the performance cycle. Column (i) represents the number of units at threshold levels (50% of target) based on ITT's stock price performance at year-end and column (j) represents the market or payout value of such units (each unit = \$1). See "Compensation Discussion and Analysis — Long-Term Incentive Awards Program — Total Shareholder Return (TSR) Awards Subcomponent" for material terms of ITT's TSR grants.

[Table of Contents](#)

The following table represents the vesting schedule of outstanding TSR awards on December 31 of 2011 and 2012, with each TSR unit reflecting \$1 of value.

Equity Incentive Plan Awards	Approval Date(1)	Target Award in Units (#)	Vesting Schedule	
			2011	2012
Gretchen W. McClain	3/5/2009	360,000	360,000	
	3/5/2010	360,000		360,000
Michael T. Speetzen	3/5/2009	100,000	100,000	
	3/5/2010	100,000		100,000
Frank R. Jimenez(2)	6/9/2009	166,700	166,700	
	3/5/2010	166,700		166,700
Angela A. Buonocore	3/5/2009	135,000	135,000	
	3/5/2010	135,000		135,000
Kenneth Napolitano	3/5/2009	125,000	125,000	
	3/5/2010	141,700		141,700

(1) For purposes of the TSR, the grant date is January 1, the first day of the performance period for the year in which the award is approved.

(2) Mr. Jimenez joined ITT on June 8, 2009. His target TSR award was granted effective on the next business day.

Name	Option Exercises & Stock Vested			
	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	\$(1)
(a)	(b)	(c)	(d)	(e)
Gretchen W. McClain	—	—	3,671	195,150
Michael T. Speetzen	—	—	—	—
Frank R. Jimenez	—	—	—	—
Angela A. Buonocore	—	—	8,332	445,679
Kenneth Napolitano	—	—	918	49,104

(1) Reflects aggregate dollar value upon vesting of restricted stock reflected in column (d).

(e) With respect to all NEOs, the amount in column (e) does not include payment for the 2008-2010 TSR award, which vested on December 31, 2010, as ITT's relative share price appreciation did not meet the minimum threshold requirement for a payment.

ITT Pension Benefits

ITT Salaried Retirement Plan. Under the ITT Salaried Retirement Plan, participants have the option, on an annual basis, to elect to be covered under either a Traditional Pension Plan or a Pension Equity Plan formula for future pension accruals. The ITT Salaried Retirement Plan is a funded and tax-qualified retirement program. The plan is described in detail below. All of the NEOs participate in the Traditional Pension Plan formula of the ITT Salaried Retirement Plan.

While the Traditional Pension Plan formula pays benefits on a monthly basis after retirement, the Pension Equity Plan formula enables participants to elect to have benefits paid as a single sum payment upon employment termination, regardless of the participant's age. The Traditional Pension Plan benefit payable to an employee depends upon the date an employee first became a participant under the plan.

[Table of Contents](#)

Under the Traditional Pension Plan, a participant first employed prior to January 1, 2000 would receive an annual pension that would be the total of:

- 2% of his or her “average final compensation” (as described below) for each of the first 25 years of benefit service, plus
- 1½% of his or her average final compensation for each of the next 15 years of benefit service, reduced by
- 1¼% of his or her primary Social Security benefit for each year of benefit service up to a maximum of 40 years.

A participant first employed on or after January 1, 2000, under the Traditional Pension Plan would receive an annual pension that would equal:

- 1½% of his or her average final compensation (as defined below) for each year of benefit service up to 40 years, reduced by
- 1¼% of his or her primary Social Security benefit for each year of benefit service up to a maximum of 40 years.

For a participant first employed prior to January 1, 2005, average final compensation (including salary and approved bonus or AIP payments) is the total of:

- the participant’s average annual base salary for the five calendar years of the last 120 consecutive calendar months of eligibility service that would result in the highest average annual base salary amount, plus
- the participant’s average annual pension eligible compensation, not including base salary, for the five calendar years of the participant’s last 120 consecutive calendar months of eligibility service that would result in the highest average annual compensation amount.

For a participant first employed on or after January 1, 2005, average final compensation is the average of the participant’s total pension eligible compensation (salary, bonus and annual incentive payments for NEOs and other exempt salaried employees) over the highest five consecutive calendar years of the participant’s final 120 months of eligibility service.

As it applies to participants first employed prior to January 1, 2000, under the Traditional Pension Plan, Standard Early Retirement is available to employees at least 55 years of age with 10 years of eligibility service. Special Early Retirement is available to employees at least age 55 with 15 years of eligibility service or at least age 50 whose age plus total eligibility service equals at least 80. For Standard Early Retirement, if payments begin before age 65, payments from anticipated payments at the normal retirement age of 65 (the “Normal Retirement Age”) are reduced by ¼ of 1% for each month that payments commence prior to the Normal Retirement Age. For Special Early Retirement, if payments begin between ages 60-64, benefits will be payable at 100%. If payments begin prior to age 60, they are reduced by 5/12 of 1% for each month that payments start before age 60 but not more than 25% are reduced by ¼ of 1% for each month that payments commence prior to the Normal Retirement Age. For Special Early Retirement, if payments begin between ages 60-64, benefits will be payable at 100%. If payments begin prior to age 60, they are reduced by 5/12 of 1% for each month that payments start before age 60 but not more than 25%.

For participants first employed from January 1, 2000 through December 31, 2004, under the Traditional Pension Plan, Standard Early Retirement is available to employees at least 55 years of age with 10 years of eligibility service. If payments begin before age 65, payments from anticipated payments at the normal retirement age of 65 (the “Normal Retirement Age”) are reduced by ¼ of 1% for each month that payments commence prior to the Normal Retirement Age. Special Early Retirement is also available to employees who have attained at least age 55 with 15 years of eligibility service (but not earlier than age 55). For Special Early Retirement, the benefit payable at or after age 62 would be at 100%; if payments commence prior to age 62 they would be reduced by 5/12 of 1% for each of the first 48 months prior to age 62 and by an additional 4/12 of 1% for each of the next 12 months and by an additional 3/12 of 1% for each month prior to age 57. For participants first employed on or after January 1, 2005, and who retire before age 65, benefits may

[Table of Contents](#)

commence at or after age 55 but the benefit would be reduced by 5/9 of 1% for each of the first 60 months prior to age 65 and an additional 5/18 of 1% for each month prior to age 60.

In December 2007, effective January 1, 2008, the ITT Salaried Retirement Plan and the ITT Excess Pension Plans were amended to provide for a three-year vesting requirement. In addition, for employees who are already vested and who are involuntarily terminated and entitled to severance payments from ITT, additional months of age and service (not to exceed 24 months) are to be imputed based on the employee's actual service to his or her last day worked, solely for purposes of determining eligibility for early retirement.

The 2010 Pension Benefits below provides information on the pension benefits for the NEOs. At the present time, none of the NEOs listed in the Summary Compensation Table has elected to accrue benefits under the Pension Equity Plan formula. Ms. McClain and Buonocore and Messrs. Jimenez and Speetzen participate under the terms of the plan in effect for employees hired after January 1, 2005. However, Mr. Speetzen has not yet accrued a vested pension benefit. Employees may retire as early as age 55 under the terms of the plan. Mr. Napolitano participates under the terms of the plan in effect for employees hired prior to January 1, 2000. Pensions may be reduced if retirement starts before age 65. Possible pension reductions are described above.

Benefits under this plan are subject to the limitations imposed under Sections 415 and 401(a)(17) of the Internal Revenue Code in effect as of December 31, 2010. Section 415 limits the amount of annual pension payable from a qualified plan. For 2010, this limit is \$195,000 per year for a single-life annuity payable at an IRS-prescribed retirement age. This ceiling may be actuarially adjusted in accordance with IRS rules for items such as employee contributions, other forms of distribution and different annuity starting dates. Section 401(a)(17) limits the amount of compensation that may be recognized in the determination of a benefit under a qualified plan. For 2010, this limit is \$245,000.

ITT Excess Pension Plan. Since federal law limits the amount of benefits paid under and the amount of compensation recognized under tax-qualified retirement plans, ITT maintains the unfunded ITT Excess Pension Plan, which is not qualified for tax purposes. The purpose of the ITT Excess Pension Plan is to restore benefits calculated under the ITT Salaried Retirement Plan formula that cannot be paid because of the IRS limitations noted above. ITT has not granted any extra years of benefit service to any employee under either the ITT Salaried Retirement Plan or the Excess Pension Plan. In the event of a change of control, certain extra years of service may be allowed in accordance with the terms of the Special Senior Executive Severance Pay Plan described in "Compensation Tables — Potential Post-Employment Compensation — Special Senior Executive Severance Pay Plan."

In the event of a change of control, any excess plan benefit would be immediately payable, subject to any applicable Section 409A restrictions with respect to form and timing of payments, and would be paid in a single discounted sum. Amendments to the excess pension plan related to Section 409A compliance, while not modifying the previously disclosed definition of change in control in the excess pension plan, provide that payouts of pension amounts earned since January 1, 2005 require a change in control involving an acceleration event of 30% or more of ITT's outstanding stock.

No pension benefits were paid to any of the named executives in the last fiscal year.

Pension Benefits

Name(a)	Plan Name(b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit at Normal Retirement (S)(1) (d)	Present Value of Accumulated Benefit at Earliest Date for Unreduced Benefit (e)	Payments During Last Fiscal Year (\$) (f)
Gretchen W. McClain	ITT Salaried Retirement Plan	5.29	72,062	72,062	—
	ITT Excess Pension Plan	5.29	193,588	193,588	—
Michael T. Speetzen	ITT Salaried Retirement Plan	2.0	17,205	17,205	—
	ITT Excess Pension Plan	2.0	13,562	13,562	—
Frank R. Jimenez	ITT Salaried Retirement Plan	1.56	17,912	17,912	—
	ITT Excess Pension Plan	1.56	29,666	29,666	—
Angela A. Buonocore	ITT Salaried Retirement Plan	3.83	70,464	70,464	—
	ITT Excess Pension Plan	3.83	113,340	113,340	—
Kenneth Napolitano	ITT Salaried Retirement Plan	26.25	433,689	698,064	—
	ITT Excess Pension Plan	12.08	182,557	282,670	—

(1) Assumptions used to determine present value as of December 31, 2010 are as follows:

Measurement date: December 31, 2010; Discount Rate: 5.75%; Mortality (pre-commencement): None; Mortality (post-commencement): UP-94 Mortality Table; Termination of Employment: Age 65 for all participants; Present value is based on the single life annuity payable beginning on the first day of the month at normal retirement age 65 (column (d)) or the earliest time at which a participant may retire under the plan without any benefit reduction due to age (column (e)). The six-month delay under the Pension Plan for “specified employees” as required under Section 409A of the Internal Revenue Code was disregarded for this purpose. All results shown are estimates only; actual benefits will be based on precise credited service and compensation history, which will be determined at termination of employment.

The 2010 row of the column titled Change in Pension Plan Value & Nonqualified Deferred Compensation Earnings in the Summary Compensation Table quantifies the change in the present value of the Pension Plan benefit from December 31, 2009 to December 31, 2010. To determine the present value of the plan benefit as of December 31, 2009, the same assumptions that are described above to determine present value as of December 31, 2010 were used, except a 5.75% interest rate was used to determine the present value, as compared to a 6.00% interest rate as of December 31, 2009.

- (c) Mr. Napolitano became a participant in the ITT Salaried Retirement Plan as of December 1, 1998 following the ITT acquisition of Goulds Pump Inc. Mr. Napolitano’s services are calculated under the Goulds Retirement Plan provisions and such services are treated as a former benefit plan under the ITT Salaried Retirement Plan. Accordingly, the years of credited service for Mr. Napolitano include 14.17 years of service accrued as an employee of Goulds, which reflects breaks in service from his original hire date. The Goulds plan did not provide benefits in excess of the IRS limits.
- (d) The accumulated benefit is based on service and earnings (base salary and bonus and/or AIP payment) considered by the plans for the period through December 31, 2010, and represents the actuarial present value under ASC Topic 715 of pension earned to date and payable at the assumed normal retirement age for the named executives as defined under each plan, based upon actuarial factors and assumptions used in Note 13 to the Combined Financial Statements in this Information Statement and as described in (1) above, regardless of whether or not the executive has vested in this benefit.
- (e) The amounts represent the actuarial present value of the accumulated benefit at December 31, 2010, for the named executives under each plan based upon actuarial factors and assumptions used in Note 13 to the Combined Financial Statements in this Information Statement and as described in (1) above, where the retirement age is assumed to be the earliest age at which the individual can receive undiscounted early retirement benefits.

ITT Deferred Compensation Plan

ITT Deferred Compensation Plan. The ITT Deferred Compensation Plan is a tax deferral plan. The ITT Deferred Compensation Plan permits eligible executives with a base salary of at least \$200,000 to defer between 2% and 90% of their AIP payment. The AIP amount deferred is included in the Summary Compensation Table under Non-Equity Incentive Plan Compensation. Withdrawals under the plan are available on payment dates elected by participants at the time of the deferral election. The withdrawal election is irrevocable except in cases of demonstrated hardship due to an unforeseeable emergency as provided by the ITT Deferred Compensation Plan. Amounts deferred will be unsecured general obligations of ITT to pay the deferred compensation in the future and will rank with other unsecured and unsubordinated indebtedness of ITT.

Participants can elect to have their account balances allocated into one or more of the 25 phantom investment funds (including a phantom ITT stock fund) and can change their investment allocations on a daily basis. All plan accounts are maintained on the accounts of ITT and investment earnings are credited to a participant's account (and charged to corporate earnings) to mirror the investment returns achieved by the investment funds chosen by that participant.

A participant can establish up to six "accounts" into which AIP payment deferrals are credited and he or she can elect a different form of payment and a different payment commencement date for each "account." One account may be selected based on a termination date (the "Termination Account") and five accounts are based on employee-specified dates (each a "Special Purpose Account"). Each Special Purpose and Termination Account may have different investment and payment options. Termination Accounts will be paid in the seventh month following the last day worked. Changes to Special Purpose Account distribution elections must be made at least 12 months before any existing benefit payment date, may not take effect for at least 12 months, and must postpone the existing benefit payment date by at least five years. Additionally, Termination Account distribution elections are irrevocable.

ITT Excess Savings Plan. Since federal law limits the amount of compensation that can be used to determine employee and employer contribution amounts (\$245,000 in 2010) to the tax-qualified plan, ITT has established and maintains a non-qualified unfunded ITT Excess Savings Plan to allow for employee and ITT contributions based on base salary in excess of these limits. Employee contributions under this plan are limited to 6% of base salary. All balances under this plan are maintained on the books of ITT and earnings are credited to the accumulated savings under the plan based on the earnings in the Stable Value Fund in the tax-qualified plan. Benefits will be paid in a lump sum in the seventh month following the last day worked. Employees are immediately 100% vested in their own contributions. ITT matches contributions, which initially vest 20% for each year of service. After 5 years employees are 100% vested in ITT's matching contributions. The ITT matching contribution also vests when an employee reaches age 65 and in the case of death, disability or retirement.

Deferred Compensation. Non-qualified savings represent amounts in the ITT Excess Savings Plan. Deferred Compensation earnings under the ITT Deferred Compensation Plan are calculated by reference to actual earnings of mutual funds or ITT stock as provided in the accompanying chart.

[Table of Contents](#)

The table below shows the activity within the Deferred Compensation Plan for the NEOs for 2010.

Name (a)	2010 Nonqualified Deferred Compensation				
	Executive Contributions in Last FY (\$) (b)	Registrant Contributions in Last FY (\$) (c)	Aggregate Earnings in Last FY (\$) (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FYE (\$) (f)
Gretchen W. McClain					
Non-qualified savings	16,956	10,011	2,498	—	100,417
Deferred Compensation	229,145	—	23,976	—	612,990
<i>Total</i>	<i>246,101</i>	<i>10,011</i>	<i>26,474</i>	<i>—</i>	<i>713,407</i>
Michael T. Speetzen					
Non-qualified savings	2,254	1,315	21	—	3,913
Deferred Compensation	—	—	2,948	—	72,397
<i>Total</i>	<i>2,254</i>	<i>1,315</i>	<i>2,969</i>	<i>—</i>	<i>76,310</i>
Frank R. Jimenez					
Non-qualified savings	10,027	5,849	105	—	15,981
Deferred Compensation	—	—	—	—	—
<i>Total</i>	<i>10,027</i>	<i>5,849</i>	<i>105</i>	<i>—</i>	<i>15,981</i>
Angela A. Buonocore					
Non-qualified savings	5,585	3,258	598	—	26,905
Deferred Compensation	283,478	—	51,000	—	1,221,131
<i>Total</i>	<i>289,063</i>	<i>3,258</i>	<i>51,598</i>	<i>—</i>	<i>1,248,036</i>
Kenneth Napolitano Non-qualified savings	3,882	2,264	23	—	6,169
Deferred Compensation	—	—	—	—	—
<i>Total</i>	<i>3,882</i>	<i>2,264</i>	<i>23</i>	<i>—</i>	<i>6,169</i>

- (b) Non-qualified savings amounts for Executive Contributions in Last Fiscal Year are included in the Salary column of the Summary Compensation Table and deferred compensation amounts for Ms. McClain and Ms. Buonocore represent the deferred portion of the 2010 AIP, which amounts were credited to the executives' accounts in 2011, and are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (c) The amounts in column (c) for non-qualified savings are also reflected in column (g) of the All Other Compensation Table as Excess Savings Plan Contributions and included in the Summary Compensation Table.
- (f) With respect to Ms. McClain, includes \$446,178 in executive and registrant contributions to the ITT Deferred Compensation Plan and the ITT Excess Savings Plan that were reported as compensation in the Summary Compensation Table in ITT's previously filed proxy statements. For Messrs. Speetzen, Jimenez and Napolitano and Ms. Buonocore, amounts in column (f) do not include any amounts reported in previous Summary Compensation Tables.

The table below shows the funds available under the ITT Deferred Compensation Plan, as reported by the administrator and their annual rate of return for the calendar year ended December 31, 2010.

[Table of Contents](#)

<u>Name of Fund</u>	<u>Rate of Return 1/1/10 12/31/10</u>		<u>Rate of Return 1/1/10 12/31/10</u>
Fixed Rate Option(1)	5.80%	Vanguard Developed Markets Index (VDMIX)	8.54%
PIMCO Total Return Institutional (PTTRX)	8.86%	Artio International Equity A (BJBIX)	8.52%
PIMCO Real Return Institutional (PRRIX)	7.68%	American Funds EuroPacific Growth (REREX)	9.39%
T Rowe Price High Yield (PRHYX)	14.40%	First Eagle Overseas A (SGOVX)	19.24%
Dodge & Cox Stock (DODGX)	13.49%	Lazard Emerging Markets Equity Open (LZOEX)	22.43%
Vanguard 500 Index (VFINX)	14.91%	AIM Global Real Estate (AGREX)	16.97%
American Funds Growth Fund of America R4 (RGAEX)	%		%
	12.29	Model Portfolio* — Conservative	8.11
Perkins Mid Cap Value (JMCVX)	14.81%	Model Portfolio* — Moderate Conservative	10.51%
Artisan Mid Cap (ARTMX)	31.57%	Model Portfolio* — Moderate	12.43%
American Century Small Cap Value (ASVIX)	24.15%	Model Portfolio* — Moderate Aggressive	13.45%
Perimeter Small Cap Growth (PSCGX)	25.14%	Model Portfolio* — Aggressive	14.70%
Harbor International (HIINX)	11.57%	ITT Corporation Stock Fund (ITT)	6.97%
Vanguard Total Bond Market Index (VBMFX)	6.42%		

(1) The Fixed Rate Option 5.80% rate is based on guaranteed contractual returns from the insurance ITT provider.

* The returns shown in the model portfolio are not subsidized by ITT, but represent returns for a managed portfolio based on funds available to deferred compensation participants.

Potential Post-Employment Compensation

The Potential Post-Employment Compensation tables below reflect the amount of compensation payable to each of the NEOs in the event of employment termination under several different circumstances, including voluntary termination, termination for cause, death, disability, termination without cause or termination in connection with a change of control. Ms. McClain, Mr. Jimenez and Ms. Buonocore are covered under the Senior Executive Severance Pay Plan and Special Senior Executive Severance Pay Plan (applicable to change of control) described in “Compensation Discussion and Analysis — Post-Employment Compensation — Severance Plan Arrangements.” Messrs. Speetzen and Napolitano are covered under the ITT Severance Policy or the Special Senior Executive Severance Pay Plan (applicable to change of control). The ITT Severance Policy provides for severance based on grade level and years of service.

The amounts shown in the potential post-employment compensation tables are estimates (or the estimated present value of the ITT Excess Pension Plan which may be paid in continuing annuity payments), assuming that the triggering event was effective as of December 31, 2010, including amounts which would be earned through such date (or that would be earned during a period of severance), and where applicable, are based on the ITT closing stock price on December 31, 2010, the last trading day of 2010, which was \$52.11.

The actual amounts to be paid out can only be determined at the time of such executive’s separation from ITT. For purposes of calculating the estimated potential payments to our officers under the ITT Excess Pension Plan, as reflected in the tables below, we have used the same actuarial factors and assumptions described in note (1) to the 2010 Pension Benefits table and those used for financial statement reporting purposes as described in Note 13 to the Combined Financial Statements in this Information Statement. The calculations assume a discount rate of 5.75% and take into account the UP 1994 Mortality Table projected to 2010, except as noted in the footnotes.

Payments and Benefits Provided Generally to Salaried Employees. The amounts shown in the tables below do not include payments and benefits to the extent these payments and benefits are provided on a non-discriminatory basis to salaried employees generally upon termination of employment. These include:

- Accrued salary and vacation pay;
- Regular pension benefits under the ITT Salaried Retirement Plan;
- Health care benefits provided to retirees under the ITT Salaried Retirement Plan, including retiree medical and dental insurance. Employees who terminate prior to retirement are eligible for continued benefits under COBRA; and
- Distributions of plan balances under the ITT Salaried Investment and Savings Plan and amounts currently vested under the ITT Excess Savings Plan.

No perquisites are available to any NEOs in any of the post-employment compensation circumstances. With respect to the ITT Salaried Retirement Plan, benefits under such plan may be deferred to age 65, but may become payable at age 55 or, if the participant is eligible for early retirement, the first of the month immediately following the last day worked without regard to the period of the severance payments. Benefits under the ITT Excess Pension Plan must commence as soon as possible but generally would be payable seven months following such date, retroactive to the date the ITT Excess Pension Plan benefit became payable.

Senior Executive Severance Pay Plan. The amount of severance pay under this plan depends on the executive's base pay and years of service. The amount will not exceed 24 months of base pay or be greater than two times the executive's total annual compensation during the year immediately preceding termination. ITT considers these severance pay provisions appropriate transitional provisions given the job responsibilities and competitive market in which senior executives function. ITT's obligation to continue severance payments stops if the executive does not comply with ITT's Code of Corporate Conduct. ITT considers this cessation provision to be critical to ITT's emphasis on ethical behavior. ITT's obligation to continue severance payments also stops if the executive does not comply with non-competition provisions of the ITT Severance Policy or Senior Executive Severance Pay Plan. These provisions protect the integrity of our businesses and are consistent with typical commercial arrangements. Ms. McClain, Mr. Jimenez and Ms. Buonocore are covered under this plan. Messrs. Speetzen and Napolitano are covered under the ITT Severance Policy.

If a covered executive receives or is entitled to receive other compensation from another company, the amount of that other compensation could be used to offset amounts otherwise payable under the ITT Senior Executive Severance Pay Plan. During the severance payment period, the executive will have a limited right to continue to be eligible for participation in certain benefit plans. Severance pay will start within sixty days following the covered executive's scheduled termination date.

Special Senior Executive Severance Pay Plan. This plan provides two levels of benefits for covered executives, based on their position within ITT. The Committee considered two levels of benefits appropriate based on the relative ability of each level of employee to influence future ITT performance. (Senior Vice Presidents receive the higher level and Vice Presidents and employees in Band B receive the lower level). Under the Special Senior Executive Severance Pay Plan, if a covered executive is terminated within two years after an acceleration event in a change of control or in contemplation of an acceleration in a change of control event that ultimately occurs or if the covered executive terminates his or her employment for good reason within two years after an acceleration event in the event of a change of control, he or she would be entitled to:

- any accrued but unpaid base salary, bonus (AIP payment), unreimbursed expenses and employee benefits, including vacation;
- two or three times the highest annual base salary rate during the three fiscal years immediately preceding the date of termination and two or three times the highest AIP payment paid or awarded in the three years preceding an acceleration event or termination;
- continuation of health and life insurance benefits and certain perquisites at the same levels for two or three years;

- a lump-sum payment equal to the difference between the total lump-sum value of his or her pension benefit under ITT's pension plans, or any successor pension plans (provided such plans are no less favorable to the executive than the ITT pension plans), and the total lump-sum value of his or her pension benefit under the pension plans after crediting an additional two or three years of age and eligibility and benefit service using the highest annual base salary rate and bonus for purposes of determining final average compensation under the pension plans;
- credit for an additional two or three years of age and two or three years of eligibility service under the retiree health and retiree life insurance benefits;
- a lump-sum payment equal to two or three times the highest annual base salary rate during the three years preceding termination or an acceleration event times the highest percentage rate of ITT's contributions to the ITT Salaried Investment and Savings Plan and the ITT Excess Savings Plan, such payment not to exceed 3.5% per year; and
- tax gross-up for excise taxes imposed on the covered employee; and
- one year of outplacement.

Mses. McClain and Buonocore are covered at the highest level of benefits. Messrs. Speetzen, Jimenez and Napolitano are covered at the lower level of benefits.

The Potential Post-Employment Compensation tables below provide additional information.

Change of Control Arrangements

The payment or vesting of awards or benefits under each of the plans listed below would be accelerated upon the occurrence of a change of control of ITT. The reasons for the change of control provisions in these plans are to put the executive in the same position he or she would have been in had the change of control not occurred. Executives then can focus on preserving value for shareholders when evaluating situations that, without change of control provisions, could be personally adverse to the executive. There would be a change of control of ITT if one of the following acceleration events occurred:

1. A report on Schedule 13D was filed with the SEC disclosing that any person, other than ITT or one of its subsidiaries or any employee benefit plan that is sponsored by ITT or a subsidiary, had become the beneficial owner of 20% or more of ITT's outstanding stock;
2. A person other than ITT or one of its subsidiaries or any employee benefit plan that is sponsored by ITT or a subsidiary purchased ITT's shares in connection with a tender or exchange offer, if after consummation of the offer the person purchasing the shares is the beneficial owner of 20% or more of ITT's outstanding stock;
3. The shareholders of ITT approved:
 - (a) any consolidation, business combination or merger of ITT other than a consolidation, business combination or merger in which the shareholders of ITT immediately prior to the merger would hold 50% or more of the combined voting power of ITT or the surviving corporation of the merger and would have the same proportionate ownership of common stock of the surviving corporation that they held in ITT immediately prior to the merger; or
 - (b) any sale, lease, exchange or other transfer of all or substantially all of the assets of ITT;
4. A majority of the members of the Board of Directors of ITT changed within a 12-month period, unless the election or nomination for election of each of the new Directors by ITT's stockholders had been approved by two-thirds of the Directors still in office who had been Directors at the beginning of the 12-month period or whose nomination for election or election was recommended or approved by a majority of Directors who were Directors at the beginning of the 12-month period; or
5. Any person other than ITT or one of its subsidiaries or any employee benefit plan sponsored by ITT or a subsidiary became the beneficial owner of 20% or more of ITT's outstanding stock.

[Table of Contents](#)

At the time of an acceleration event, any unfunded pension plan obligations will be funded using a Rabbi Trust. Pre-2005 awards and benefits will be paid if the 20% threshold described above is reached. For awards or benefits earned since January 1, 2005, payment of awards or benefits would be made if a person other than ITT, its subsidiaries or any employment benefit plan sponsored by ITT becomes the beneficial owner of 30% or more of ITT's outstanding stock.

The 2011 Omnibus Incentive Plan was approved by shareholders at ITT's 2011 Annual Meeting, change of control under the 2011 Omnibus Incentive Plan requires consummation of the transactions described in 3(a) and (b) above.

The following ITT plans have change of control provisions:

- the 2011 Omnibus Incentive Plan;
- the 2003 Equity Incentive Plan;
- the 1994 Incentive Stock Plan;
- the 1996 Restricted Stock Plan for Non-Employee Directors;
- the 1997 Annual Incentive Plan for Executive Officers;
- the 1997 Annual Incentive Plan;
- the 1997 Long-Term Incentive Plan;
- the Special Senior Executive Severance Pay Plan;
- the Enhanced Severance Pay Plan;
- the Deferred Compensation Plan;
- the Excess Savings Plan;
- the Excess Pension Plans; and
- the Salaried Retirement Plan.

Potential post-employment compensation arrangements are more fully described for the NEOs in the tables on below.

Potential Post-Employment Compensation

	Gretchen W. McClain					Termination not for Cause or With Good Reason After Change of Control \$ (f)
	Resignation \$ (a)	Termination for Cause \$ (b)	Death \$ (c)	Disability \$ (d)	Termination not for Cause \$ (e)	
<i>Cash Severance(1)</i>						
Salary	—	—	—	—	618,333	1,590,000
AIP	—	—	—	—	—	1,606,800
<i>Total</i>	—	—	—	—	618,333	3,196,800
<i>Unvested Non-Equity Units(2)</i>						
2009 — 11 TSR Award	—	—	—	—	—	120,000
2010 — 12 TSR Award	—	—	—	—	—	240,000
<i>Total</i>	—	—	—	—	—	360,000
<i>Unvested Equity Awards(3)</i>						
3/10/08 Stock Option	—	—	—	—	—	—
3/10/08 Restricted Stock	—	—	246,376	246,376	246,376	246,376
3/5/09 Stock Option	—	—	570,060	570,060	—	570,060
3/5/09 Restricted Stock	—	—	3,244,838	3,244,838	2,085,319	3,244,838
3/5/10 Stock Option	—	—	—	—	—	—
3/5/10 Restricted Stock	—	—	390,981	390,981	249,794	390,981
<i>Total</i>	—	—	4,452,255	4,452,255	2,581,489	4,452,255
<i>Non-Qualified Retirement Benefits</i>						
ITT Excess Pension Plan(4)	193,588	193,588	105,312	—	193,588	1,057,111
ITT Excess Savings Plan(5)	—	—	—	—	—	55,650
<i>Total</i>	193,588	193,588	105,312	—	193,588	1,112,761
<i>Other Benefits</i>						
Outplacement(6)	—	—	—	—	75,000	75,000
Health & Welfare(7)	—	—	—	—	3,465	8,910
IRC 280(g) Tax Gross-Up(8)	—	—	—	—	—	2,747,791
<i>Total</i>	—	—	—	—	78,465	2,831,701
<i>Total</i>	193,588	193,588	4,557,567	4,452,255	3,471,875	11,953,517

- (1) Ms. McClain is covered under ITT’s Senior Executive Severance Pay Plan. Under that plan, described in “Compensation Discussion and Analysis — Post-Employment Compensation — Severance Plan Arrangements,” ITT will pay a severance benefit equal to 14 months of base salary if terminated other than for cause unless termination occurs after the normal retirement date. In the event of a change of control, Ms. McClain is covered under ITT’s Special Senior Executive Severance Pay Plan, described in “Compensation Discussion and Analysis— Post-Employment Compensation — Severance Plan Arrangements” and, under the terms of the plan, would be paid a lump sum payment equal to the sum of three times her highest annual salary and three times the highest AIP award paid in the three years preceding a change of control. Further information regarding Ms. McClain’s post employment compensation is provided in the Non-Qualified Deferred Compensation and Pension Tables above.
- (2) Based on total shareholder return performance through December 31, 2010, outstanding TSR awards would not earn a payout. Should Ms. McClain resign or be terminated for cause, she would receive no TSR payment. In the event of death or disability, she would receive payment, if any, for outstanding TSR awards and in the event of termination without cause she would receive payment, if any, based on a pro-rata portion of the outstanding TSR awards as of the termination date, based on ITT’s performance during the three-year period, in accordance with Section 409A. TSR awards provide that in the event of a change

[Table of Contents](#)

- of control, a pro-rata portion of outstanding awards will be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%).
- (3) Equity awards vest according to the terms described in “Compensation Discussion and Analysis — Long-Term Incentive Awards Program.” Unvested equity awards reflect the market value of restricted stock and in-the-money value of options based on ITT’s December 31, 2010 closing stock price of \$52.11.
 - (4) Column (a) and column (b) amounts reflect the present value of the annual vested benefit payable under the ITT Excess Pension Plan, as of December 31, 2010 assuming a retirement at age 65. Column (c) provides the value of the benefit payable to Ms. McClain’s beneficiary upon death. Column (d) is inapplicable because disability would not affect retirement benefits. Column (e) provides the present value of the benefit payable by ITT after imputing 24 months of eligibility service in the determination of the benefit. Column (f) provides the lump sum payable by ITT in accordance with the Special Senior Executive Severance Pay Plan in the event of a change of control.
 - (5) No additional ITT Excess Savings Plan payments are made in the event of voluntary or involuntary termination, or termination for cause. In the case of death or disability, to the extent not already vested, the participant becomes 100% vested in the ITT match. Ms. McClain was fully vested in the ITT match as of December 31, 2010. Column (f) reflects the additional cash payment representing ITT contributions, which would be made following a change of control as described in the Special Senior Executive Severance Pay Plan in “Compensation Discussion and Analysis— Post-Employment Compensation — Severance Plan Arrangements.”
 - (6) ITT’s Senior Executive Severance Pay Plan includes one year of outplacement services. Amounts shown in columns (e) and (f) are based on a current competitive bid.
 - (7) In the event of termination not for cause, ITT will pay the company’s portion of medical and life insurance premiums for fourteen months (\$2,352 and \$1,113 respectively) and in the event of a change of control, ITT will pay medical and life insurance premiums for three years (\$6,048 and \$2,862 respectively).
 - (8) Amounts in column (f) assume termination occurs immediately upon a change of control based on ITT’s December 31, 2010 closing stock price of \$52.11.

Potential Post-Employment Compensation

	Michael Speetzen					Termination not for Cause or with Good Reason After Change of Control \$(f)
	Resignation \$(a)	Termination For Cause \$(b)	Death \$(c)	Disability \$(c)	Termination Not For Cause \$(e)	
<i>Cash Severance</i>						
Salary(1)	—	—	—	—	156,000	624,000
Bonus(1)	—	—	—	—	—	410,860
<i>Total</i>	—	—	—	—	156,000	1,034,860
<i>Unvested Non-Equity Awards(2)</i>						
2009 — 11 TSR Award	—	—	—	—	—	33,333
2010 — 12 TSR Award	—	—	—	—	—	66,667
<i>Total</i>	—	—	—	—	—	100,000
<i>Unvested Equity Awards(3)</i>						
3/5/09 Stock Option	—	—	125,175	125,175	62,587	125,175
3/5/09 Restricted Stock	—	—	137,518	137,518	103,139	137,518
3/5/10 Stock Option	—	—	—	—	—	—
3/5/10 Restricted Stock	—	—	525,477	525,477	218,949	525,477
<i>Total</i>	—	—	788,170	788,170	384,675	788,170
<i>Non-Qualified Retirement Benefits</i>						
ITT Excess Pension Plan(4)	—	—	—	—	—	166,471
ITT Excess Savings Plan(5)	—	—	977	977	—	21,678
<i>Total</i>	—	—	977	977	—	188,149
<i>Other Benefits</i>						
Outplacement(6)	—	—	—	—	—	75,000
Health & Welfare(7)	—	—	—	—	3,715	12,736
IRC 280(g) Tax Gross-Up(8)	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	3,715	87,736
<i>Total</i>	—	—	789,147	789,147	544,390	2,198,916

- (1) Mr. Speetzen is covered under the ITT Severance Pay Policy. Under that policy, described in “Compensation Discussion and Analysis — Post-Employment Compensation — Severance Plan Arrangements,” ITT will pay a severance benefit equal to 26 weeks of base salary if terminated other than for cause unless termination occurs after the normal retirement date. In the event of a change of control, Mr. Speetzen is covered under ITT’s Special Senior Executive Severance Pay Plan, described in “Compensation Discussion and Analysis — Post-Employment Compensation — Severance Plan Arrangements” and, under the terms of the plan, would be paid a lump sum payment equal to the sum of two times his highest annual salary and two times the highest AIP award paid in the three years preceding a change of control. Further information regarding Mr. Speetzen’s post employment compensation is provided in the Non-Qualified Deferred Compensation and Pension Tables above.
- (2) Based on total shareholder return performance through December 31, 2010, outstanding TSR awards for the 2009-11 and the 2010-12 performance periods would not earn a payout. Should Mr. Speetzen resign or be terminated for cause, he would receive no TSR payment. In the event of death or disability, he would receive payment, if any, for outstanding TSR awards and in the event of termination without cause he would receive payment, if any, based on a pro-rata portion of the outstanding TSR awards as of the termination date, based on ITT’s performance during the three-year period, in accordance with Section 409A. TSR awards provide that in the event of a change of control, a pro-rata portion of outstanding awards will be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%).

[Table of Contents](#)

- (3) Equity awards vest according to the terms described in “Compensation Discussion and Analysis — Long-Term Incentive Awards Program.” Unvested equity awards reflect the market value of restricted stock and in-the-money value of options based on ITT’s December 31, 2010 closing stock price of \$52.11.
- (4) Mr. Speetzen has not yet accrued a vested pension benefit. Column (f) provides the lump sum payable by ITT in accordance with the Special Senior Executive Severance Pay Plan in the event of a change of control.
- (5) No additional ITT Excess Savings Plan payments are made in the event of voluntary or involuntary termination, or termination for cause. In the case of death or disability, the participant becomes 100% vested in the ITT match. Column (f) reflects the additional cash payment representing ITT contributions, which would be made following a change of control as described in the Special Senior Executive Severance Pay Plan in “Compensation Discussion and Analysis— Post-Employment Compensation — Severance Plan Arrangements.”
- (6) The Severance Policy includes outplacement services. Amounts shown in columns (f) are based on a current competitive bid.
- (7) In the event of termination not for cause, ITT will pay the company’s portion of medical and life insurance premiums (\$3,388 and \$327, respectively) for seven months and in the event of a change of control, ITT will pay medical life insurance premiums (\$11,616 and \$1,120, respectively) for two years.
- (8) Amounts in column (f) assume termination occurs immediately upon a change of control based on ITT’s December 31, 2010 closing stock price of \$52.11.

Potential Post-Employment Compensation

	Frank R. Jimenez					Termination not for Cause or with Good Reason After Change of Control
	Resignation \$ (a)	Termination for Cause \$ (b)	Death \$ (c)	Disability \$ (d)	Termination not for Cause \$ (e)	
<i>Cash Severance(1)</i>						
Salary	—	—	—	—	415,000	830,000
AIP	—	—	—	—	—	624,000
<i>Total</i>	—	—	—	—	415,000	1,454,000
<i>Unvested Non-Equity Units(2)</i>						
2009 — 11 TSR Award	—	—	—	—	—	55,567
2010 — 12 TSR Award	—	—	—	—	—	111,133
<i>Total</i>	—	—	—	—	—	166,700
<i>Unvested Equity Awards(3)</i>						
6/9/09 Stock Option	—	—	69,445	69,445	34,722	69,445
6/9/09 Restricted Stock	—	—	189,524	189,524	157,937	189,524
3/5/10 Stock Options	—	—	—	—	—	—
3/5/10 Restricted Stock	—	—	181,030	181,030	105,601	181,030
<i>Total</i>	—	—	439,999	439,999	298,260	439,999
<i>Non-Qualified Retirement Benefits</i>						
ITT Excess Pension Plan(4)	—	—	—	—	—	463,661
ITT Excess Savings Plan(5)	—	—	4,037	4,037	—	29,050
<i>Total</i>	—	—	4,037	4,037	—	492,711
<i>Other Benefits</i>						
Outplacement(6)	—	—	—	—	75,000	75,000
Health & Welfare(7)	—	—	—	—	1,821	3,642
IRC 280(g) Tax Gross-Up(8)	—	—	—	—	—	—
<i>Total</i>	—	—	—	—	76,821	78,642
<i>Total</i>	—	—	444,036	444,036	790,081	2,632,052

- (1) Mr. Jimenez is covered under the Senior Executive Severance Pay Plan. Under that plan, ITT will pay a severance benefit equal to 12 months of base salary if terminated other than for cause unless termination occurs after the normal retirement date. In the event of a change of control, Mr. Jimenez is covered under ITT’s Special Senior Executive Severance Pay Plan, described in “Compensation Discussion and Analysis — Severance Plan Arrangements — Special Senior Executive Severance Pay Plan” and, under the terms of the plan, would be paid a lump sum payment equal to two times his current salary plus two times the highest AIP award paid in the three years prior to a change of control. Further information regarding Mr. Jimenez’s post employment compensation is provided in the Non-Qualified Deferred Compensation and Pension Tables above.
- (2) Based on total shareholder return performance through December 31, 2010, outstanding TSR awards for the 2009-11 and 2010-12 performance periods would not earn a payment. Should Mr. Jimenez resign or be terminated for cause, he would receive no TSR payment. In the event of death or disability, he would receive payment, if any, for outstanding TSR awards and in the event of termination without cause he would receive payment, if any, based on a pro-rata portion of the outstanding TSR awards as of the termination date, based on ITT’s performance during the three-year period, in accordance with Section 409A. The TSR awards, in the event of a change of control, provide that a pro-rata portion of outstanding awards will be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%).

[Table of Contents](#)

- (3) Equity awards vest according to the terms described in “Compensation Discussion and Analysis — Long-Term Incentive Awards Program.” Unvested equity awards reflect the market value of restricted stock and in-the-money value of options based on ITT’s December 31, 2010 closing stock price of \$52.11.
- (4) Mr. Jimenez has not yet accrued a vested pension benefit. Column (f) provides the lump sum payable by ITT in accordance with the Special Senior Executive Severance Pay Plan in the event of a change of control.
- (5) No additional ITT Excess Savings Plan payments are made in the event of voluntary or involuntary termination, or termination for cause. In the case of death or disability, the participant becomes 100% vested in the ITT match. Amounts in column (f) reflect the additional cash payment representing ITT contributions, which would be made following a change of control as described in the Special Senior Executive Severance Pay Plan in “Compensation Discussion and Analysis — Severance Plan Arrangements — Special Senior Executive Severance Pay Plan.”
- (6) ITT’s Senior Executive Severance Pay Plan includes one year of outplacement services. Amounts shown in columns (e) and (f) are based on a current competitive bid.
- (7) In the event of termination not for cause, ITT will pay the company’s portion of medical and life insurance premiums for one year (\$1,074 and \$747 respectively) and in the event of a change of control, ITT will pay medical and life insurance premiums for two years (\$2,148 and \$1,494 respectively).
- (8) Amounts in column (f) assume termination occurs immediately upon a change of control based on ITT’s December 31, 2010 closing stock price of \$52.11.

Potential Post-Employment Compensation

	Angela Buonocore					Termination not for Cause or with Good Reason After Change of Control
	Resignation	Termination	Death	Disability	Termination	
	\$ (a)	\$ (b)	\$ (c)	\$ (d)	\$ (e)	
					\$ (f)	
<i>Cash Severance</i>						
Salary(1)	—	—	—	—	340,000	1,020,000
Bonus(1)	—	—	—	—	—	1,155,000
<i>Total</i>	—	—	—	—	340,000	2,175,000
<i>Unvested Non-Equity Awards (2)</i>						
2009 — 11 TSR Award	—	—	—	—	—	45,000
2010 — 12 TSR Award	—	—	—	—	—	90,000
<i>Total</i>	—	—	—	—	—	135,000
<i>Unvested Equity Awards (3)</i>						
3/7/07 Restricted Stock	—	—	208,440	208,440	208,440	208,440
3/10/08 Stock Option	—	—	—	—	—	—
3/10/08 Restricted Stock	—	—	100,781	100,781	100,781	100,781
3/5/09 Stock Options	—	—	142,516	142,516	71,258	142,516
3/5/09 Restricted Stock	—	—	185,616	185,616	170,148	185,616
3/5/10 Stock Option	—	—	—	—	—	—
3/5/10 Restricted Stock	—	—	146,638	146,638	85,539	146,638
<i>Total</i>	—	—	783,991	783,991	636,166	783,991
<i>Non-Qualified Retirement Benefits</i>						
ITT Excess Pension Plan(4)	113,340	113,340	61,657	—	113,340	630,762
ITT Excess Savings Plan(5)	—	—	3,391	3,391	—	23,800
<i>Total</i>	113,340	113,340	65,048	3,391	113,340	654,562
<i>Other Benefits</i>						
Outplacement(6)	—	—	—	—	—	75,000
Health & Welfare(7)	—	—	—	—	2,564	7,692
IRC 280(g) Tax Gross-Up(8)	—	—	—	—	—	1,493,206
<i>Total</i>	—	—	—	—	2,564	1,575,898
<i>Total</i>	113,340	113,340	849,039	787,382	1,092,070	5,324,451

- (1) Ms. Buonocore is covered under the Senior Executive Severance Pay Plan. Under that plan, Ms. Buonocore will receive a severance benefit equal to 12 months base salary if terminated other than for cause unless termination occurs after the normal retirement date. In the event of a change of control, Ms. Buonocore is covered under ITT's Special Senior Executive Severance Pay Plan, described in "Compensation Discussion and Analysis — Severance Plan Arrangements — Special Senior Executive Severance Pay Plan" and, under the terms of the plan, would be paid a lump sum payment equal to the sum of three times her highest annual salary and three times the highest AIP award paid in the three years preceding a change of control.
- (2) Based on total shareholder return performance through December 31, 2010, outstanding TSR awards for the 2009-11 and 2010-12 performance periods would not earn a payout. Should Ms. Buonocore resign or be terminated for cause, she would receive no TSR payment. In the event of death or disability, she would receive payment, if any, for outstanding TSR awards and in the event of termination not for cause she would receive payment, if any, based on a pro-rata portion of the outstanding TSR awards as of the termination date, based on ITT's performance during the three-year period, in accordance with Section 409A. TSR awards provide that in the event of a change of control, a pro-rata portion of outstanding awards will

[Table of Contents](#)

- be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%).
- (3) Equity awards vest according to the terms described in “Compensation Discussion and Analysis — Long-Term Incentive Awards Program.” Unvested equity awards reflect the market value of restricted stock and in-the-money value of options based on ITT’s December 31, 2010 closing stock price of \$52.11.
 - (4) Column (a) and column (b) amounts reflect the present value of the annual vested benefit payable under the ITT Excess Pension Plan, as of December 31, 2010 assuming a retirement age at 65. Column (c) provides the value of the benefit payable to Ms. Buonocore’s beneficiary upon death. Column (d) is inapplicable because disability would not affect retirement benefits. Column (e) provides the present value of the benefit payable by ITT after imputing 24 months of eligibility service in the determination of the benefit. Column (f) provides the lump sum payable by ITT in accordance with the Special Senior Executive Severance Pay Plan in the event of a change of control.
 - (5) No additional ITT Excess Savings Plan payments are made in the event of voluntary or involuntary termination, or termination for cause. In the case of death or disability, the participant becomes 100% vested in the ITT match. Column (f) reflects the additional cash payment representing ITT contributions, which would be made following a change of control as described in the Special Senior Executive Severance Pay Plan in “Compensation Discussion and Analysis — Severance Plan Arrangements — Special Senior Executive Severance Pay Plan.”
 - (6) ITT’s Senior Executive Severance Pay Plan includes one year of outplacement services.
 - (7) In the event of termination not for cause, ITT will pay the company’s portion of medical and life insurance premiums for one year (\$1,950 and \$614 respectively) and in the event of a change of control, ITT will pay medical and life insurance premiums for three years (\$5,850 and \$1,842 respectively).
 - (8) Amounts in column (f) assume termination occurs immediately upon a change of control based on ITT’s December 31, 2010 closing stock price of \$52.11.

Potential Post-Employment Compensation

	Kenneth Napolitano					Termination not for Cause or with Good Reason After Change of Control \$ (f)
	Resignation \$ (a)	Termination for Cause \$ (b)	Death \$ (c)	Disability \$ (d)	Termination not for Cause \$ (e)	
<i>Cash Severance</i>						
Salary(1)	—	—	—	—	312,000	624,000
Bonus(1)	—	—	—	—	—	528,000
<i>Total</i>	—	—	—	—	312,000	1,152,000
<i>Unvested Non-Equity Awards(2)</i>						
2009 — 11 TSR Award	—	—	—	—	—	41,667
2010 — 12 TSR Award	—	—	—	—	—	94,467
<i>Total</i>	—	—	—	—	—	136,133
<i>Unvested Equity Awards(3)</i>						
3/10/08 Stock Option	—	—	—	—	—	—
3/10/08 Restricted Stock	—	—	67,222	67,222	67,222	67,222
3/5/09 Stock Options	—	—	156,453	156,453	78,226	156,453
3/5/09 Restricted Stock	—	—	171,859	171,859	157,537	171,859
3/5/10 Stock Option	—	—	—	—	—	—
3/5/10 Restricted Stock	—	—	153,881	153,881	89,764	153,881
<i>Total</i>	—	—	549,414	549,414	392,749	549,414
<i>Non-Qualified Retirement Benefits</i>						
Non-Qualified Pension(4)	182,557	182,557	104,842	—	182,557	945,080
Non-Qualified Savings Plan(5)	—	—	—	—	—	21,678
<i>Total</i>	182,557	182,557	104,842	—	182,557	966,758
<i>Other Non-Qualified Benefits</i>						
Outplacement(6)	—	—	—	—	—	75,000
Health & Welfare(7)	—	—	—	—	4,300	8,600
IRC 280(g) Tax Gross-Up(8)	—	—	—	—	—	930,484
<i>Total</i>	—	—	—	—	4,300	1,014,084
<i>Total</i>	182,557	182,557	654,256	549,414	897,606	3,818,390

- (1) Mr. Napolitano is covered under the ITT Severance Pay Policy. Under that policy, described in “Compensation Discussion and Analysis — Post-Employment Compensation — Severance Plan Arrangements,” ITT will pay a severance benefit equal to 52 weeks of base salary if terminated other than for cause unless termination occurs after the normal retirement date. In the event of a change of control, Mr. Napolitano is covered under ITT’s Special Senior Executive Severance Pay Plan, described in “Compensation Discussion and Analysis — Post-Employment Compensation — Severance Plan Arrangements” and, under the terms of the plan, would be paid a lump sum payment equal to the sum of two times his highest annual salary and two times the highest AIP award paid in the three years preceding a change of control. Further information regarding Mr. Napolitano’s post employment compensation is provided in the Non-Qualified Deferred Compensation and Pension Tables above.
- (2) Based on total shareholder return performance through December 31, 2010, outstanding TSR awards for the 2009-11 and the 2010-12 performance periods would not earn a payout. Should Mr. Napolitano resign or be terminated for cause, he would receive no TSR payment. In the event of death or disability, he would receive payment, if any, for outstanding TSR awards and in the event of termination without cause he would receive payment, if any, based on a pro-rata portion of the outstanding TSR awards as of the termination date, based on ITT’s performance during the three-year period, in accordance with Section 409A. TSR awards provide that in the event of a change of control, a pro-rata portion of outstanding awards will

[Table of Contents](#)

- be paid through the date of the change of control based on actual performance and the balance of the award will be paid at target (100%).
- (3) Equity awards vest according to the terms described in “Compensation Discussion and Analysis — Long-Term Incentive Awards Program.” Unvested equity awards reflect the market value of restricted stock and in-the-money value of options based on ITT’s December 31, 2010 closing stock price of \$52.11.
 - (4) Column (a) and column (b) amounts reflect the present value of the annual vested benefit payable under the ITT Excess Pension Plan, as of December 31, 2010 assuming a retirement at age 65. Column (c) provides the value of the benefit payable to Mr. Napolitano’s beneficiary upon death. Column (d) is inapplicable because disability would not affect retirement benefits. Column (e) provides the present value of the benefit payable by ITT if Mr. Napolitano is terminated not for cause. Column (f) provides the lump sum payable by ITT in accordance with the Special Senior Executive Severance Pay Plan in the event of a change of control.
 - (5) No additional ITT Excess Savings Plan payments are made in the event of voluntary or involuntary termination, or termination for cause. In the case of death or disability, to the extent not already vested, the participant becomes 100% vested in the ITT match. Mr. Napolitano was fully vested in the ITT match as of December 31, 2010. Column (f) reflects the additional cash payment representing ITT contributions, which would be made following a change of control as described in the Special Senior Executive Severance Pay Plan in “Compensation Discussion and Analysis— Post-Employment Compensation — Severance Plan Arrangements.”
 - (6) The Severance Policy includes outplacement services. Amounts shown in columns (f) are based on a current competitive bid.
 - (7) In the event of termination not for cause, ITT will pay the company’s portion of medical and life insurance premiums (\$3,740 and \$560, respectively) for twelve months and in the event of a change of control, ITT will pay medical and life insurance premiums (\$7,481 and \$1,120, respectively) for two years.
 - (8) Amounts in column (f) assume termination occurs immediately upon a change of control based on ITT’s December 31, 2010 closing stock price of \$52.11.

[Table of Contents](#)

Appendix A

List of Companies from the S&P® Industrials Companies used in the Towers Watson Compensation Data Bank Analyses:

Abbott Laboratories
Advanced Micro Devices
Agilent Technologies
Air Products and Chemicals
Alcoa
Allergan
Amazon.com
Amgen
Apollo Group
Applied Materials
AT&T
Automatic Data Processing
Avery Dennison
Avon Products
Ball
Baxter International
Best Buy
Big Lots
Biogen Idec
Boeing
Boston Scientific
Bristol-Myers Squibb
Brown-Forman
CA
Cameron International
Cardinal Health
Caterpillar
Celgene
Cephalon
CIGNA
Coca-Cola Enterprises
Colgate-Palmolive
ConAgra Foods
Convergys
CVS Caremark
Dean Foods
Dentsply
DIRECTV
Dow Chemical
Dr Pepper Snapple
DuPont
Eastman Chemical
Eastman Kodak
Eaton
eBay
Ecolab
Eli Lilly
El Paso Corporation
EMC
Emerson
Equifax
Fiserv
Fluor
Ford
Forest Laboratories
Fortune Brands
Freeport-McMoRan Copper & Gold
Gannett
Gap
General Dynamics
General Electric
General Mills

Genzyme
Gilead Sciences
Goodrich
Goodyear Tire & Rubber
Google
Harley-Davidson
Harman International Industries
Hershey
Hess
Honeywell
Hormel Foods
Hospira
Humana
IBM
IMS Health
Intel
International Flavors & Fragrances
International Game Technology
International Paper
Jacobs Engineering
Johnson Controls
Johnson & Johnson
KB Home
Kellogg
Kimberly-Clark
KLA-Tencor
Kohl's
Leggett and Platt
Lexmark International
Life Technologies
Limited
Lockheed Martin
Lorillard Tobacco
L-3 Communications
Marriott International
Masco
Mattel
McDonald's
McKesson
MeadWestvaco
Medco Health Solutions
Medtronic
Merck & Co
Microsoft
Millipore
Molson Coors Brewing
Monsanto
Motorola
Newmont Mining
New York Times
NIKE
Northrop Grumman
Novell
Occidental Petroleum
Office Depot
Owens-Illinois
Parker Hannifin
PepsiCo
Pfizer
Pitney Bowes
PPG Industries
Praxair
Pulte Homes
QUALCOMM
Quest Diagnostics
Qwest Communications
Raytheon
Rockwell Automation

Rockwell Collins
R.R. Donnelley
Sara Lee
Schering-Plough
Schlumberger
Sealed Air
Sherwin-Williams
Spectra Energy
Sprint Nextel
Staples
Starbucks
Starwood Hotels & Resorts
Sun Microsystems
Sunoco
Target
Tellabs
Tenet Healthcare
Teradata
Textron
3M
Time Warner
Time Warner Cable
UnitedHealth
United States Steel
United Technologies
Valero Energy
Verizon
VF
Viacom
Vulcan Materials
Walt Disney
Waste Management
Watson Pharmaceuticals
Western Digital
Western Union
Weyerhaeuser
Whirlpool
Whole Foods Market
Williams Companies
W.W. Grainger
Wyeth Pharmaceuticals
Wyndham Worldwide
Xerox
Yum! Brands

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreements with ITT and Exelis Related to the Spin-Off

This section of the Information Statement summarizes material agreements between us and ITT that will govern the ongoing relationships between the two companies after the spin-off and are intended to provide for an orderly transition to our status as an independent, publicly traded company. Additional or modified agreements, arrangements and transactions, which will be negotiated at arm's length, may be entered into between us and ITT after the spin-off. The summaries below of each of these agreements set forth the terms that we believe are material. These summaries are qualified in their entirety by reference to the full text of the applicable agreements, which are incorporated by reference into this Information Statement.

Following the spin-off, we and ITT will operate independently, and neither will have any ownership interest in the other. In order to govern certain ongoing relationships between us and ITT after the spin-off and to provide mechanisms for an orderly transition, we, Exelis and ITT intend to enter into agreements pursuant to which certain services and rights will be provided for following the spin-off, and we, Exelis and ITT will indemnify each other against certain liabilities arising from our respective businesses. The following is a summary of the terms of the material agreements we expect to enter into with ITT and Exelis.

Distribution Agreement

We intend to enter into a Distribution Agreement with ITT and Exelis prior to the distribution of our shares of common stock to ITT shareholders. The Distribution Agreement will set forth our agreements with ITT and Exelis regarding the principal actions to be taken in connection with our spin-off from ITT. It will also set forth other agreements that govern certain aspects of our relationship with ITT and Exelis following the spin-off.

Transfer of Assets and Assumption of Liabilities. The Distribution Agreement will provide for those transfers of assets and assumptions of liabilities that are necessary in connection with our spin-off from ITT so that each of Xylem, Exelis and ITT is allocated the assets necessary to operate its respective business and retains or assumes the liabilities allocated to it in accordance with the distribution plan. The Distribution Agreement will also provide for the settlement or extinguishment of certain liabilities and other obligations between and among Xylem, Exelis and ITT. See "Unaudited Pro Forma Combined Condensed Financial Statements." In particular, the Distribution Agreement will provide that, subject to the terms and conditions contained in the Distribution Agreement:

- All of the assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) associated with the Water business of ITT will be retained by or transferred to us or one of our subsidiaries.
- All of the assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) associated with the Defense business of ITT will be retained by or transferred to Exelis or one of Exelis's subsidiaries.
- All other assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) of ITT will be retained by or transferred to ITT or one of its subsidiaries (other than us or one of our subsidiaries or Exelis and its subsidiaries).
- Liabilities (including whether accrued, contingent or otherwise) related to, arising out of or resulting from businesses of ITT that were previously terminated or divested will be allocated among the parties to the extent formerly owned or managed by or associated with such parties or their respective businesses.
- Each of Xylem and Exelis will assume or retain any liabilities (including under applicable federal and state securities laws) relating to, arising out of or resulting from the Form 10 registering its common stock to be distributed by ITT in the spin-off and from any disclosure documents that offer for sale the debt securities described under "Description of Material Indebtedness," subject to exceptions for certain information for which ITT will retain liability.

- Except as otherwise provided in the Distribution Agreement or any ancillary agreement, we will be responsible for any costs or expenses incurred by us in connection with the distribution, including costs and expenses relating to legal counsel, financial advisors and accounting advisory work related to the distribution.
- In addition, notwithstanding the allocation described above, we, Exelis and ITT will agree that (i) ITT will be responsible for, and indemnify us against, losses related to all of the contingent liabilities (and related costs and expenses) arising out of litigation and claims alleging exposure to asbestos prior to our separation from ITT (including those that are described in ITT's public filings with the Securities and Exchange Commission) and (ii) each party will, in accordance with each parties' applicable percentage of responsibility, be responsible for losses related to certain contingent liabilities (and related costs and expenses) in accordance with the Distribution Agreement and any ancillary agreement.

Further Assurances. To the extent that any transfers of assets or assumptions of liabilities contemplated by the Distribution Agreement have not been consummated on or prior to the date of the distribution, the parties will agree to cooperate to effect such transfers or assumptions as promptly as practicable following the date of the distribution. In addition, each of the parties will agree to cooperate with each other and use commercially reasonable efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Distribution Agreement and the ancillary agreements.

Representations and Warranties. In general, neither we, Exelis, nor ITT will make any representations or warranties regarding any assets or liabilities transferred or assumed, any consents or approvals that may be required in connection with such transfers or assumptions, the value or freedom from any lien or other security interest of any assets transferred, the absence of any defenses relating to any claim of either party or the legal sufficiency of any conveyance documents, or any other matters. Except as expressly set forth in the Distribution Agreement or in any ancillary agreement, all assets will be transferred on an "as is," "where is" basis.

The Distribution. The Distribution Agreement will govern the rights and obligations of the parties regarding the proposed distribution and certain actions that must occur prior to the proposed distribution, such as the election of officers and directors and the adoption of the amended and restated articles of incorporation and amended and restated by-laws. Prior to the distribution, we will distribute shares of our common stock to ITT in a share dividend, so that ITT shall hold the necessary number of shares of our common stock required to be distributed in the distribution. ITT will cause its agent to distribute to ITT shareholders that hold shares of ITT common stock as of the applicable record date all the issued and outstanding shares of our common stock. ITT will have the sole and absolute discretion to determine (and change) the terms of, and whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the date of the distribution.

Conditions. The Distribution Agreement will provide that the distribution is subject to several conditions that must be satisfied or waived by ITT in its sole discretion. For further information regarding these conditions, see "The Spin-Off — Conditions to the Spin-Off." ITT may, in its sole discretion, determine the distribution date and the terms of the distribution and may at any time prior to the completion of the distribution decide to abandon or modify the distribution.

Termination. The Distribution Agreement will provide that it may be terminated by ITT at any time in its sole discretion prior to the date of the distribution.

Release of Claims and Indemnification. We, Exelis and ITT will agree to broad releases pursuant to which we will each release the others and certain related persons specified in the Distribution Agreement from any claims against any of them that arise out of or relate to events, circumstances or actions occurring or failing to occur or alleged to occur or fail to occur or any conditions existing or alleged to exist at or prior to the time of the distribution. These releases will be subject to certain exceptions set forth in the Distribution Agreement and the ancillary agreements.

The Distribution Agreement will provide for cross-indemnities that, except as otherwise provided in the Distribution Agreement, are principally designed to place financial responsibility for the obligations and

liabilities of our business with us, financial responsibility for the obligations and liabilities of Exelis's business with Exelis and financial responsibility for the obligations and liabilities of ITT's business with ITT. Specifically, each party will, and will cause its subsidiaries and affiliates to, indemnify, defend and hold harmless the other party, its affiliates and subsidiaries and each of its officers, directors, employees and agents for any losses arising out of or otherwise in connection with:

- the liabilities or alleged liabilities each such party assumed or retained pursuant to the Distribution Agreement; and
- any breach by such party of the Distribution Agreement or any ancillary agreement unless such ancillary agreement expressly provides for separate indemnification therein, in which case any such indemnification claims shall be made thereunder.

The amount of each party's indemnification obligations will be subject to reduction by any insurance proceeds received by the party being indemnified. The Distribution Agreement will also specify procedures with respect to claims subject to indemnification and related matters. Indemnification with respect to taxes will be governed solely by the Tax Matters Agreement.

Cash Adjustments: Prior to the distribution, we will transfer funds to ITT or ITT will transfer funds to us so that our book cash and cash equivalents balance in our accounts will be equal to \$200 million. The Distribution Agreement provides for a mechanism to adjust the book cash and cash equivalents balance among us, Exelis and ITT should our book cash and cash equivalents balance be greater than or less than \$200 million.

Insurance. Following the spin-off, we will be responsible for obtaining and maintaining our own insurance coverage, although we will continue to have coverage under certain of ITT's pre-spinoff insurance policies for certain matters that occurred prior to the spin-off.

Dispute Resolution. In the event of any dispute arising out of the Distribution Agreement, the general counsels of the parties and such other representatives as the parties designate will negotiate to resolve any disputes among the parties. If the parties are unable to resolve the dispute in this manner within 45 days then, unless agreed otherwise by the parties, the parties will submit the dispute to mediation for an additional period of 45 days. If the parties are unable to resolve the dispute in this manner, the dispute will be resolved through binding arbitration.

Other Matters Governed by the Distribution Agreement. Other matters governed by the Distribution Agreement include access to financial and other information, intellectual property, confidentiality, access to and provision of records and treatment of outstanding guarantees and similar credit support.

Benefits and Compensation Matters Agreement

We intend to enter into a Benefits and Compensation Matters Agreement with ITT and Exelis that will govern the respective rights, responsibilities and obligations of ITT, Exelis and us after the spin-off with respect to transferred employees, defined benefit pension plans, defined contribution pension plans, nonqualified pension plans, employee health and welfare benefit plans, incentive plans, corporate-owned life insurance, stock options, foreign benefit plans, director plans and collective bargaining agreements. The Benefits and Compensation Matters Agreement will provide for the allocation and treatment of assets and liabilities arising out of incentive plans, pension plans and employee welfare benefit programs in which our employees participated prior to the spin-off. Generally, we will assume or retain sponsorship of, and liabilities relating to, employee compensation and benefit programs relating to our current employees. The Benefits and Compensation Matters Agreement will also provide that outstanding ITT equity awards will be equitably adjusted in connection with the spin-off. We expect that all outstanding ITT equity awards held by current employees of Xylem as of the distribution date will be substituted for Xylem equity awards pursuant to the Benefits and Compensation Matters Agreement. We expect that the substitution will preserve the economic value of the cancelled ITT equity awards for employees of Xylem as of the distribution date. Subject to the applicable transition periods with respect to certain benefit plans or programs, after the spin-off, employees of Xylem will no longer participate in ITT's plans or programs, and Xylem will establish plans or programs for Xylem employees as described in the Benefits and Compensation Matters Agreement. Xylem will also

establish or maintain plans and programs outside of the U.S. as may be required under applicable law or pursuant to the Benefits and Compensation Matters Agreement.

Intellectual Property License Agreements

We intend to enter into an ITT Transitional Trademark License Agreement with a subsidiary of ITT pursuant to which we will license on a non-exclusive basis the right to use the ITT name and trademark in the water business for a transitional period while we phase-out the use of such trademark. We also intend to enter into a Goulds Trademark License Agreement with a subsidiary of ITT pursuant to which we will have a perpetual license to use the “Goulds” trademark in connection with the operation of our pump business and share the exclusive right with ITT in a segment that overlaps with ITT’s pump business. We also intend to enter into a Trademark Sublicense Agreement with ITT pursuant to which we will have a license to use the “AC” trademark. We also intend to enter into a Technology License Agreement with ITT and Exelis pursuant to which we will license on a non-exclusive basis certain of our intellectual property (excluding trademarks) existing as of the distribution date to ITT and Exelis and their respective affiliates and in turn, both ITT and Exelis and their respective affiliates will grant reciprocal licenses to us, each for use in our respective businesses. We also intend to enter into several license agreements with ITT or its affiliates for certain technology related to turbine and other pumps.

Tax Matters Agreement

We intend to enter into a Tax Matters Agreement with ITT and Exelis that will govern the respective rights, responsibilities and obligations of ITT, Exelis and us after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. Federal, state, local and foreign income taxes, other tax matters and related tax returns. As a subsidiary of ITT, we have (and will continue to have following the spin-off) several liability with ITT to the IRS for the consolidated U.S. Federal income taxes of the ITT consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement will specify the portion, if any, of this tax liability for which we will bear responsibility, and ITT and Exelis will agree to indemnify us against any amounts for which we are not responsible. The Tax Matters Agreement will also provide special rules for allocating tax liabilities in the event that the spin-off is not tax-free. The Tax Matters Agreement will provide for certain covenants that may restrict our ability to pursue strategic or other transactions that otherwise could maximize the value of our business and may discourage or delay a change of control that you may consider favorable. For example, unless we (or ITT, as applicable) were to receive a supplemental private letter ruling from the IRS or an unqualified opinion from a nationally recognized tax advisor, or ITT and Exelis were to grant us a waiver, we would be restricted until 2 years after the spin-off is consummated from entering into transactions which would result in an ownership shift in the Company of more than 35% (measured by vote or value) or divestitures of certain businesses or entities which could impact the tax-free nature of the spin-off. Though valid as between the parties, the Tax Matters Agreement will not be binding on the IRS.

Real Estate Matters

We intend to enter into a Master Assignment and Assumption of Lease Agreement pursuant to which ITT, or certain of its subsidiaries, will assign lease agreements currently held in the name of ITT or certain of its subsidiaries to the party occupying and operating the relevant leased premises.

We intend to enter into a Master Lease Agreement pursuant to which ITT, or certain of its subsidiaries, will lease certain real estate to or from Xylem, or certain of its subsidiaries, that is currently owned by ITT, or certain of its subsidiaries, but currently occupied and operated by one or both parties, in each case for a limited term to help ensure an orderly transition following the distribution.

We intend to enter into a Master Sublease Agreement pursuant to which ITT, or certain of its subsidiaries, will sublease certain real estate to or from Xylem, or certain of its subsidiaries, that is currently leased by ITT, or certain of its subsidiaries, but currently occupied and operated by one or both parties, in each case for a limited term to help ensure an orderly transition following distribution.

Transition Services Agreement

We intend to enter into a Master Transition Services Agreement with ITT and Exelis, under which each of ITT and Exelis or their respective affiliates will provide us with certain services, and we or certain of our affiliates will provide each of ITT and Exelis certain services, for a limited time to help ensure an orderly transition for each of Xylem, ITT and Exelis following the distribution.

We anticipate that under the Master Transition Services Agreement, Xylem will receive certain services (including information technology, financial, procurement and human resource services, benefits support services and other specified services) from ITT and Exelis, and Xylem will provide certain services (including information technology, human resources services and other specified services) to ITT and/or Exelis. We expect these services will be initially provided at cost with scheduled, escalating increases to up to cost plus 10% and are planned to extend for a period of 3 to 24 months in most circumstances.

Other Agreements

Effective upon the distribution, we intend for certain intercompany work orders and/or informal intercompany commercial arrangements to be converted into third-party contracts based on ITT's standard terms and conditions.

Policies for Approving Related Person Transactions

In connection with the distribution, it is expected that the Company and our Board of Directors will adopt formal written policies for evaluation of potential related person transactions, as those terms are defined in the SEC's rules for executive compensation and related person disclosure, which provide for review and pre-approval of transactions which may or are expected to exceed \$120,000 involving non-management directors, executive officers, beneficial owners of five percent or more of the Company's common stock or other securities and any immediate family of such persons. The Company's policy is expected to generally group transactions with related persons into two categories: (1) transactions requiring the approval of the Nominating and Governance Committee and (2) certain transactions, including ordinary course transactions below established financial thresholds, that are deemed pre-approved by the Nominating and Governance Committee.

In reviewing related person transactions that are not deemed pre-approved for approval or ratification, it is expected that the Nominating and Governance Committee will consider the relevant facts and circumstances, including:

- Whether terms or conditions of the transaction are generally available to third-parties under similar terms or conditions;
- Level of interest or benefit to the related person;
- Availability of alternative suppliers or customers; and
- Benefit to the Company.

The Nominating and Governance Committee is expected to deem to have pre-approved certain transactions identified in Item 404(a) of Regulation S-K that are not required to be disclosed even if the amount involved exceeds \$120,000. In addition, any transaction with another company at which a related person's only relationship is as an employee (other than an executive officer), director and/or beneficial owner of less than 10% of that company's shares is expected to be deemed pre-approved; provided, however, that with respect to directors, if a director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, such transaction is expected to be reviewed by the Nominating and Governance Committee and not considered appropriate for automatic pre-approval. Regardless of whether a transaction is deemed pre-approved, all transactions in any amount are expected to be required to be reported to the Nominating and Governance Committee.

DESCRIPTION OF MATERIAL INDEBTEDNESS

From and after the spin-off, we, Exelis and ITT will, in general, each be responsible for the debts, liabilities, rights and obligations related to the business or businesses that it owns and operates following consummation of the spin-off, except as set forth below. See “Certain Relationships and Related Party Transactions — Agreements with ITT and Exelis Related to the Spin-Off.”

The loan agreements, indentures and guaranties, as defined below, have been filed as exhibits to the Registration Statement on Form 10 of which this Information Statement is a part. You should read the more detailed provisions of the loan agreements, indentures and the guaranties, including the defined terms, for provisions that may be important to you.

Senior Notes

On September 20, 2011, Xylem and ITT entered into an indenture (the “Indenture”) with Union Bank, N.A., as trustee, relating to the issuance by Xylem of \$600 million aggregate principal amount of 3.550% senior notes due 2016 (the “2016 Notes”) and \$600 million aggregate principal amount of 4.875% senior notes due 2021 (the “2021 Notes” and, together with the 2016 Notes, the “Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The 2016 Notes bear interest at a rate of 3.550% per annum and the 2021 Notes bear interest at a rate of 4.875% per annum. Interest on the Notes accrues from September 20, 2011. Interest on the 2021 Notes is payable on April 1 and October 1 of each year, commencing on April 1, 2012. Interest on the 2016 Notes is payable on March 20 and September 20 of each year, commencing on March 20, 2012. The 2016 Notes will mature on September 20, 2016. The 2021 Notes will mature on October 1, 2021.

The Notes are initially guaranteed on a senior unsecured basis by ITT. The guarantee will terminate and be automatically and unconditionally released upon the distribution.

The public offering price of the Notes was (i) 99.809% of the principal amount of the 2016 Notes and (ii) 99.935% of the principal amount of the 2021 Notes.

The Indenture includes covenants that restrict the ability of Xylem, subject to exceptions, to incur debt secured by liens and engage in sale and lease-back transactions. The Indenture also provides for customary events of default (subject, in certain cases, to receipt of notice of default and/or customary grace and cure periods), including but not limited to, (i) failure to pay interest for 30 days, (ii) failure to pay principal when due, (iii) failure to perform any other covenant in the Indenture for 90 days after receipt of notice from the trustee or from holders of 25% of the outstanding principal amount and (iv) certain events of bankruptcy, insolvency or reorganization of Xylem. Xylem may redeem each series of the Notes, in whole or in part, at any time at a redemption price equal to the principal amount of the Notes to be redeemed, plus a make-whole premium. If a change of control triggering event occurs, as defined in the Indenture, Xylem will be required to make an offer to purchase the Notes, as applicable, at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase.

Credit Facility

Four-year Competitive Advance and Revolving Credit Facility Agreement

We currently expect that, at or prior to the spin-off, we, as borrower, will enter into a four-year competitive advance and revolving credit facility agreement (the “credit agreement”) with JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. as syndication agent, the other agent banks, lead arrangers and joint bookrunners party thereto and the lenders named therein. The terms of the credit agreement and related documentation for the credit facility have not been finalized, and accordingly their definitive terms may vary from those described below.

The credit facility currently is expected to provide for an aggregate principal amount of up to \$600 million of (i) a competitive advance borrowing option which will be provided on an uncommitted competitive advance basis through an auction mechanism (the “competitive loans”), (ii) revolving extensions of credit (the “revolving loans”) outstanding at any time and (iii) the issuance of letters of credits in a face amount not in excess of \$100 million at any time outstanding.

Maturity; Termination, Reduction and Increase in Commitments; Prepayments

The credit facility will have a four-year maturity, except that, prior to the termination of the credit agreement and upon the satisfaction of certain conditions contained therein, not less than 30 days and not more than 90 days prior to any anniversary of the date of such credit agreement, we may request that the lenders extend the maturity date by one year.

Subject to certain conditions, we are permitted to terminate permanently the total commitments and reduce commitments in minimum amounts of \$10 million. We are also permitted, subject to certain conditions, to request that the lenders increase the commitments under the credit facility by up to \$200 million for a maximum aggregate principal amount of \$800 million. Voluntary prepayments are permitted in minimum amounts of \$50 million.

Guarantee

We will unconditionally guarantee the obligations under the credit agreement of any of our subsidiaries who become borrowers under the credit agreement.

Interest

At our election, the interest rate per annum applicable to the competitive advances will be based on either (i) a Eurodollar rate determined by reference to LIBOR, plus an applicable margin offered by the lender making such loans and accepted by us or (ii) a fixed percentage rate per annum specified by the lender making such loans.

At our election, interest rate per annum applicable to the revolving loans will be based on either (i) a Eurodollar rate determined by reference to LIBOR, adjusted for statutory reserve requirements, plus an applicable margin or (ii) a fluctuating rate of interest determined by reference to the greatest of (a) the prime rate of JPMorgan Chase Bank, N.A., (b) the federal funds effective rate plus $\frac{1}{2}$ of 1% or (c) the Eurodollar rate determined by reference to LIBOR, adjusted for statutory reserve requirements, in each case, plus an applicable margin.

Fees

We will pay certain customary and recurring fees with respect to the credit facility, including (i) fees on the commitments of the lenders under the revolving facility, (ii) administration fees and (iii) letter of credit fees on the aggregate face amounts of outstanding letters of credit, plus a customary fronting fee to the issuing bank.

If the credit facility does not close prior to November 30, 2011, we will pay a ticking fee to each lender equal to 0.15% per annum of the daily aggregate principal commitment of such lender for the period commencing on November 30, 2011, and ending on the date of the closing of the credit facility.

Covenants

The credit agreement will contain a number of customary affirmative and negative covenants that, among other things, will limit or restrict our ability to:

- Incur additional debt or issues guarantees;
- create liens;
- enter into certain sale and lease-back transactions;
- merge or consolidate with another person;
- sell, transfer, lease or otherwise dispose of assets;
- liquidate or dissolve; and
- enter into restrictive agreements.

The credit agreement will also require us not to permit the ratio of consolidated total indebtedness to consolidated EBITDA (as defined in the credit agreement) to exceed 3.50 to 1.00 at any time.

Events of Default

The credit agreement will contain customary events of default, including nonpayment of principal, interest, fees or other amounts; material inaccuracy of a representation or warranty when made; violation of a covenant; cross-default to material indebtedness; bankruptcy events; material judgments; certain ERISA events and change in control.

Execution of Documentation

Although we currently expect the credit facility documentation to be completed and executed at or prior to the spin-off, it is possible that there will not be agreement as to the form of the documentation and we would not enter into the credit facility described above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the date of this Information Statement, all of the outstanding shares of our common stock are beneficially owned by ITT. After the spin-off, ITT will not own any shares of our common stock.

The following tables provide information with respect to the anticipated beneficial ownership of our common stock by:

- each of our shareholders who we believe (based on the assumptions described below) will beneficially own more than 5% of Xylem’s outstanding common stock;
- each of our current directors and the directors following the spin-off;
- each officer named in the summary compensation table; and
- all of our directors and executive officers following the spin-off as a group.

Except as otherwise noted below, we based the share amounts on each person’s beneficial ownership of ITT common stock on _____, 2011, giving effect to a distribution ratio of one share of our common stock for each share of ITT common stock held by such person.

To the extent our directors and executive officers own ITT common stock at the record date of the spin-off, they will participate in the distribution on the same terms as other holders of ITT common stock. Upon the consummation of the spin-off, the outstanding options and unvested restricted stock and restricted stock units held by ITT employees who are becoming Xylem employees will be converted from securities of ITT into equivalent securities of Xylem with the number and exercise price equitably determined to preserve the economic value of the previously held securities of ITT.

Except as otherwise noted in the footnotes below, each person or entity identified in the tables below has sole voting and investment power with respect to the securities owned by such person or entity.

Immediately following the spin-off, we estimate that approximately 184 million shares of our common stock will be issued and outstanding, based on the number of shares of ITT common stock expected to be outstanding as of the record date. The actual number of shares of our common stock outstanding following the spin-off will be determined on _____, 2011, the record date.

Stock Ownership of Certain Beneficial Owners

We anticipate, based on information to our knowledge as of June 30, 2011, that the following entities will beneficially own more than 5% of our common stock after the spin-off.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Barrow, Hanley, Mewhinney & Strauss, LLC 2200 Ross Avenue, 31st Floor Dallas, TX 75201-2761	13,008,379(a)	7.09%(a)

- (a) As reported on Schedule 13G dated filed on February 11, 2011, Barrow, Hanley, Mewhinney & Strauss, LLC has sole voting power with respect to 1,059,706 shares, shared voting power with respect to 11,948,673 shares, and sole dispositive power with respect to 13,008,379 shares.

Stock Ownership of Officers and Directors

	Shares of Common Stock Beneficially Owned(1)	Percent of Class
Non-Employee Directors		
Curtis J. Crawford	61,987(2)	*
Steven R. Loranger	881,302(3)	*
John J. Hamre	44,895(4)	*
Surya N. Mohapatra	16,136(5)	*
Markos I. Tambakeras	43,455(6)	*
Named Executive Officers		
Gretchen W. McClain	158,514(7)	*
Michael T. Speetzen	16,719(8)	*
Frank R. Jimenez	22,309(9)	*
Angela A. Buonocore	31,982(10)	*
Kenneth Napolitano	40,237(11)	*
Directors and Executive Officers as a Group (15 persons)	<u>1,428,206(12)</u>	<u>*</u>

* Less than 1%.

- (1) With respect to certain Non-Employee Directors, includes restricted stock units that have vested but are deferred until the earlier of a later date or retirement.
- (2) Includes options exercisable into 22,901 shares within 60 days of August 31, 2011, 1,288 restricted stock units that vest within 60 days of August 31, 2011 and 3,550 vested but deferred restricted stock units.
- (3) Includes 50,551 shares held by a family trust of which Mr. Loranger's spouse is the trustee and as to which Mr. Loranger disclaims beneficial ownership and options exercisable into 721,967 shares within 60 days of August 31, 2011.
- (4) Includes options exercisable into 22,901 shares within 60 days of August 31, 2011, 1,288 restricted stock units that vest within 60 days of August 31, 2011 and 5,265 vested but deferred restricted stock units.
- (5) Includes options exercisable into 7,241 shares within 60 days of August 31, 2011, 1,288 restricted stock units that vest within 60 days of August 31, 2011 and 1,355 vested but deferred restricted stock units.
- (6) Includes 16,307 shares held by a family trust of which Mr. Tambakeras and his spouse are co-trustees and as to which Mr. Tambakeras disclaims beneficial ownership, options exercisable into 22,901 shares within 60 days of August 31, 2011 and 1,288 restricted stock units that vest within 60 days of August 31, 2011.
- (7) Includes options exercisable into 73,883 shares within 60 days of August 31, 2011.
- (8) Includes options exercisable into 3,996 shares within 60 days of August 31, 2011.
- (9) Includes options exercisable into 7,311 shares within 60 days of August 31, 2011.
- (10) Includes options exercisable into 15,040 shares within 60 days of August 31, 2011.
- (11) Includes options exercisable into 31,564 shares within 60 days of August 31, 2011.
- (12) Includes options exercisable into 1,035,867 shares within 60 days of August 31, 2011, 5,152 restricted stock units that vest within 60 days of August 31, 2011 and 10,170 vested but deferred restricted stock units.

DESCRIPTION OF CAPITAL STOCK

General

Prior to the distribution date, our Board of Directors and ITT, as our sole shareholder, will approve and adopt the amended and restated articles of incorporation and the amended and restated by-laws. Our amended and restated articles of incorporation authorize us to issue 750 million shares of common stock, par value \$0.01 per share, and 50 million shares of preferred stock. The following is a description of our capital stock. This description is not complete, and we qualify this description by referring to our amended and restated articles of incorporation and our amended and restated by-laws, which are attached as exhibits to our Registration Statement on Form 10 under the Exchange Act, and to the laws of the state of Indiana.

Common Stock

Dividend Rights. Under our amended and restated articles of incorporation, holders of our common stock are entitled to receive any dividends our Board of Directors may declare on the common stock, subject to the prior rights of the preferred stock. The Board of Directors may declare dividends from funds legally available for this purpose.

Voting Rights. Our common stock has one vote per share. The holders of our common stock are entitled to vote on all matters to be voted on by shareholders. Our amended and restated articles of incorporation do not provide for cumulative voting. This could prevent directors from being elected by a relatively small group of shareholders.

Liquidation Rights. After provision for payment of creditors and after payment of any liquidation preferences to holders of the preferred stock, if we liquidate, dissolve or are wound up, whether this is voluntary or not, the holders of our common stock will be entitled to receive on a pro rata basis all assets remaining.

Other Rights. Our common stock is not liable to further calls or assessment. The holders of our common stock are not currently entitled to subscribe for or purchase additional shares of our capital stock. Our common stock is not subject to redemption and does not have any conversion or sinking fund provisions.

Preferred Stock

Our Board of Directors has the authority, without other action by shareholders, to issue preferred stock in one or more series. The holders of our preferred stock do not have the right to vote, except as our Board of Directors establishes, or as provided in our amended and restated articles of incorporation or as determined by state law.

The Board of Directors has the authority to determine the terms of each series of preferred stock, within the limits of our amended and restated articles of incorporation, our amended and restated by-laws and the laws of the state of Indiana. These terms include the number of shares in a series, the consideration, dividend rights, liquidation preferences, terms of redemption, conversion rights and voting rights, if any.

Effects on Our Common Stock if We Issue Preferred Stock

If we issue preferred stock, it may negatively affect the holders of our common stock. These possible negative effects include the following:

- diluting the voting power of shares of our common stock;
- affecting the market price of our common stock;
- delaying or preventing a change in control of Xylem;
- making removal of our present management more difficult; or
- restricting dividends and other distributions on our common stock.

Provisions of Our Amended and Restated Articles of Incorporation and Amended and Restated By-Laws That Could Delay or Prevent a Change in Control

Certain provisions of our amended and restated articles of incorporation and amended and restated by-laws may delay or make more difficult unsolicited acquisitions or changes of control of the Company. We believe that such provisions will enable us to develop our business in a manner that will foster our long-term growth without disruption caused by the threat of a takeover not deemed by our Board of Directors to be in the best interests of the Company, our shareholders and certain other constituents. Such provisions could have the effect of discouraging third parties from making proposals involving an unsolicited acquisition or change of control of the Company, although a majority of our shareholders might consider such proposals, if made, desirable. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our Board of Directors. These provisions include:

- a classified Board of Directors;
- the availability of capital stock for issuance from time to time at the discretion of our Board of Directors;
- the ability of our Board of Directors to increase the size of the board and to appoint directors to fill newly created directorships;
- prohibitions against shareholders calling a special meeting of shareholders; and
- requirements for advance notice for raising business or making nominations at shareholders' meetings.

Classified Board of Directors

Our Board of Directors will be divided into three classes that will be, as nearly as possible, of equal size. Initially, Class I directors will serve for a one-year term, Class II directors for a two-year term, and Class III directors for a three-year term. The terms of the Class I, Class II and Class III directors will expire at the annual meeting in 2012, 2013 and 2014, respectively. Upon the expiration of each initial term, directors will subsequently serve three-year terms if renominated and reelected. The proposed Class I directors will include Gretchen W. McClain, Markos I. Tambakeras and , the proposed Class II directors will include Curtis J. Crawford, John J. Hamre and , and the proposed Class III directors will include Surya N. Mohapatra, and .

Authorized But Unissued Capital Stock

The authorized but unissued shares of our common stock and preferred stock will be available for future issuance without shareholder approval. Indiana law does not require shareholder approval for any issuance of authorized shares. However, the listing requirements of the New York Stock Exchange, which would apply to us so long as our common stock remains listed on the New York Stock Exchange, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of our common stock. We may issue additional shares for a variety of corporate purposes, including future public offerings to raise additional capital or to facilitate corporate acquisitions.

Our board may be able to issue shares of unissued and unreserved common or preferred stock to persons friendly to current management. This issuance may render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management. This could possibly deprive our shareholders of opportunities to sell their shares of our stock at prices higher than prevailing market prices. Our board could also use these shares to dilute the ownership of persons seeking to obtain control of the Company.

Number of Directors; Filling of Vacancies

Our amended and restated by-laws provide that the Board of Directors will have at least 3 and at most 25 directors. The size of the board may be changed by a majority vote of the Board of Directors. A majority of the board determines the exact number of directors at any given time. The board fills any new directorships it creates and any vacancies, subject to the requirement provided in the amended and restated by-laws that the

majority of directors holding office immediately after such election be independent directors, as defined in the amended and restated by-laws. Accordingly, our board may be able to prevent any shareholder from obtaining majority representation on the board by increasing the size of the board and filling the newly created directorships with its own nominees.

Special Meetings

Our amended and restated articles of incorporation and amended and restated by-laws provide that only the chairman of the board or a majority of our board may call a special meeting of shareholders. This provision may delay or prevent a shareholder from removing a director from the board or from gaining control of the board.

Advance Notice Provisions

Our amended and restated by-laws require that for a shareholder to nominate a director or bring other business before an annual meeting, the shareholder must give written notice, in proper form, to the Secretary of Xylem not less than 90 days and no more than 120 days prior to the date corresponding to the date on which we first mailed our proxy materials for the prior year's annual meeting.

Only persons who are nominated by, or at the direction of, our Board of Directors, or who are nominated by a shareholder who has given timely written notice, in proper form, to the Secretary of Xylem prior to a meeting at which directors are to be elected, will be eligible for election as directors of Xylem. The notice of any nomination for election as a director must set forth:

- the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated;
- a representation that the shareholder is a holder of record of our stock 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;
- a description of all arrangements or understandings between the shareholder 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;
- such other information regarding each 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 had each nominee been nominated, or intended to be nominated, by our board;
- the consent of each nominee to serve as a director if so elected; and
- if the shareholder intends to solicit proxies in support of such shareholder's nominee(s), a representation to that effect.

The notice to bring any other matter a shareholder proposes to bring before an annual meeting must also set forth:

- a brief description of the proposal and the reasons therefor;
- if the proposal involves an amendment to our amended and restated articles of incorporation or amended and restated by-laws, the language of the amendment;
- any material interest of the shareholder in the proposal; and
- if the shareholder intends to solicit proxies with respect to the proposal, a representation to that effect.

Our amended and restated by-laws limit the business that may be conducted at a special meeting to the purposes stated in the notice of the meeting.

The advance notice provisions may delay a person from bringing matters before a shareholder meeting. The provisions may provide enough time for us to begin litigation or take other steps to respond to these matters, or to prevent them from being acted upon, if we find it desirable.

Certain Provisions of the Indiana Business Corporation Law

As an Indiana corporation, we are governed by the Indiana Business Corporation Law, or the IBCL. Under specified circumstances, the following provisions of the IBCL may delay, prevent or make more difficult unsolicited acquisitions or changes of control of the Company. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interest.

Control Share Acquisitions. Under Sections 23-1-42-1 to 23-1-42-11 of the IBCL, an acquiring person or group who makes a “control share acquisition” in an “issuing public corporation” may not exercise voting rights on any “control shares” unless these voting rights are conferred by a majority vote of the disinterested shareholders of the issuing corporation at a special meeting of those shareholders held upon the request and at the expense of the acquiring person. If control shares acquired in a control share acquisition are accorded full voting rights and the acquiring person has acquired control shares with a majority or more of all voting power, all shareholders of the issuing public corporation have dissenters’ rights to receive the fair value of their shares pursuant to Section 23-1-44 of the IBCL.

Under the IBCL, “control shares” means shares acquired by a person that, when added to all other shares of the issuing public corporation owned by that person or in respect to which that person may exercise or direct the exercise of voting power, would otherwise entitle that person to exercise voting power of the issuing public corporation in the election of directors within any of the following ranges:

- one-fifth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more.

“Control share acquisition” means, subject to specified exceptions, the acquisition, directly or indirectly, by any person of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares. For the purposes of determining whether an acquisition constitutes a control share acquisition, shares acquired within 90 days or under a plan to make a control share acquisition are considered to have been acquired in the same acquisition. “Issuing public corporation” means a corporation which is organized in Indiana and has (i) 100 or more shareholders, (ii) its principal place of business, its principal office or assets having a fair market value of more than \$1,000,000 within Indiana and (iii) (A) more than 10% of its shareholders resident in Indiana, (B) more than 10% of its shares owned by Indiana residents or (C) 1,000 shareholders resident in Indiana.

The above provisions do not apply if, before a control share acquisition is made, the corporation’s articles of incorporation or by-laws, including a board adopted by-law, provide that they do not apply. Our amended and restated articles of incorporation and amended and restated by-laws do not currently exclude us from the restrictions imposed by the above provisions.

Certain Business Combinations. Sections 23-1-43-1 to 23-1-43-24 of the IBCL restrict the ability of a “resident domestic corporation” to engage in any combinations with an “interested shareholder” for five years after the date the interested shareholder became such, unless the combination or the purchase of shares by the interested shareholder on the interested shareholder’s date of acquiring shares is approved by the Board of Directors of the resident domestic corporation before that date. If the combination was not previously approved, the interested shareholder may effect a combination after the five-year period only if that shareholder receives approval from a majority of the disinterested shares or the offer meets specified fair price criteria. For purposes of the above provisions, “resident domestic corporation” means an Indiana corporation that has 100 or more shareholders. “Interested shareholder” means any person, other than the resident domestic corporation or its subsidiaries, who is (1) the beneficial owner, directly or indirectly, of 10% or more of the

voting power of the outstanding voting shares of the resident domestic corporation or (2) an affiliate or associate of the resident domestic corporation, which at any time within the five-year period immediately before the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding shares of the resident domestic corporation. The above provisions do not apply to corporations that so elect in an amendment to their articles of incorporation approved by a majority of the disinterested shares. That amendment, however, cannot become effective until 18 months after its passage and would apply only to share acquisitions occurring after its effective date. Our amended and restated articles of incorporation do not exclude us from the restrictions imposed by the above provisions.

Directors' Duties and Liability. Under Section 23-1-35-1 of the IBCL, directors are required to discharge their duties:

- in good faith;
- with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
- in a manner the directors reasonably believe to be in the best interests of the corporation.

However, the IBCL also provides that a director is not liable for any action taken as a director, or any failure to act, unless the director has breached or failed to perform the duties of the director's office and the action or failure to act constitutes willful misconduct or recklessness.

The exoneration from liability under the IBCL does not affect the liability of directors for violations of the federal securities laws.

Section 23-1-35-1 of the IBCL also provides that a Board of Directors, in discharging its duties, may consider, in its discretion, both the long-term and short-term best interests of the corporation, taking into account, and weighing as the directors deem appropriate, the effects of an action on the corporation's shareholders, employees, suppliers and customers and the communities in which offices or other facilities of the corporation are located and any other factors the directors consider pertinent. Directors are not required to consider the effects of a proposed corporate action on any particular corporate constituent group or interest as a dominant or controlling factor. If a determination is made with the approval of a majority of the disinterested directors of the board, that determination is conclusively presumed to be valid unless it can be demonstrated that the determination was not made in good faith after reasonable investigation. Section 23-1-35-1 specifically provides that specified judicial decisions in Delaware and other jurisdictions, which might be looked upon for guidance in interpreting Indiana law, including decisions that propose a higher or different degree of scrutiny in response to a proposed acquisition of the corporation, are inconsistent with the proper application of the business judgment rule under the IBCL.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a Registration Statement on Form 10 with the SEC with respect to the shares of common stock that ITT shareholders will receive in the distribution. This Information Statement does not contain all of the information contained in the Registration Statement on Form 10 and the exhibits and schedules to the Registration Statement on Form 10. Some items are omitted in accordance with the rules and regulations of the SEC. For additional information relating to us and the spin-off, reference is made to the Registration Statement on Form 10 and the exhibits to the Registration Statement on Form 10, which are on file at the offices of the SEC. Statements contained in this Information Statement as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or other documents filed as an exhibit to the Registration Statement on Form 10. Each statement is qualified in all respects by the relevant reference.

You may inspect and copy the Registration Statement on Form 10 and the exhibits to the Registration Statement on Form 10 that we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the Public Reference Room. In addition, the SEC maintains an Internet site at www.sec.gov, from which you can electronically access the Registration Statement on Form 10, including the exhibits and schedules to the Registration Statement on Form 10.

Our Internet site and the information contained on that site, or connected to that site, are not incorporated into the Information Statement or the Registration Statement on Form 10.

As a result of the distribution, we will be required to comply with the full informational requirements of the Exchange Act. We will fulfill our obligations with respect to these requirements by filing periodic reports and other information with the SEC.

We plan to make available, free of charge, on our Internet site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 of the Exchange Act and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC.

You should rely only on the information contained in this Information Statement or to which we have referred you. We have not authorized any person to provide you with different information or to make any representation not contained in this Information Statement.

INDEX TO FINANCIAL STATEMENTS

<u>Item</u>	<u>Page</u>
The Water Equipment and Services Businesses of ITT Corporation	
Combined Financial Statements	
Report of Independent Registered Public Accounting Firm	F-2
Combined Statements of Operations for the Years Ended December 31, 2010, 2009 and 2008	F-3
Combined Balance Sheets as of December 31, 2010 and 2009	F-4
Combined Statements of Cash Flows for the Years Ended December 31, 2010, 2009 and 2008	F-5
Combined Statements of Parent Company Equity and Comprehensive Income for the Years Ended December 31, 2010, 2009 and 2008	F-6
Notes to Combined Financial Statements	F-7
Unaudited Interim Condensed Combined Financial Statements	
Preface	F-43
Condensed Combined Statements of Operations for the Six Months Ended June 30, 2011 and 2010 (Unaudited)	F-44
Condensed Combined Balance Sheets as of June 30, 2011 (Unaudited) and December 31, 2010	F-45
Condensed Combined Statements of Cash Flows for the Six Months Ended June 30, 2011 and 2010 (Unaudited)	F-46
Condensed Combined Statements of Comprehensive Income for the Six Months Ended June 30, 2011 and 2010 (Unaudited)	F-47
Notes to Condensed Combined Financial Statements (Unaudited)	F-48
Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary	
(Financial Statements of a Significant Acquired Business provided pursuant to the Securities and Exchange Commission's Regulation S-X Rule 3-05)	
Combined Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-59
Combined Consolidated Statement of Income and Retained Earnings for the Period from January 1 to August 2, 2010	F-60
Combined Consolidated Statement of Cash Flows for the Period from January 1 to August 2, 2010	F-61
Notes to Combined Consolidated Financial Statements	F-62

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Corporation
White Plains, New York

We have audited the accompanying combined balance sheets of the Water Equipment and Services Businesses of ITT Corporation (the "Company") as of December 31, 2010 and 2009 and the related combined statements of operations, cash flows, parent company equity and comprehensive income for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the combined financial statements, the accompanying combined financial statements have been derived from the accounting records of the water equipment and services businesses of ITT Corporation. The combined financial statements include expense allocations for certain corporate functions historically provided by ITT Corporation. These allocations may not be reflective of the actual expense which would have been incurred had the Company operated as a separate entity apart from ITT Corporation. Included in Note 18 to the combined financial statements is a summary of transactions with related parties.

/s/ Deloitte & Touche LLP

Stamford, Connecticut
July 8, 2011 (August 22, 2011 as to Note 21)

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
COMBINED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2010	2009	2008
	<small>(In millions)</small>		
Net sales	\$ 3,202	\$ 2,849	\$ 3,291
Costs of sales	1,988	1,812	2,150
Gross profit	1,214	1,037	1,141
Selling, general and administrative expenses	737	667	721
Research and development expenses	74	63	64
Restructuring charges, net	15	31	41
Operating income	388	276	315
Other income (expense), net	—	1	(3)
Income before income tax expense	388	277	312
Income tax expense	59	14	88
Net income	<u>\$ 329</u>	<u>\$ 263</u>	<u>\$ 224</u>

The accompanying notes are an integral part of the combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
COMBINED BALANCE SHEETS

	December 31	
	2010	2009
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 131	\$ 81
Receivables, net	690	599
Inventories, net	389	301
Prepaid expenses	79	53
Other current assets	47	54
Total current assets	<u>1,336</u>	<u>1,088</u>
Plant, property and equipment, net	454	334
Goodwill	1,437	970
Other intangible assets, net	416	91
Other non-current assets	92	52
Total non-current assets	<u>2,399</u>	<u>1,447</u>
Total assets	<u>\$ 3,735</u>	<u>\$ 2,535</u>
LIABILITIES AND PARENT COMPANY EQUITY		
Current liabilities:		
Accounts payable	\$ 309	\$ 256
Accrued and other current liabilities	340	315
Total current liabilities	<u>649</u>	<u>571</u>
Postretirement benefits	163	140
Deferred income tax liability	99	60
Other non-current liabilities	105	77
Total non-current liabilities	<u>367</u>	<u>277</u>
Total liabilities	<u>1,016</u>	<u>848</u>
Parent company equity:		
Parent company investment	2,361	1,272
Accumulated other comprehensive income	358	415
Total parent company equity	<u>2,719</u>	<u>1,687</u>
Total liabilities and parent company equity	<u>\$ 3,735</u>	<u>\$ 2,535</u>

The accompanying notes are an integral part of the combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2010	2009	2008
	(In millions)		
Operating Activities			
Net income	\$ 329	\$ 263	\$ 224
Non-cash adjustments to net income:			
Depreciation and amortization	92	70	62
Deferred income taxes	(31)	(36)	9
Share-based compensation	9	9	10
Loss from sale of business	—	—	4
Restructuring charges, net	15	31	41
Payments for restructuring	(22)	(40)	(30)
Changes in assets and liabilities (net of acquisitions):			
Change in receivables	(45)	45	37
Change in inventories	7	62	28
Change in accounts payable	41	(38)	(22)
Change in accrued liabilities	12	(11)	13
Change in accrued taxes	(17)	(1)	22
Change in other assets	(6)	(3)	(1)
Change in other liabilities	1	1	4
Other, net	10	18	7
Net Cash — Operating activities	395	370	408
Investing Activities			
Capital expenditures	(94)	(62)	(67)
Acquisitions, net of cash acquired	(1,004)	(33)	(23)
Other, net	5	11	9
Net Cash — Investing activities	(1,093)	(84)	(81)
Financing Activities			
Net transfer from / (to) parent	745	(292)	(341)
Net Cash — Financing activities	745	(292)	(341)
Exchange rate effects on cash and cash equivalents	3	6	(9)
Net change in cash and cash equivalents	50	—	(23)
Cash and cash equivalents — beginning of year	81	81	104
Cash and Cash Equivalents — End of Year	\$ 131	\$ 81	\$ 81
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Income taxes (net of refunds received)	\$ 110	\$ 52	\$ 94

The accompanying notes are an integral part of the combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
COMBINED STATEMENTS OF PARENT COMPANY EQUITY AND COMPREHENSIVE INCOME

	Year Ended December 31			
	Parent Company Investment	Accumulated Other Comprehensive Income	Total Parent Company Equity	Comprehensive Income
	(In millions)			
Balance at December 31, 2007	\$ 1,382	\$ 489	\$ 1,871	
Comprehensive income:				
Net income	224	—	224	\$ 224
Net change in postretirement benefit plans	—	(14)	(14)	(14)
Net foreign currency translation adjustments	—	(138)	(138)	(138)
				<u>\$ 72</u>
Net (decrease) in parent company investment	(307)	—	(307)	
Balance at December 31, 2008	<u>\$ 1,299</u>	<u>\$ 337</u>	<u>\$ 1,636</u>	
Comprehensive income:				
Net income	263	—	263	\$ 263
Net change in postretirement benefit plans	—	(3)	(3)	(3)
Net foreign currency translation adjustments	—	81	81	81
				<u>\$ 341</u>
Net (decrease) in parent company investment	(290)	—	(290)	
Balance at December 31, 2009	<u>\$ 1,272</u>	<u>\$ 415</u>	<u>\$ 1,687</u>	
Comprehensive income:				
Net income	329	—	329	\$ 329
Net change in postretirement benefit plans	—	(4)	(4)	(4)
Net foreign currency translation adjustments	—	(53)	(53)	(53)
				<u>\$ 272</u>
Net increase in parent company investment	760	—	760	
Balance at December 31, 2010	<u>\$ 2,361</u>	<u>\$ 358</u>	<u>\$ 2,719</u>	

The accompanying notes are an integral part of the combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION

**NOTES TO COMBINED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, UNLESS OTHERWISE STATED)**

NOTE 1 SEPARATION FROM ITT CORPORATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Separation from ITT Corporation

On January 12, 2011, ITT Corporation (ITT) announced a plan to separate its water equipment and services businesses (Water Co) from the remainder of its businesses through a pro rata distribution of the common stock of an entity holding the assets and liabilities associated with its water equipment and services business. Water Co is in the business of designing and manufacturing highly engineered technologies with a wide-range of application in the water industry and includes the following divisions of ITT: Water & Wastewater (which includes the Analytical Instrumentation business), Residential & Commercial Water, and Flow Control. ITT WCO, Inc. was incorporated in Indiana on May 4, 2011 to be the entity to hold such businesses subject to approval by the Board of Directors of ITT and other conditions described below. The name of the corporation was changed from ITT WCO, Inc. to Xylem Inc. Under the plan, ITT would also distribute its Defense and Information Solutions business (Exelis Inc.).

The distribution of our common stock to ITT shareholders is conditioned on, among other things, final approval of the distribution plan by the ITT Board of Directors; the receipt of a private letter ruling from the Internal Revenue Service (IRS) substantially to the effect that, among other things, the contribution by ITT of the assets and liabilities of the water equipment and services business to Water Co, or the contribution, and the distribution will qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended (the Code); the receipt of a legal opinion as to the satisfaction of certain requirements necessary for the contribution and the distribution to qualify as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Code upon which the IRS will not rule; the U.S. Securities and Exchange Commission (SEC) declaring effective our Registration Statement on Form 10; and the completion of the financing necessary for a cash distribution from Water Co to ITT prior to the distribution.

Unless the context otherwise indicates, references in these notes to Combined Financial Statements to “we,” “us,” “our” and “the Company” refer to Water Co. References in the notes to the Combined Financial Statements to “ITT” or “parent” refers to ITT Corporation, an Indiana corporation, and its consolidated subsidiaries (other than Water Co), unless the context otherwise requires.

Basis of Presentation

These Combined Financial Statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of the water equipment and services businesses of ITT. The Combined Financial Statements reflect our financial position, results of operations and cash flows as we were historically managed, in conformity with accounting principles generally accepted in the United States of America, or GAAP.

All intracompany transactions have been eliminated. All intercompany transactions between us and ITT have been included in these Combined Financial Statements and are considered to be effectively settled for cash in the Combined Financial Statements at the time the transaction is recorded when the underlying transaction is to be settled in cash by ITT. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flow as a financing activity and in the combined balance sheets as “Parent company investment.”

Our Combined Financial Statements include expense allocations for: (1) certain corporate functions historically provided by ITT, including, but not limited to, finance, legal, information technology, human resources, communications, ethics and compliance, and shared services; (2) employee benefits and incentives; and (3) share-based compensation. These expenses have been allocated to us on the basis of direct usage when identifiable, with the remainder allocated on a pro rata basis of consolidated sales, headcount or other measures of Water Co and ITT.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Both we and ITT consider the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the periods presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if we had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following our separation from ITT, we will perform these functions using our own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by ITT under transition services agreements, which are planned to extend for a period of 3 to 24 months in most circumstances. In addition to the transition services agreements, effective upon the distribution, we intend for certain intercompany arrangements to be converted into third-party contracts.

ITT uses a centralized approach to cash management and financing of its operations, excluding debt where we are the legal obligor. The majority of our cash is transferred to ITT daily and ITT funds our operating and investing activities as needed. Cash transfers to and from ITT's cash management accounts are reflected in "Parent company investment."

The Combined Financial Statements include certain assets and liabilities that have historically been held at the ITT corporate level but are specifically identifiable or otherwise allocable to us. The cash and cash equivalents held by ITT at the corporate level are not specifically identifiable to Water Co and therefore were not allocated to us for any of the periods presented. Cash and cash equivalents in our combined balance sheets primarily represent cash held locally by entities included in our Combined Financial Statements. ITT third-party debt, and the related interest expense has not been allocated to us for any of the periods presented as we were not the legal obligor of the debt and the ITT borrowings were not directly attributable to our business.

The Combined Financial Statements exclude the allocation of liabilities, assets, and costs reported by ITT related to asbestos product liability matters. These matters were not allocated to us for any period presented as ITT will continue as the legal obligor for those liabilities, ITT is expected to pay any associated settlements, judgments, or legal defense costs, and such matters were not historically managed by us. See Note 17 for additional information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the Combined Financial Statements and accompanying notes. Such estimates include, but are not limited to, allowance for doubtful accounts, inventory valuation, goodwill and intangible asset impairment, postretirement benefits, income taxes and the allocation of purchase price to the assets acquired and liabilities assumed in a business combination. Estimates are revised as additional information becomes available.

Consolidation Principles

Water Co combines companies in which it has a controlling financial interest or when Water Co is considered the primary beneficiary of a variable interest entity. We account for investments in companies over which we have the ability to exercise significant influence, but do not hold a controlling interest under the equity method, and we record our proportionate share of income or losses in the Combined Statement of Operations. Equity method investments are reviewed for impairment when events or circumstances indicate the investment may be other-than-temporarily impaired. This requires significant judgment, including an assessment of the investee's financial condition, the possibility of subsequent rounds of financing, and the investee's historical and projected results of operations and cash flows. If the actual results of operations or cash flows for the investee are significantly different from projections, we may incur future charges for the impairment of these investments.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The results of companies acquired or disposed of during the fiscal year are included in the Combined Financial Statements from the effective date of acquisition or up to the date of disposal.

Business Combinations

We allocate the purchase price of acquisitions to the tangible and intangible assets acquired, liabilities assumed, and non-controlling interests acquired based on their estimated fair value at the acquisition date. Changes to the acquisition date fair values prior to the expiration of the measurement period, a period not to exceed 12 months from date of acquisition, are recorded as an adjustment to the associated goodwill. Changes to the acquisition date fair values after expiration of the measurement period are recorded in earnings. The excess of the acquisition price over those estimated fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are recognized separately from the business combination and are expensed as incurred.

Fair Value Measurements

We determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), then to quoted market prices for similar assets or liabilities in active markets (Level 2) and gives the lowest priority to unobservable inputs (Level 3).

Cash Equivalents

We consider all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Receivables

Trade receivables primarily comprise uncollected amounts owed to us from transactions with customers and are presented net of allowances for doubtful accounts and cash discounts.

We determine our allowance for doubtful accounts using a combination of factors to reduce our trade receivable balances to their estimated net realizable amount. We maintain an allowance for doubtful accounts based on a variety of factors; including the length of time receivables are past due, macroeconomic trends and conditions, significant one-time events, historical experience and the financial condition of customers. We record a specific reserve for individual accounts when we become aware of specific customer circumstances, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable. If circumstances related to the specific customer change, we adjust estimates of the recoverability of receivables as appropriate. We determine our allowance for cash discounts primarily based on historical experience with customers.

Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising Water Co's customer base and their dispersion across many different geographical regions. Water Co performs ongoing credit evaluations of the financial condition of its third-party distributors, resellers and other customers and requires collateral, such as letters of credit and bank guarantees, in certain circumstances. As of December 31, 2010 and 2009 we do not believe we have any significant concentrations of credit risk.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Inventories

Inventories, which include the costs of material, labor and overhead, are stated at either the lower of cost or market using either the first-in, first-out (FIFO) method or the last-in, last-out (LIFO) method. Certain inventories are accounted under the LIFO method primarily because this method was elected for tax purposes. Inventories valued under the LIFO method represent 8% and 11% of total 2010 and 2009 inventories, respectively. If inventories valued using the LIFO method had been valued under the FIFO method, they would have been higher by \$6 at both December 31, 2010 and 2009. Estimated losses from obsolete and slow-moving inventories are recorded to reduce inventory values to their estimated net realizable value.

Our manufacturing operations recognize costs of sales using standard costs with full overhead absorption, which generally approximates actual cost.

Plant, Property and Equipment

Plant, property and equipment, including capitalized interest applicable to major project expenditures, are recorded at cost. Depreciation is computed on a straight-line basis over the economic useful lives of the assets involved as follows: buildings and improvements — five to 40 years, machinery and equipment — two to 10 years, furniture and office equipment — three to seven years, and other — five to 40 years. Leasehold improvements are depreciated over the life of the lease or the asset, whichever is shorter. Fully depreciated assets are retained in property and accumulated depreciation accounts until disposal. We expense repairs and maintenance expenditures as incurred.

Goodwill and Intangible Assets

Goodwill represents purchase consideration paid in a business combination that exceeds the values assigned to the net assets of acquired businesses. Intangible assets include customer relationships, proprietary technology, brands and trademarks, patents and other intangible assets. Intangible assets with a finite life are amortized on a straight-line basis over an estimated economic useful life which ranges from 10 to 40 years. Certain of our intangible assets have an indefinite life and are not amortized; namely certain brands and trademarks.

Long-Lived Asset Impairment

Long-lived assets, including intangible assets with finite lives, are amortized and tested for impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable. We assess the recoverability of long-lived assets based on the undiscounted future cash flow the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When an impairment is identified, we reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

Goodwill and indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually (or more frequently if impairment indicators arise, such as changes to the reporting unit structure, significant adverse changes in the business climate or an adverse action or assessment by a regulator). We conduct our annual impairment testing on the first day of the fourth fiscal quarter. For goodwill, the impairment test is a two-step test. In the first step, the estimated fair value of each reporting unit is compared to the carrying value of the net assets assigned to that reporting unit. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the second step of the impairment test is not performed. If the carrying value of the reporting unit exceeds its estimated fair value, then the second step of the impairment test is performed in order to measure the impairment loss to be recorded, if any. If the

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

carrying value of a reporting unit's goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. We estimate the fair value of our reporting units and indefinite-lived intangible assets using an income approach. Under the income approach, we estimate fair value based on the present value of estimated future cash flows.

Commitments and Contingencies

We record accruals for commitments and loss contingencies for those which are both probable and the amount can be reasonably estimated. In addition, legal fees are accrued for cases where a loss is probable and the related fees can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. We review these accruals quarterly and adjust the accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other current information.

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are reviewed quarterly and are adjusted as assessment and remediation efforts progress or as additional technical or legal information become available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Accruals for environmental liabilities are primarily included in other non-current liabilities at undiscounted amounts and exclude claims for recoveries from insurance companies or other third parties.

Parent Company Investment

Parent company investment in the combined balance sheets represents ITT's historical investment in us, our accumulated net earnings after taxes, and the net effect of the transactions with and allocations from ITT. See Basis of Presentation above and Note 18 for additional information.

Foreign Currency Translation

The national currencies of our foreign companies are generally the functional currencies. Balance sheet accounts are translated at the exchange rate in effect at the end of each period; income statement accounts are translated at the average rates of exchange prevailing during the period. Gains and losses on foreign currency translations are reflected in the cumulative translation adjustments component of accumulated other comprehensive income in parent company equity. Net gains or losses from foreign currency transactions are reported in selling, general and administrative expenses.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, collectability is reasonably assured and delivery has occurred or services have been rendered. For product sales we recognize revenue at the time title and risks and rewards of ownership pass, which is generally when products are shipped. Certain customer contracts with customers may require delivery, installation, testing, certification or other acceptance provisions to be satisfied prior to revenue being recognized. We recognize revenue on product sales to channel partners, including resellers, distributors or value-added solution providers at the time of sale when the channel partners have economic substance apart from us and we have completed our obligations related to the sale. Service revenue is recognized as services are performed. For agreements that contain multiple deliverables, we recognize revenue for a delivered element when it has stand-alone value to the customer, there is objective and reliable evidence of fair value of

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

the undelivered elements, and, in arrangements that include a general right of return relative to the delivered element, performance of the undelivered element is considered probable and substantially in our control.

We record a reduction in revenue at the time of sale for estimated product returns, rebates and other allowances, based on historical experience and known trends.

Revenue is reported net of any required taxes collected from customers and remitted to government authorities, with collected taxes recorded as current liabilities until remitted to the relevant government authority.

Shipping and Handling Costs

Shipping and handling costs are recorded as a component of costs of sales.

Product Warranties

We accrue for the estimated cost of product warranties at the time revenue is recognized and record it as a component of cost of sales. Our product warranty liability reflects our best estimate of probable liability under the terms and conditions of our product warranties offered to customers. We estimate the liability based on our standard warranty terms, the historical frequency of claims and the cost to replace or repair our products under warranty. Factors that impact our warranty liability include the number of units sold, the length of warranty term, historical and anticipated rates of warranty claims and cost per claim. We assess the adequacy of our recorded warranty liabilities quarterly and adjust amounts as necessary.

Postretirement Benefit Plans

Except as described separately below, certain of our employees participate in defined benefit pension and other postretirement benefit plans (the “Shared Plans”) sponsored by ITT which include participants of other ITT subsidiaries. We account for Shared Plans as multiemployer benefit plans. Accordingly, we do not record an asset or liability to recognize the funded status of the Shared Plans. We recognize a liability only for any required contributions to the Shared Plans that are accrued and unpaid at the balance sheet date. The related pension and other postretirement expenses are allocated to Water Co based primarily on pensionable compensation of active participants and are reported within Selling, general and administrative expenses in the Combined Statements of Operations.

Plans that are direct to or sponsored by Water Co (“Direct Plans”) are accounted for as defined benefit pension or other postretirement plans. Accordingly, the funded or unfunded position of each plan is recorded on our Combined Balance Sheet. Actuarial gains and losses and prior service costs or credits that have not yet been recognized through income are recorded in accumulated other comprehensive income within parent company equity, net of taxes, until they are amortized as a component of net periodic postretirement cost. The determination of benefit obligations and the recognition of expenses related to Direct Plans are dependent on various assumptions. The major assumptions primarily relate to discount rates, long-term expected rates of return on plan assets, rate of future compensation increases, mortality, termination, health care inflation trend rates and other factors. Management develops each assumption using relevant company experience in conjunction with market-related data for each individual country in which such plans exist. All actuarial assumptions are reviewed annually with third-party consultants and adjusted as necessary. For the recognition of net periodic postretirement cost, the calculation of the long-term expected return on plan assets is generally derived using a market-related value of plan assets based on yearly average asset values at the measurement date over the last five years. Actual results that differ from our assumptions are accumulated and amortized over the estimated future working life of the participants. The fair value of plan assets is determined based on market prices or estimated fair value at the measurement date. See Note 13 for further information.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Research and Development

We conduct research and development (R&D) activities, which consist primarily of the development of new products, product applications, and manufacturing processes. R&D costs are charged to expense as incurred.

Share-Based Compensation

ITT maintains several share-based incentive plans, which we refer to collectively as the “Plans,” for the benefit of certain officers, directors, and employees, including Water Co employees.

Share-based awards issued to employees include non-qualified stock options, restricted stock awards and certain liability-based awards. Compensation costs resulting from share-based payment transactions are recognized primarily within selling, general and administrative expenses, at fair value over the requisite service period (typically three years) on a straight-line basis. The calculated compensation cost is adjusted based on an estimate of awards ultimately expected to vest. The fair value of a non-qualified stock option is determined on the date of grant using a binomial lattice pricing model incorporating multiple and variable assumptions over time, including assumptions such as employee exercise patterns, stock price volatility and changes in dividends. The fair value of restricted stock awards is determined using the closing price of the ITT’s common stock on date of grant. The fair value of certain liability-based awards, including cash awards under our Long-Term Incentive Plan, is remeasured at the end of each reporting period.

Restructuring

We periodically initiate management approved restructuring activities to achieve cost savings through reduced operational redundancies and to strategically position ourselves in the market in response to prevailing economic conditions and associated customer demand. Costs associated with restructuring actions can include severance, infrastructure charges to vacate facilities or consolidate operations, contract termination costs and other related charges. For involuntary separation plans, a liability is recognized when it is probable and reasonably estimable. For voluntary separation plans, a liability is recognized when the employee irrevocably accepts the voluntary termination. For one-time termination benefits, such as additional severance pay or benefit payouts, and other exit costs, such as lease termination costs, the liability is measured and recognized initially at fair value in the period in which the liability is incurred, with subsequent changes to the liability recognized as adjustments in the period of change.

Income taxes

Our income taxes as presented are calculated on a separate tax return basis and may not be reflective of the results that would have occurred on a standalone basis. Our operations have historically been included in ITT’s U.S. federal and state tax returns or non-U.S. jurisdictions tax returns.

With the exception of certain dedicated foreign entities, we do not maintain taxes payable to/from our parent and we are deemed to settle the annual current tax balances immediately with the legal tax-paying entities in the respective jurisdictions. These settlements are reflected as changes in parent company investment.

We determine the provision for income taxes using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, we look to the future reversal of existing taxable temporary differences, taxable income in carryback years, the feasibility of tax planning

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

strategies and estimated future taxable income. The valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Combined Financial Statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) provided investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value per share (NAV). This ASU is effective for periods ending after December 15, 2009. Adoption did not have a material effect on our Combined Financial Statements.

In August 2009, the FASB provided additional guidance on the application of fair value techniques to liabilities. The guidance clarifies that the quoted price for the liability when traded as an asset in an active market is a Level 1 measurement, when no adjustment to the quoted price is required. In the absence of a Level 1 (quoted price) measurement, an entity must use one or more valuation techniques to estimate fair value in a manner consistent with the principles of fair value measurements. The requirements under this guidance were effective for our fourth quarter period beginning October 1, 2009. Adoption did not have a material effect on our Combined Financial Statements.

In June 2009, the FASB amended the accounting and disclosure requirements related to the consolidation of variable interest entities (VIE(s)). The amendments include replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in VIE(s) with an approach focused on identifying which enterprise has the power to direct the activities of VIE(s) that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. In addition, the amendments require an ongoing assessment of whether an enterprise is the primary beneficiary of the VIE(s) and requires additional disclosures about an enterprise's involvement in VIE(s). The adoption of these amendments on January 1, 2010 did not have a material impact on our Combined Financial Statements.

In January 2009, the FASB amended the requirements pertaining to the method of applying the acquisition method of accounting for business combinations. These amendments included that acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. These amendments have been applied prospectively to business combinations with an acquisition date subsequent to January 1, 2009. While the new business combination accounting guidance did not have a material impact on our Combined Financial Statements on adoption, the effects on future periods will depend upon the nature and significance of future business combinations.

Pronouncements Not Yet Adopted

In May 2011, the FASB issued guidance intended to achieve common fair value measurements and related disclosures between U.S. GAAP and international accounting standards. The amendments primarily clarify existing fair value guidance and therefore the amendments are not intended to change the application of existing fair value measurement guidance. However, the amendments include certain instances where a

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This guidance is effective for the periods beginning after December 15, 2011 and early application is prohibited. We will adopt these amendments on January 1, 2012; however, the requirements are not expected to have a material effect on the Company's Combined Financial Statements.

In December 2010, the FASB issued additional guidance applicable to the testing of goodwill for potential impairment. Specifically, for reporting units with zero or negative carrying amounts, an entity is required to perform the second step of the goodwill impairment test (a comparison between the carrying amount of a reporting unit's goodwill to its implied fair value) if it is more likely than not that a goodwill impairment exists, considering any adverse qualitative factors. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. As of the date of our most recent goodwill impairment test, none of our reporting units would have been affected by the application of this guidance as each reporting unit had a carrying amount that exceeded zero.

In April 2010, the FASB issued authoritative guidance permitting use of the milestone method of revenue recognition for research or development arrangements that contain payment provisions or consideration contingent on the achievement of specified events. On January 1, 2011, we adopted the new guidance on a prospective basis. The adoption of this guidance did not have a material impact on our financial condition, results of operations or cash flows.

In October 2009, the FASB issued amended guidance on the accounting for revenue arrangements that contain multiple elements by eliminating the criterion that objective and reliable evidence of fair value for undelivered products or services needs to exist in order to be able to account separately for deliverables and eliminating the use of the residual method of allocating arrangement consideration. The amendments establish a hierarchy for determining the selling price of a deliverable and will allow for the separation of products and services in more instances than previously permitted.

We adopted the new multiple element guidance effective January 1, 2011 for new arrangements entered into or arrangements materially modified on or after that date on a prospective basis. In connection with the adoption of the revised multiple element arrangement guidance, we revised our revenue recognition accounting policies. For multiple deliverable arrangements entered into or materially modified on or after January 1, 2011, we recognize revenue for a delivered element based on the relative selling price if the deliverable has stand-alone value to the customer and, in arrangements that include a general right of return relative to the delivered element, performance of the undelivered element is considered probable and substantially in the Company's control. The selling price for a deliverable is based on vendor-specific objective evidence of selling price (VSOE), if available, third-party evidence of selling price (TPE), if VSOE is not available, or best estimated selling price (BESP), if neither VSOE nor TPE is available.

The deliverables in our arrangements with multiple elements include various products and may include related services, such as installation and start-up services. For multiple element arrangements entered into or materially modified after adoption of the revised multiple element arrangement guidance, we allocate arrangement consideration based on the relative selling prices of the separate units of accounting determined in accordance with the hierarchy described above. For deliverables that are sold separately, we establish VSOE based on the price when the deliverable is sold separately. We establish TPE, generally for services, based on prices similarly situated customers pay for similar services from third party vendors. For those deliverables for which we are unable to establish VSOE or TPE, we estimate the selling price considering various factors including market and pricing trends, geography, product customization, and profit objectives. Revenue allocated to products and services is generally recognized as the products are delivered and the services are performed, provided all other revenue recognition criteria have been satisfied. The adoption of the new multiple element guidance did not result in a material change in either the units of accounting or the pattern or timing of revenue recognition. Additionally, the adoption of the revised multiple element arrangement guidance did not have a material impact on our financial condition, results of operations or cash flows.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

In October 2009, the FASB amended the accounting requirements for software revenue recognition. The objective of this update is to address the accounting for revenue arrangements that contain tangible products and software. Specifically, products that contain software that is “more than incidental” to the product as a whole will be removed from the scope of the software revenue recognition literature. The amendments align the accounting for these revenue transaction types with the amendments described for multiple element arrangements above. We adopted the provisions of this guidance for new or materially modified arrangements entered into on or after January 1, 2011 on a prospective basis. The adoption of this guidance did not have a material impact on our financial condition, results of operations or cash flows.

NOTE 3 ACQUISITIONS

During 2010, we spent an aggregate of approximately \$1 billion, net of cash acquired, primarily on the acquisitions of Godwin Pumps of America, Inc. and Godwin Holdings Limited (collectively referred to as Godwin) and Nova Analytics Corporation (Nova). The results of operations and cash flows from our 2010 acquisitions have been included in our Combined Financial Statements prospectively from their date of acquisition. With the exception of Godwin, pro forma results of operations for acquisitions completed in 2010 and 2009 have not been presented because they are not significant, either individually or in the aggregate. Due to the significant nature of the Godwin acquisition, pro forma results of operations are presented below as if Godwin was acquired on January 1, 2009.

Godwin Pumps

On August 3, 2010, we acquired 100% of the privately held stock of Godwin for a purchase price of \$580, net of cash acquired. Godwin is a supplier and servicer of automatic self-priming and on-demand pumping solutions serving the global industrial, construction, mining, municipal, oil and gas dewatering markets.

The purchase price was allocated to the assets acquired and liabilities assumed based on estimates of fair values at the date of acquisition. The allocation of the purchase price is summarized below:

	<u>August 3, 2010</u>
Accounts receivable	\$ 44
Inventories	56
Other current assets	3
Plant, property and equipment	82
Deferred income taxes	1
Intangible assets(a)	
Customer relationships	107
Trademarks	46
Proprietary technology	14
Other non-current assets	4
Current liabilities	(19)
Noncurrent liabilities	(10)
Net tangible and intangible assets	<u>\$ 328</u>
Goodwill	252
Purchase Price	<u>\$ 580</u>

- (a) Trademarks are indefinite-lived intangibles. Customer relationships and proprietary technology are amortized over weighted average lives of 10 years and 20 years, respectively.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The excess of the acquisition date fair value of the total purchase price over the estimated fair value of the net tangible and intangible assets acquired was recorded as goodwill. Goodwill represents the value expected to be obtained from the ability to be more competitive through the offering of a more complete dewatering pumps portfolio and from leveraging our current Water & Wastewater division's sales, distribution and service network. The goodwill related to this acquisition is recorded in the Water Infrastructure segment, a significant portion of which is expected to be deductible for income tax purposes.

Subsequent to August 3, 2010, the sales and expenses of Godwin have been included in our combined statements of operations. Our 2010 results of operations include sales and pre-tax operating income from Godwin of \$125 and \$16, respectively. Godwin generated approximately \$145 and \$26 in sales and pre-tax operating income from January 1 through August 2, 2010.

The following unaudited pro-forma information assumes that the acquisition of Godwin was completed as of January 1, 2009:

	Water Co As Reported	Pre-Acquisition Godwin Operations(a)	Incremental Depreciation and Amortization Expense(b)	Transaction Costs (c)	Income Taxes(d)	Water Co Pro Forma
2009						
Net Sales	\$ 2,849	197				\$ 3,046
Net income	263	50	(16)	—	(15)	282
	Water Co As Reported	Pre-Acquisition Godwin Operations (a)	Incremental Depreciation and Amortization Expense(b)	Transaction Costs (c)	Income Taxes(d)	Water Co Pro Forma
2010						
Net Sales	\$ 3,202	145				\$ 3,347
Net income	329	25	(10)	3	(6)	341

- (a) Godwin recognized sales of \$197 and \$270 during 2009 and 2010, respectively.
- (b) Incremental depreciation and amortization expense associated with the purchase price allocation to plant, property and equipment and finite lived intangible assets recognized as a result of the acquisition.
- (c) Reflects the reversal of transaction costs directly related to the acquisition of Godwin.
- (d) Reflects income tax impact of pro-forma adjustments and change in income tax status of Godwin Pumps of America, Inc.

Nova

On March 23, 2010, we acquired 100% of the outstanding stock of Nova, for a purchase price of \$385, net of cash acquired. Nova provides us with analytical instrumentation brands and technologies, which when combined with the Water & Wastewater division of the Water Infrastructure segment (WI), provides our customers the ability to procure, from a single source, a full suite of transport, treatment and testing products and solutions.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The purchase price was allocated to the assets acquired and liabilities assumed based on estimates of fair values at the date of acquisition. The allocation of the purchase price is summarized below:

	Nova March 23, 2010
Accounts receivable	\$ 16
Inventories	29
Other current assets	4
Plant, property and equipment	14
Deferred income taxes	(53)
Intangible assets(a)	
Distributor relationships	112
Trademarks	42
Proprietary technology	10
Other	2
Current liabilities	(15)
Non-current liabilities	(8)
Net tangible and intangible assets	\$ 153
Goodwill	232
Purchase Price	\$ 385

- (a) Trademarks are indefinite-lived intangibles. Customer relationships and proprietary technology are amortized over weighted average lives of 20 years and 10 years, respectively.

The excess of the acquisition date fair value of the total purchase price over the estimated fair value of the net tangible and intangible assets acquired was recorded as goodwill. The goodwill arising from this acquisition consists largely of the planned expansion of the Nova footprint to new geographic markets, synergies and economies of scale. The goodwill related to this acquisition has been assigned to our Analytical Instrumentation division within the Water Infrastructure segment. Goodwill attributable to Nova is not expected to be deductible for income tax purposes.

Subsequent to March 23, 2010, the sales and expenses of Nova have been included in our combined statements of operations. Our 2010 results of operations include revenues and operating income of \$111 and \$12, respectively.

Refer to Note 20 for the disclosure of a definitive agreement reached subsequent to the year end 2010 to acquire a company.

2009 Acquisitions

During 2009, we spent \$33, net of cash acquired, on acquisitions that were not material individually or in the aggregate to our results of operations or financial position. The most significant of these acquisitions was Laing GmbH (Laing), which we acquired in May of 2009. Laing, a privately held producer of energy-efficient circulator pumps primarily used in residential and commercial plumbing and heating, ventilating and air conditioning systems, was fully integrated into the Applied Water segment during 2009.

2008 Acquisitions

There were no material acquisitions completed during 2008.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 4 SHARE-BASED PAYMENTS

ITT maintains several share-based incentive compensation plans, for the benefit of certain officers, directors, and employees, including Water Co employees. Share-based awards issued to employees include non-qualified stock options (NQO), restricted stock awards (RS) and a target cash award (TSR). NQO and RS awards are accounted for as equity-based compensation. TSR awards are cash settled and accounted for as liability-based compensation. These compensation costs are recognized primarily within selling, general and administrative expenses.

Total share-based compensation costs recognized for 2010, 2009 and 2008 were \$7, \$9 and \$16, respectively. A significant component of these charges relates to costs allocated to Water Co for ITT Corporate employees as well as other ITT employees not solely dedicated to Water Co. As of December 31, 2010, 2009, and 2008 there were approximately 1.0, 1.1, and 1.0, respectively, NQO and RS shares outstanding related to Water Co specific employees. These awards and related amounts are not necessarily indicative of awards and amounts that would have been granted if we were an independent, publicly traded company for the periods presented. The following table provides further detail related to share-based compensation expense.

Compensation Cost	2010			2009			2008		
	Water Co Employees	Other Employee Allocations	2010 Total	Water Co Employees	Other Employee Allocations	2009 Total	Water Co Employees	Other Employee Allocations	2008 Total
Equity — based awards	\$ 4	\$ 5	\$ 9	\$ 4	\$ 5	\$ 9	\$ 4	\$ 6	\$ 10
Liability — based awards	—	(2)	(2)	—	—	—	—	6	6
Total	\$ 4	\$ 3	\$ 7	\$ 4	\$ 5	\$ 9	\$ 4	\$ 12	\$ 16

The fair value of each option grant was estimated on the date of grant using the binomial lattice pricing model which incorporates multiple and variable assumptions over time, including assumptions such as employee exercise patterns, stock price volatility and changes in dividends. The following are weighted-average assumptions for 2010, 2009 and 2008:

	2010	2009	2008
Dividend yield	1.88%	2.54%	1.31%
Expected volatility	27.06%	38.77%	28.69%
Expected life (in years)	7.0	4.7	4.7
Risk-free rates	3.06%	2.20%	2.31%
Weighted-average grant date fair value	\$14.50	\$ 9.60	\$ 13.46

Expected volatilities are based on ITT's stock price history, including implied volatilities from traded options on our stock. ITT uses historical data to estimate option exercise and employee termination behavior within the valuation model. Employee groups and option characteristics are considered separately for valuation purposes. The expected life represents an estimate of the period of time options are expected to remain outstanding. The expected life provided above represents the weighted average of expected behavior for certain groups of employees who have historically exhibited different behavior. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of option grant.

NOTE 5 RESTRUCTURING CHARGES, NET

We have initiated various restructuring activities throughout the business during the past three years, of which only the work force reduction in the fourth quarter of 2008 is considered individually significant.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The components of all restructuring costs incurred during each of the previous three years ended are presented below.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
By component:			
Severance and other charges	\$17	\$ 32	\$ 41
Reversal of restructuring accruals	(2)	(1)	(-)
Total net restructuring charge	\$15	\$ 31	\$ 41
By segment:			
Water Infrastructure	\$12	\$ 15	\$ 17
Applied Water	3	15	18
Corporate and other(1)	—	1	6

(1) Represents amounts allocated to Water Co

The following table displays a rollforward of the restructuring accruals, presented on our Combined Balance Sheet within accrued liabilities, for the each of the previous two years ended.

	<u>2010</u>	<u>2009</u>
Restructuring accruals — 1/1	\$ 17	\$ 27
Severance and other	17	32
Cash payments	(22)	(40)
Other(1)	(3)	(2)
Restructuring accruals — 12/31	\$ 9	\$ 17
By accrual type:		
Severance accrual	\$ 8	\$ 16
Facility carrying and other costs accrual	1	1
By segment:		
Water Infrastructure	\$ 6	\$ 10
Applied Water	3	6
Corporate and other(1)	—	1

(1) Represents amounts allocated to Water Co

The following is a rollforward of employee position eliminations associated with restructuring activities through 2010:

	<u>2010</u>	<u>2009</u>
Planned reductions — 1/1	133	158
Additional planned reductions	259	502
Actual reductions	(345)	(527)
Planned reductions — 12/31	47	133

Fourth Quarter 2008 Reductions in Force Activities

During the fourth quarter of 2008, we initiated an action to reduce headcount across our businesses in response to declining economic conditions. The fourth quarter 2008 reduction in force activities resulted in

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION**NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)**

\$29 of total restructuring charges, primarily consisting of severance charges. The charges by segment were: Water Infrastructure \$16, Applied Water \$12, and Corporate and Other \$1. This action has resulted in a total headcount reduction of 689, including 405 factory workers, 276 office workers and 8 management employees. During 2009, we made cash payments of \$22 related to this action, which reduced the remaining restructuring accrual to \$2. There is no remaining balance as of December 31, 2010.

NOTE 6 INCOME TAXES

Our operating results have been included in ITT's consolidated U.S. federal and state income tax returns as well as included in many of ITT's tax filings for non-U.S. jurisdictions. Amounts presented in these combined financial statements related to income taxes have been determined on a separate tax return basis, and our contribution to ITT's net operating losses and tax credits have been included in these financial statements. These amounts may not reflect tax positions taken or to be taken by ITT and have been available for use by ITT and may remain with ITT after the separation from ITT.

The source of pre-tax income and the components of income tax expense are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Income components:			
United States	\$ 65	\$ 23	\$ 52
Foreign	323	254	260
Total pre-tax income	<u>\$ 388</u>	<u>\$277</u>	<u>\$ 312</u>
Income tax expense components:			
Current income tax provision:			
United States — federal	\$ 29	\$ (2)	\$ 23
United States — state and local	3	—	1
Foreign	58	52	55
Total current income tax provision	<u>\$ 90</u>	<u>\$ 50</u>	<u>\$ 79</u>
Deferred income tax provision:			
United States — federal	\$ (41)	\$ (44)	\$ (9)
United States — state and local	—	1	—
Foreign	10	7	18
Total deferred income tax provision	<u>\$ (31)</u>	<u>\$ (36)</u>	<u>\$ 9</u>
Total income tax expense	<u>\$ 59</u>	<u>\$ 14</u>	<u>\$ 88</u>
Effective income tax rate	<u>15.2%</u>	<u>5.1%</u>	<u>28.2%</u>

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the income tax provision at the U.S. statutory rate to the effective income tax rate as reported is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax provision at U.S. statutory rate	35.0%	35.0%	35.0%
Foreign restructurings	—	(20.8)	—
Tax exempt interest	(6.4)	(5.4)	(4.1)
Foreign tax rate differential	(5.1)	(5.4)	(1.6)
Effect of repatriation of foreign earnings, net of foreign tax credits	(8.8)	.2	(1.3)
All other	0.5	1.4	0.2
Effective income tax rate	<u>15.2%</u>	<u>5.0%</u>	<u>28.2%</u>

Deferred tax assets and liabilities include the following:

	<u>2010</u>	<u>2009</u>
Deferred Tax Assets:		
Employee benefits	\$ 33	\$ 29
Accrued expenses	24	31
Loss carryforwards	76	78
Inventory	3	2
Foreign tax credit	51	—
Other	4	3
Subtotal	<u>\$191</u>	<u>\$143</u>
Valuation allowance	(68)	(71)
Net deferred tax assets	<u>\$123</u>	<u>\$ 72</u>
Deferred Tax Liabilities:		
Intangibles	\$122	\$ 68
Plant, property, and equipment	13	6
Total deferred tax liabilities	<u>\$135</u>	<u>\$ 74</u>

As of December 31, 2010, a valuation allowance of approximately \$68 had been established to reduce the deferred income tax asset related to certain U.S. state and foreign net operating losses and U.S. capital loss carryforwards. During 2010, the valuation allowance decreased by \$3 resulting from the following: an increase of \$1 attributable to U.S. federal capital loss carryforwards and net operating losses which we acquired in 2010 and a decrease of \$4 attributable to foreign net operating loss carryforwards and foreign investments.

During 2009, the Company implemented an international restructuring in which it transferred the ownership of its Canadian operations to its Luxembourg holding company. The transfer allows the Company to recover, in a more tax efficient manner, the earnings and book to tax basis differences attributable to its Canadian investment. As a result, the Company reduced the deferred tax liability related to the investment in Canada.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse. Deferred taxes are classified in the Combined Balance Sheets as follows:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 47	\$ 53
Non-current assets	\$ 52	\$ 16
Current liabilities	\$ (12)	\$ (11)
Other non-current liabilities	\$ (99)	\$ (60)

As of December 31, 2010, we have not provided for deferred taxes on the excess of financial reporting over the tax bases of investments in certain foreign subsidiaries in the amount of \$1,265 because we plan to reinvest such earnings indefinitely outside the U.S. While the amount of federal income taxes, if such earnings are distributed in the future, cannot be determined, such taxes may be reduced by tax credits and other deductions.

Our tax attributes available to reduce future taxable income begin to expire as follows:

<u>Attribute:</u>	<u>Amount</u>	<u>First Year of Expiration</u>
U.S. net operating loss	\$ 22	December 31, 2019
State net operating loss	\$ 2	December 31, 2022
Federal and state capital loss	\$ 16	December 31, 2013
US tax credits	\$ 51	December 31, 2020
Foreign net operating loss	\$ 233	December 31, 2011

Unrecognized Tax Benefits

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Combined Financial Statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. A reconciliation of the beginning and ending amount of unrecognized tax benefits as of December 31, 2010, 2009, and 2008 is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Unrecognized tax benefits — 1/1	\$ 19	\$ 20	\$ 13
Additions for:			
Current year tax positions	20	1	7
Prior year tax positions	—	—	2
Business combinations	5	—	—
Reductions for:			
Prior year tax positions	(1)	(2)	(2)
Unrecognized tax benefits — 12/31	<u>\$ 43</u>	<u>\$ 19</u>	<u>\$ 20</u>

As of December 31, 2010, 2009 and 2008, the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$43, \$19, and \$20, respectively.

We do not believe that the unrecognized tax benefits will significantly change within twelve months of the reporting date.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

In many cases, unrecognized tax benefits are related to tax years that remain subject to examination by the relevant taxing authorities. The following table summarizes the earliest open tax years by major jurisdiction:

<u>Jurisdiction</u>	<u>Earliest Open Year</u>
Austria	2004
Canada	2006
Germany	2000
Italy	2005
Netherlands	2006
Sweden	2005
United Kingdom	2008
United States	2007

We classify interest relating to tax matters as a component of interest expense and tax penalties as a component of income tax expense in our Combined Statement of Operations. During 2010, 2009, and 2008 we recognized net interest expense of \$1, net interest income of \$2, and net interest expense of \$2 related to tax matters, respectively. As of December 31, 2010, 2009, and 2008, we had \$5, \$4, and \$6 of interest accrued for tax matters, respectively.

NOTE 7 RECEIVABLES, NET

	<u>2010</u>	<u>2009</u>
Trade accounts receivable	\$ 703	\$ 603
Other	19	26
Receivables, gross	722	629
Allowance for doubtful accounts	(25)	(24)
Allowance for cash discounts	(7)	(6)
Receivables, net	<u>\$ 690</u>	<u>\$ 599</u>

The following table displays an aggregate rollforward of the allowance for doubtful accounts for the years ended December 31, 2010, 2009 and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Allowance for doubtful accounts — 1/1	\$ 24	\$ 16	\$ 17
Additions charged to expense	6	11	9
Write-offs	(5)	(3)	(10)
Allowance for doubtful accounts — 12/31	<u>\$ 25</u>	<u>\$ 24</u>	<u>\$ 16</u>

NOTE 8 INVENTORIES, NET

	<u>2010</u>	<u>2009</u>
Finished goods	\$ 166	\$ 128
Work in process	32	20
Raw materials	191	153
Inventories, net	<u>\$ 389</u>	<u>\$ 301</u>

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 9 PLANT, PROPERTY AND EQUIPMENT, NET

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 20	\$ 20
Buildings and improvements	200	185
Machinery and equipment	567	537
Equipment held for lease or rental	129	54
Furniture, fixtures and office equipment	81	78
Construction work in progress	51	30
Other	15	11
Plant, property and equipment, gross	1,063	915
Less — accumulated depreciation	(609)	(581)
Plant, property and equipment, net	<u>\$ 454</u>	<u>\$ 334</u>

Depreciation expense of \$63, \$51, and \$55 was recognized in 2010, 2009 and 2008, respectively.

NOTE 10 GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 by business segment are as follows:

	<u>Water</u>		
	<u>Infrastructure</u>	<u>Applied Water</u>	<u>Total</u>
Goodwill — 1/1/2009	\$ 362	\$ 573	\$ 935
Goodwill acquired	—	17	17
Foreign currency	27	1	28
Other	—	(10)	(10)
Goodwill — 12/31/2009	\$ 389	\$ 581	\$ 970
Goodwill acquired	493	—	493
Foreign currency	(9)	(17)	(26)
Goodwill — 12/31/2010	<u>\$ 873</u>	<u>\$ 564</u>	<u>\$ 1,437</u>

Goodwill acquired during 2010 primarily relates to the Godwin and Nova acquisitions. Goodwill acquired during 2009 primarily relates to the Laing acquisition. Amounts reported as “Other” relate primarily to goodwill associated with an immaterial business divestiture occurring during 2009.

Based on the results of annual impairment tests, we determined that no impairment of goodwill existed as of the measurement date in 2010 or 2009. However, future goodwill impairment tests could result in a charge to earnings. We will continue to evaluate goodwill on an annual basis as of the beginning of our fourth fiscal quarter and whenever events and changes in circumstances indicate there may be a potential impairment.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Other Intangible Assets, Net

Information regarding our other intangible assets is as follows:

	December 31, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles	Gross Carrying Amount	Accumulated Amortization	Net Intangibles
Customer and distributor relationships	\$ 270	\$ (29)	\$ 241	\$ 45	\$ (17)	\$ 28
Proprietary technology	68	(18)	50	44	(15)	29
Trademarks	33	(9)	24	24	(7)	17
Patents and other	21	(13)	8	19	(11)	8
Indefinite-lived intangibles	93	—	93	9	—	9
Other intangibles	<u>\$ 485</u>	<u>\$ (69)</u>	<u>\$ 416</u>	<u>\$ 141</u>	<u>\$ (50)</u>	<u>\$ 91</u>

Indefinite-lived intangibles consist of brands and trademarks. Based on the results of its annual impairment tests, we determined that no impairment of the indefinite-lived intangibles existed as of the measurement date in 2010 or 2009. However, future impairment tests could result in a charge to earnings. We will continue to evaluate the indefinite-lived intangible assets on an annual basis as of the beginning of our fourth fiscal quarter and whenever events and changes in circumstances indicate there may be a potential impairment.

Customer and distributor relationships, proprietary technology, trademarks, patents and other are amortized over weighted average lives of approximately 14 years, 21 years, 16 years and 10 years, respectively.

Amortization expense related to intangible assets for 2010, 2009 and 2008 was \$21, \$10 and \$8, respectively. Estimated amortization expense for each of the five succeeding years is as follows:

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$29	\$29	\$28	\$27	\$26

NOTE 11 ACCOUNTS PAYABLE

	<u>2010</u>	<u>2009</u>
Trade accounts payable	<u>\$297</u>	<u>\$ 238</u>
Other	<u>12</u>	<u>18</u>
Accounts payable	<u>\$309</u>	<u>\$256</u>

NOTE 12 ACCRUED AND OTHER CURRENT LIABILITIES

	<u>2010</u>	<u>2009</u>
Compensation and other employee-benefits	<u>\$161</u>	<u>\$135</u>
Customer-related liabilities	<u>25</u>	<u>22</u>
Accrued warranty costs	<u>36</u>	<u>34</u>
Accrued income taxes	<u>20</u>	<u>25</u>
Deferred income tax liability	<u>12</u>	<u>11</u>
Other	<u>86</u>	<u>88</u>
Accrued and other current liabilities	<u>\$340</u>	<u>\$315</u>

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 13 POSTRETIREMENT BENEFIT PLANS

Defined Contribution Plans

ITT and the Company sponsor various defined contribution savings plans, which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. Several of the plans require us to match a percentage of the employee contributions up to certain limits, generally between 2.5% — 3.0% of employee base pay. Matching contributions charged to income amounted to \$21, \$4 and \$4 for 2010, 2009 and 2008, respectively.

The ITT Stock Fund, an investment option under the ITT Salaried Investment and Savings Plan in which Company employees participate is considered an Employee Stock Ownership Plan. As a result, participants in the ITT Stock Fund may receive dividends in cash or may reinvest such dividends into the ITT Stock Fund. Company employees held approximately 1.0 shares of ITT common stock in the ITT Stock Fund at December 31, 2010.

Defined Benefit Plans

Company employees participate in numerous defined benefit plans, including hourly and union plans as well as salaried plans, which generally require up to 5 years of service to be vested and for which the benefits are determined based on years of credited service and either specified rates, final pay, or final average pay. As of December 31, 2010, of our total projected benefit obligation, U.S. plans represented 26% and international pension plans represented 74%. Company employees also participate in other post-retirement benefit plans such as health care and life insurance plans.

Balance Sheet Information

Amounts recognized in the Combined Balance Sheets for pension and other employee-related benefit plans (collectively, postretirement benefit plans) reflect the funded status of the postretirement benefit plans. The following table provides a summary of the funded status of our postretirement benefit plans and the presentation of such balances within our Combined Balance Sheet as of December 31, 2010 and 2009.

	2010			2009		
	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Fair value of plan assets	\$ 78	\$ —	\$ 78	\$ 50	\$ —	\$ 50
Projected benefit obligation	(233)	(13)	(246)	(183)	(11)	(194)
Funded status	\$ (155)	\$ (13)	\$ (168)	\$ (133)	\$ (11)	\$ (144)
Amounts reported within:						
Accrued liabilities	\$ (4)	\$ (1)	\$ (5)	\$ (3)	\$ (1)	\$ (4)
Non-current liabilities	(151)	(12)	(163)	(130)	(10)	(140)

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

A portion of our projected benefit obligation includes amounts that have not yet been recognized as expense in our results of operations. Such amounts are recorded within accumulated other comprehensive loss until they are amortized as a component of net periodic postretirement cost. The following table provides a summary of amounts recorded within accumulated other comprehensive loss at December 31, 2010 and 2009.

	2010			2009		
	Pension	Other Benefits	Total	Pension	Other Benefits	Total
Net actuarial loss (gain)	\$ 47	\$ —	\$ 47	\$ 44	\$(2)	\$ 42
Prior service cost	4	—	4	3	—	3
Total	\$ 51	\$ —	\$ 51	\$ 47	\$(2)	\$ 45

The following table provides a rollforward of the projected benefit obligations for our U.S. and international pension plans for the years ended 2010 and 2009.

	2010			2009		
	U.S.	Int'l	Total	U.S.	Int'l	Total
Change in benefit obligation						
Benefit obligation — 1/1	\$ 58	\$ 125	\$ 183	\$ 53	\$ 106	\$ 159
Service cost	2	3	5	2	3	5
Interest cost	3	7	10	3	6	9
Amendments /other	2	—	2	—	—	—
Actuarial (gain)/loss	(1)	9	8	2	4	6
Benefits paid	(3)	(5)	(8)	(2)	(3)	(5)
Liabilities assumed through acquisition	—	29	29	—	—	—
Foreign currency translation	—	4	4	—	9	9
Benefit obligation — 12/31	\$ 61	\$ 172	\$ 233	\$ 58	\$ 125	\$ 183

The following table provides a rollforward of the projected benefit obligations for our other employee-related benefit plans for the years ended 2010 and 2009.

	2010	2009
Change in benefit obligation		
Benefit obligation — 1/1	\$ 11	\$ 11
Interest cost	1	1
Actuarial loss	2	—
Benefits paid	(1)	(1)
Benefit obligation — 12/31	\$ 13	\$ 11

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The following table provides a rollforward of the pension plan assets and the ending funded status for our U.S. and international pension plans for the years ended 2010 and 2009.

	2010			2009		
	U.S.	Int'l	Total	U.S.	Int'l	Total
Change in plan assets						
Plan assets — 1/1	\$ 41	\$ 9	\$ 50	\$ 33	\$ 6	\$ 39
Actual return on plan assets	5	3	8	8	5	13
Employer contributions	—	2	2	3	1	4
Benefits paid	(3)	—	(3)	(3)	(4)	(7)
Assets acquired through acquisition	—	21	21	—	—	—
Foreign currency translation	—	—	—	—	1	1
Plan assets — 12/31	\$ 43	\$ 35	\$ 78	\$ 41	\$ 9	\$ 50
Funded status at end of year	\$ (18)	\$ (137)	\$ (155)	\$ (17)	\$ (116)	\$ (133)

The accumulated benefit obligation for all defined benefit pension plans was \$213 and \$166 at December 31, 2010 and 2009, respectively. The following table provides information for pension plans with an accumulated benefit obligation in excess of plan assets.

	2010	2009
Projected benefit obligation	\$ 209	\$ 183
Accumulated benefit obligation	192	166
Fair value of plan assets	54	49

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Income Statement Information

The following table provides the components of net periodic benefit cost and other amounts recognized in other comprehensive income for the years 2010, 2009 and 2008, as they pertain to our defined benefit pension plans.

	2010			2009			2008		
	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
Net periodic benefit cost									
Service cost	\$ 2	\$ 3	\$ 5	\$ 2	\$ 3	\$ 5	\$ 1	\$ 3	\$ 4
Interest cost	3	7	10	3	6	9	3	7	10
Expected return on plan assets	(4)	(1)	(5)	(4)	(1)	(5)	(4)	—	(4)
Amortization of net actuarial loss	—	1	1	—	1	1	—	1	1
Amortization of prior service cost	1	—	1	1	—	1	1	—	1
Total net periodic benefit cost	2	10	12	2	9	11	1	11	12
Other changes in plan assets and benefit obligations recognized in other comprehensive income									
Net (gain)/loss	(2)	6	4	(1)	6	5	19	4	23
Prior service cost	2	—	2	—	—	—	—	—	—
Amortization of net actuarial loss	—	(1)	(1)	—	(1)	(1)	—	(1)	(1)
Amortization of prior service cost	(1)	—	(1)	(1)	—	(1)	(1)	—	(1)
Total change recognized in other comprehensive income	(1)	5	4	(2)	5	3	18	3	21
Total impact from net periodic benefit cost and changes in other comprehensive income	\$ 1	\$ 15	\$ 16	\$—	\$ 14	\$ 14	\$ 19	\$ 14	\$ 33

The following table provides the components of net periodic benefit cost and other amounts recognized in other comprehensive loss for the years 2010, 2009 and 2008, as they pertain to other employee-related benefit plans.

	2010	2009	2008
Net periodic benefit cost			
Interest cost	\$ 1	\$ 1	\$ 1
Total net periodic benefit cost	1	1	1
Other changes in plan assets and benefit obligations recognized in other comprehensive income			
Net loss (gain)	2	—	(1)
Total changes recognized in other comprehensive income	2	—	(1)
Total impact from net periodic benefit cost and changes in other comprehensive income	\$ 3	\$ 1	\$—

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The following table provides the estimated net actuarial loss and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost during 2011.

	Pension	Other Benefits	Total
Net actuarial loss	\$ 1	\$ —	1
Prior service cost	1	—	1
Total	2	—	2

Postretirement Plan Assumptions

The following table provides the weighted-average assumptions used to determine projected benefit obligations and net periodic benefit cost, as they pertain to our defined benefit pension plans.

	2010		2009	
	U.S.	Int'l	U.S.	Int'l
Obligation Assumptions:				
Discount rate	5.83%	5.18%	6.00%	5.55%
Rate of future compensation increase	4.00%	3.40%	4.00%	3.48%
Cost Assumptions:				
Discount rate	6.00%	5.55%	6.25%	5.79%
Expected return on plan assets	9.00%	7.20%	9.00%	6.97%
Rate of future compensation increase	4.00%	3.41%	4.00%	3.48%

The following table provides the weighted-average assumptions used to determine projected benefit obligations and net periodic benefit cost, as they pertain to other employee-related benefit plans.

	2010	2009
Obligation Assumptions:		
Discount rate	5.50%	6.00%
Rate of future compensation increase	4.00%	4.00%
Cost Assumptions:		
Discount rate	6.00%	6.25%
Rate of future compensation increase	4.00%	4.00%

Management develops each assumption using relevant company experience in conjunction with market-related data for each individual country in which plans exist. Assumptions are reviewed annually and adjusted as necessary.

The expected long-term rate of return on assets reflects the expected returns for each major asset class in which the plans invest, the weight of each asset class in the target mix, the correlations among asset classes and their expected volatilities. The majority of our plan assets relate to U.S. plans and are managed by ITT on a commingled basis in a master investment trust. With respect to plan assets in the master investment trust, our expected return on plan assets is estimated by evaluating both historical returns and estimates of future returns. Specifically, ITT analyzes the plan's actual historical annual return on assets, net of fees, over the past 15, 20 and 25 years; estimates future returns based on independent estimates of asset class returns; and evaluates historical broad market returns over long-term timeframes based on our asset allocation range. Based on this approach, the long-term annual rate of return on assets for plan assets in the master investment trust is estimated at 9.0%. For reference, our actual geometric average annual return on plan assets in the master

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION**NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)**

investment trust as of December 31, 2010 was 8.8%, 10.1% and 10.3%, for the past 15, 20, and 25 year periods, respectively.

The table below provides the actual rate of return generated on plan assets during each of the years presented, as they pertain to plan assets in the master investment trust, as compared to the expected long-term return utilized in calculating the net periodic benefit costs.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expected rate of return on plan assets	9.0%	9.0%	9.0%
Actual rate of return on plan assets	14.1%	24.1%	(31.2)%

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) is 7.8% for 2011, decreasing ratably to 5.0% in 2019. An increase or decrease in the health care trend rates by one percent per year would not have a material effect on the benefit obligation or the aggregate annual service and interest components. To the extent that actual experience differs from these assumptions, the effect will be amortized over the average future service of the covered active employees.

The determination of the assumptions related to postretirement benefit plans are based on the provisions of the applicable accounting pronouncements, the review of various market data and discussion with our actuaries. Changes in these assumptions could materially affect the financial position and results of operations.

Investment Policy

The investment strategy for managing worldwide postretirement benefit plan assets is to seek an optimal rate of return relative to an appropriate level of risk for each plan. Investment strategies vary by plan, depending on the specific characteristics of the plan, such as plan size and design, funded status, liability profile and legal requirements.

With respect to the master investment trust, ITT allows itself broad discretion to invest tactically to respond to changing market conditions, while staying reasonably within the asset allocation ranges prescribed by its investment guidelines. In making these asset allocation decisions, ITT takes into account recent and expected returns and volatility of returns for each asset class, the expected correlation of returns among the different investments, as well as anticipated funding and cash flows. To enhance returns and mitigate risk, ITT diversifies its investments by strategy, asset class, geography and sector. ITT engages a large number of managers to gain broad exposure to the markets, while generating excess-of-market returns and mitigating manager-concentration risk.

The following table provides the actual asset allocations of U.S. plan assets held in the master investment trust, as of December 31, 2010 and 2009, and the related asset allocation ranges by asset category.

	<u>2010</u>	<u>2009</u>	<u>Allocation Range</u>
Domestic equities	25%	25%	25%-75%
Alternative investments	47	47	20%-45%
International equities	18	17	10%-45%
Fixed income	2	4	0%-60%
Cash and other	8	7	0%-30%

The strategies and allocations of plan assets outside of the U.S. are managed locally and may differ significantly from those in the U.S. In general and as of December 31, 2010, non-U.S. plans are managed closely to their strategic allocations.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Fair Value of Plan Assets

In measuring plan assets at fair value, a fair value hierarchy is applied which categorizes and prioritizes the inputs used to estimate fair value into three levels. The fair value hierarchy is based on maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Classification within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices (in non-active markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs for the assets or liabilities.

In certain instances, fair value is estimated using quoted market prices obtained from external pricing services. In obtaining such data from the pricing service, ITT has evaluated the methodologies used to develop the estimate of fair value in order to assess whether such valuations are representative of fair value, including net asset value (NAV). Additionally, in certain circumstances, the NAV reported by an asset manager may be adjusted when sufficient evidence indicates NAV is not representative of fair value.

The following is a description of the valuation methodologies and inputs used to measure fair value for major categories of investments.

- Equity securities — Equities (including common and preferred shares, domestic listed and foreign listed, closed end mutual funds and exchange traded funds) are generally valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. As all equity securities held by the Company are publicly traded in active markets, the securities are classified within Level 1 of the fair value hierarchy.
- Open ended mutual funds, collective trusts and commingled funds — Open ended mutual funds, collective trusts and commingled funds are measured at NAV. These funds are generally classified within Level 2 of the fair value hierarchy.
- Private equity — The valuation of limited partnership interests in private equity funds may require significant management judgment. The NAV reported by the asset manager is adjusted when it is determined that NAV is not representative of fair value. In making such an assessment, a variety of factors are reviewed, including, but not limited to, the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager. These funds are generally classified within Level 3 of the fair value hierarchy.
- Absolute return (hedge funds) — The valuation of limited partnership interests in hedge funds may require significant management judgment. The NAV reported by the asset manager is adjusted when it is determined that NAV is not representative of fair value. In making such an assessment, a variety of factors are reviewed, including, but not limited to, the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager. Depending on how these investments can be redeemed and the extent of any adjustments to NAV, hedge funds are classified within either Level 2 (redeemable within 90 days) or Level 3 (redeemable beyond 90 days) of the fair value hierarchy.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The following table provides the fair value of plan assets held by our pension benefit plans, at December 31, 2010 and 2009, by asset class.

Asset Category	2010				2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Equity securities	\$ 42	\$ 32	\$ 8	\$ 2	\$ 23	\$ 14	\$ 7	\$ 2
Private equity(a)	13	—	2	11	11	—	—	11
Absolute return (hedge funds)(b)	8	—	3	5	8	—	3	5
Commodities, fixed income and other	15	1	13	1	8	1	6	1
Total	\$ 78	\$ 33	\$ 26	\$ 19	\$ 50	\$ 15	\$ 16	\$ 19

- (a) Private equity includes a diversified range of strategies, including buyout funds, distressed funds, venture and growth equity funds and mezzanine funds.
- (b) Absolute return hedge funds primarily include fund of funds that invest in a diversified portfolio of other hedge funds that employ a range of investment strategies and fixed income/multi-strategy absolute return funds, which invest in multiple investment strategies with the intent of diversifying risk and reducing volatility.

The following table presents a reconciliation of the beginning and ending balances of fair value measurement within our pension plans using significant unobservable inputs (Level 3).

	Equity Securities	Private Equity	Absolute Return	Other	Total
Level 3 balance — 12/31/08	\$ 3	\$ 10	\$ 8	\$ 1	\$ 22
Unrealized gains, net	1	—	1	—	2
Purchases/(sales), net	—	1	(2)	—	(1)
Transfers out, net	(2)	—	(2)	—	(4)
Level 3 balance — 12/31/09	2	11	5	1	19
Realized gains, net	—	1	—	—	1
Transfers out, net	—	(1)	—	—	(1)
Level 3 balance — 12/31/10	\$ 2	\$ 11	\$ 5	\$ 1	\$ 19

Contributions

Funding requirements under Internal Revenue Service rules are a major consideration in making contributions to our postretirement plans. With respect to qualified pension plans, we intend to contribute annually not less than the minimum required by applicable law or regulation. We made contributions of \$2 and \$4 to pension plans during 2010 and 2009, respectively. We currently anticipate making contributions to our pension plans in the range of \$8 to \$10 during 2011, of which \$1 is expected to be made in the first quarter.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Estimated Future Benefit Payments

The following table provides the projected timing of payments for benefits earned to date and the expectation that certain future service will be earned by current active employees for our pension and other employee-related benefit plans.

	<u>Pension</u>	<u>Other Benefits</u>
2011	\$ 8	\$ 1
2012	9	1
2013	9	1
2014	10	1
2015	11	1
2016 — 2020	64	6

Multiemployer Plans

Company employees participate in defined benefit pension and other postretirement plans sponsored by ITT Corporation, which include participants of other ITT Corporation subsidiaries (collectively, “Shared Plans”). The Company has recorded expense of \$24, \$14 and \$8 for the years ended December 31, 2010, 2009 and 2008, respectively, to record its allocation of pension and other postretirement benefit costs related to Shared Plans. As of December 31, 2010 and 2009, there were no required contributions outstanding.

As of December 31, 2010 and 2009, such multiemployer defined benefit pension plans were approximately 80% funded. The most significant shared defined benefit pension plan is the ITT U.S. Salaried Retirement Plan (USSRP). Company employees and former employees represent 12% and 4% of total active and retired participants in the USSRP, respectively. ITT Corporation made contributions to the USSRP of \$50 and \$100 during 2010 and 2009, respectively, all of which were voluntary. ITT currently does not anticipate making contributions to the USSRP during 2011.

As of December 31, 2010 and 2009, the other multiemployer postretirement benefit plans were approximately 50% funded. The ITT Salaried Postretirement Medical and Life Plans and the Goulds Postretirement Medical Plan represent the most significant shared other postretirement benefit plans. Company employees and former employees represent 15% and 7% of active and retired participants in the ITT Salaried Postretirement Medical and Life Plans, respectively, and 0% and 15% of active and retired participants in the Goulds Postretirement Medical Plan, respectively. There were no contributions made to the plans during 2010 and 2009. There are currently no contributions expected in 2011.

We do not currently intend to withdraw from the Shared Plans.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 14 COMPREHENSIVE INCOME

The following table provides the components of comprehensive income for the years 2010, 2009, and 2008.

	<u>Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(In millions)		
Net income	\$329	\$263	\$ 224
Other comprehensive (loss) income:			
Net foreign currency translation adjustment	(53)	81	(138)
Net change in postretirement benefit plans, net of tax	(4)	(3)	(14)
Other comprehensive (loss) income	(57)	78	(152)
Comprehensive income	\$272	\$ 341	\$ 72
Net change in postretirement benefit plans, net of tax:			
Prior service cost from plan amendment, net of tax benefit of \$1 in 2010	\$ (2)	\$ (1)	\$ (1)
Net actuarial loss arising during the period, net of tax benefit of \$2, \$2 and \$7, respectively	(4)	(3)	(15)
Unrealized changes in postretirement benefit plans, net of tax:			
Amortization of prior service costs, net of tax	1	1	1
Amortization of net actuarial loss, net of tax	1	—	1
Total amortization from accumulated other comprehensive income into net periodic benefit cost, net of tax	2	1	2
Net change in postretirement benefit plans, net of tax	\$ (4)	\$ (3)	\$ (14)

The components of Accumulated Other Comprehensive Income, net of tax, are summarized as follows:

	<u>2010</u>	<u>2009</u>
Post retirement benefit plans	\$ (36)	\$ (32)
Cumulative currency translation adjustment	394	447
Total	<u>358</u>	<u>415</u>

NOTE 15 OPERATING LEASES

We lease certain offices, manufacturing buildings, machinery, computers and other equipment. Such leases expire at various dates through 2047 and may include renewal and payment escalation clauses. We often pay maintenance, insurance and tax expense related to leased assets. Rental expenses under operating leases were \$54, \$47 and \$47 for 2010, 2009 and 2008, respectively. Future minimum operating lease payments under non-cancellable operating leases with an initial term in excess of one year as of December 31, 2010 are shown below.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>
Minimum rental payments	\$48	\$39	\$28	\$17	\$15	\$ 29

NOTE 16 WARRANTIES

We warrant numerous products, the terms of which vary widely. In general, we warrant products against defect and specific non-performance. Our product warranty liability reflects management's best estimate of

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION**NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)**

probable liability under our product warranties for the years ended December 31, 2010 and 2009. The table below provides changes in the product warranty accrual over each period.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Warranty accrual — 1/1	\$ 34	\$ 32	\$ 32
Accruals for product warranties issued in the period	22	23	23
Payments	(28)	(18)	(22)
Changes in pre-existing warranties	8	(3)	(1)
Warranty accrual — 12/31	<u>\$ 36</u>	<u>\$ 34</u>	<u>\$ 32</u>

NOTE 17 CONTINGENCIES AND OTHER LEGAL MATTERS***General***

From time to time we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings seek remedies relating to environmental matters, product liability, personal injury claims, employment and pension matters, and commercial or contractual disputes, sometimes related to acquisitions or divestitures. We will continue to defend vigorously against all claims.

While no claims have been asserted against Xylem Inc. alleging injury caused by a Water Co product resulting from asbestos exposure, it is possible that claims could be filed in the future. Should asbestos product liability claims be asserted against Xylem Inc. in the future, we believe there are numerous legal defenses available and would defend ourselves vigorously against such a claim. As part of the separation, ITT will indemnify Xylem Inc. for asbestos product liability matters, including settlements, judgments, and legal defense costs associated with all pending and future claims that may arise from past sales of ITT's legacy products. We believe ITT remains a substantive entity with sufficient financial resources to honor its obligations to us.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claim, we do not expect that any asserted or unasserted legal claims or proceedings, individually or in aggregate, will have a material adverse effect on our cash flow, results of operations, or financial condition.

Indemnifications

As part of the separation, ITT will provide for certain indemnifications and cross-indemnifications among ITT, Exelis Inc. and Xylem Inc. The indemnifications address a variety of subjects, including asserted and unasserted product liability matters (e.g., asbestos claims, product warranties), which relate to products sold prior to the Separation Date. The indemnifications are absolute and indefinite. The indemnification associated with pending and future asbestos claims does not expire. Xylem Inc. expects ITT and Exelis Inc. to fully perform under the terms of the Distribution Agreement and therefore has not recorded a liability for matters for which we will be indemnified. In addition, we are not aware of any claims or other circumstances that would give rise to material payments to ITT or Exelis Inc. under the indemnity that we will provide.

Environmental

In the ordinary course of business, we are subject to federal, state, local, and foreign environmental laws and regulations. We are responsible, or are alleged to be responsible, for ongoing environmental investigation and remediation of sites in various countries. These sites are in various stages of investigation and/or remediation and in many of these proceedings our liability is considered de minimis. We have received notification from the U.S. Environmental Protection Agency, and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned and/or operated by Water Co, and other

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

properties or water supplies that may be or have been impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation and/or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations.

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our accrued liabilities for these environmental matters represent the best estimates related to the investigation and remediation of environmental media such as water, soil, soil vapor, air and structures, as well as related legal fees. These estimates, and related accruals, are reviewed quarterly and updated for progress of investigation and remediation efforts and changes in facts and legal circumstances. Liabilities for these environmental expenditures are recorded on an undiscounted basis.

It is difficult to estimate the final costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of investigation or remediation and our share, if any, of liability for such conditions, the selection of alternative remedial approaches, and changes in environmental standards and regulatory requirements. In our opinion, the total amount accrued is appropriate based on existing facts and circumstances.

NOTE 18 RELATED PARTY TRANSACTIONS AND PARENT COMPANY EQUITY

The Combined Financial Statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of ITT.

During 2010, 2009 and 2008 we sold inventory to other ITT businesses in the aggregate amount of \$11, \$10, and \$9, respectively which is included in Net sales in our combined statements of operations. We also purchase inventories from other ITT businesses. We recognized cost of sales from the inventory purchased from ITT of \$12, \$15, and \$13 in 2010, 2009 and 2008, respectively. The aggregate inventory on hand of purchases from other ITT businesses as of December 31, 2010 and 2009 was not significant.

Allocation of General Corporate Expenses

The Combined Financial Statements include expense allocations for certain functions provided by ITT as well as other ITT employees not solely dedicated to Water Co, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, ethics and compliance, shared services, employee benefits and incentives, and share-based compensation. These expenses have been allocated to us on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue, headcount or other measure. During 2010, 2009 and 2008, we were allocated \$108 million, \$105 million and \$104 million, respectively, of general corporate expenses incurred by ITT which is included within selling, general and administrative expenses in the Combined Statements of Operations.

The expense allocations have been determined on a basis that we consider to be a reasonable reflection of the utilization of services provided or the benefit received by us during the periods presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if we had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Parent Company Equity

Net transfers from/(to) parent are included within parent company investment on the Combined Statements of Parent Company Equity and Comprehensive Income. The components of the net transfers from/(to) parent as of December 31, 2010, 2009 and 2008 are as follows:

	December 31,		
	2010	2009	2008
	(In millions)		
Intercompany sales and purchases, net	\$ 1	\$ 5	\$ 4
Intercompany dividends	(180)	(110)	(51)
Cash pooling and general financing activities	(235)	(339)	(417)
Cash transfers for acquisitions, divestitures and investments	1,012	29	14
Corporate allocations including income taxes	162	125	143
Total net transfers from/(to) parent	<u>\$ 760</u>	<u>\$ (290)</u>	<u>\$ (307)</u>

ITT uses a centralized approach to U.S. cash management and financing of its operations, excluding debt directly incurred by any of its businesses, such as debt assumed in an acquisition. The majority of our cash is transferred to ITT daily and ITT funds our operating and investing activities as needed.

The Combined Financial Statements include certain assets and liabilities that have historically been held at the ITT corporate level but which are specifically identifiable or otherwise allocable to us. The cash and cash equivalents held by ITT at the corporate level are not specifically identifiable to Water Co and therefore were not allocated to us for any of the periods presented. Cash and equivalents in our combined balance sheets primarily represent cash held locally by entities included in our Combined Financial Statements. Transfers of cash to and from ITT's cash management system are reflected as a component of Parent company investment on the Combined Balance Sheets.

All significant intercompany transactions between us and ITT have been included in these Combined Financial Statements and are considered to be effectively settled for cash in the Combined Financial Statements at the time the transaction is recorded when the underlying transaction is to be settled in cash by ITT. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flow as a financing activity and in the Combined Balance Sheets as Parent Company Investment.

We recorded sales to unconsolidated affiliates during 2010, 2009 and 2008 totaling \$14, \$12 and \$20, respectively. Additionally, we purchased \$22, \$15 and \$18 of products from unconsolidated affiliates during 2010, 2009 and 2008, respectively.

NOTE 19 SEGMENT INFORMATION

The Company's segments are reported on the same basis used internally for evaluating performance and allocating resources. Our business is organized into two segments: Water Infrastructure and Applied Water. Water Infrastructure, comprising our Water & Wastewater and Analytics operating segments, focuses on the transportation, treatment and testing of water, offering a range of products including water and wastewater pumps, treatment and testing equipment and controls and systems. Applied Water, comprising of our Residential & Commercial Water and Flow Control operating segments, encompasses all the uses of water and focuses on the residential, commercial industrial and agricultural markets, offering pumps, valves, heat exchangers, controls, and dispensing equipment. Our business is not dependent on any single customer or a

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

few customers, the loss of which would have a material adverse effect on us as a whole. No individual customer accounted for more than 10% of our combined revenue.

	Revenue			Operating Income			Operating Margin		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Water Infrastructure	\$ 1,930	\$ 1,651	\$ 1,824	\$276	\$ 227	\$ 220	14.3%	13.7%	12.1%
Applied Water	1,327	1,254	1,527	158	109	162	11.9%	8.7%	10.6%
Eliminations/Other(a)	(55)	(56)	(60)	(46)	(60)	(67)	—%	—%	—%
Total	\$3,202	\$ 2,849	\$ 3,291	\$388	\$276	\$ 315	12.1%	9.7%	9.6%

- (a) Other consists of allocated ITT corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs, as well as charges related to certain matters, such as environmental liabilities, that are managed at a corporate level and are not included in the business segments in evaluating performance or allocating resources.

	Total Assets		Capital Expenditures			Depreciation and Amortization		
	2010	2009	2010	2009	2008	2010	2009	2008
Water Infrastructure	\$2,377	\$ 1,278	\$ 55	\$ 33	\$ 40	\$ 60	\$38	\$ 33
Applied Water	1,209	1,214	38	27	26	30	30	29
Other(a)	149	43	1	2	1	2	2	—
Total	\$3,735	\$2,535	\$ 94	\$62	\$67	\$92	\$70	\$62

- (a) Other consists of allocated ITT corporate assets, which principally consist of deferred tax assets, certain property, plant and equipment, and other assets.

	Revenue(A)			Plant, Property & Equipment, Net	
	2010	2009	2008	2010	2009
Geographic Information					
United States	\$1,125	\$ 956	\$ 1,104	\$ 168	\$ 73
Europe	1,262	1,217	1,416	219	196
Asia Pacific	343	269	303	49	46
Other	472	407	468	18	19
Total	\$3,202	\$2,849	\$3,291	\$ 454	\$ 334

- (a) Revenue to external customers is attributed to individual regions based upon the destination of product or service delivery.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The following table illustrates revenue by product category, net of intercompany balances.

	Revenue		
	2010	2009	2008
Pumps, accessories, parts and service	\$2,671	\$2,376	\$2,738
Other(a)	531	473	553
Total	<u>\$3,202</u>	<u>\$2,849</u>	<u>\$3,291</u>

(a) Other includes treatment equipment, analytical instrumentation, valves, heat exchangers, and controls

NOTE 20 SUBSEQUENT EVENT

We evaluated subsequent events for recognition or disclosure through July 8, 2011, the date the combined financial statements were available to be issued.

On July 5, 2011, we entered into a definitive agreement to acquire YSI Incorporated (“YSI”) for an aggregate purchase price of \$310. YSI is a leading developer and manufacturer of sensors, instruments, software, and data collection platforms for environmental water monitoring. YSI reported 2010 global revenues of \$101 (unaudited) and employs 390 people at several facilities in the United States, Europe and Asia. The transaction is expected to close in the third quarter of 2011, pending customary closing conditions and approval of YSI’s shareholders.

NOTE 21 IMMATERIAL CORRECTIONS

During August 2011, subsequent to the original issuance of the Company’s combined financial statements, management determined that it had incorrectly included certain ITT foreign headquarter entities in Water Co’s 2008 balance sheet that did not relate to Water Co’s business (the balance sheets for all other periods presented appropriately excluded these entities). The balance sheets of these headquarter entities were largely comprised of intercompany and parent equity accounts as well as the accumulated currency translation account. This primarily resulted in incorrect activity being reflected during 2008 and 2009 (in offsetting directions) in the changes within parent company investment and foreign currency translation. In addition, we identified a misclassification within our 2008 Statement of Cash Flows between exchange rate effects on cash and cash equivalents and net transfer from/(to) parent. We have revised the Combined Statements of Cash Flows and the Combined Statements of Parent Company Equity and Comprehensive Income for the periods impacted to reflect these corrections. These corrections did not have any impact on the Combined Statements of Operations or Combined Balance Sheets for any periods presented. The Company believes that the correction of these errors is not material to its previously issued financial statements. However, the Company decided to correct the previously issued financial statements. The effect on the Combined Statements of Cash Flows and the Combined Statement of Parent Company Equity and Comprehensive Income for the years ended December 31, 2009 and 2008 are summarized below. Related amounts included within Notes 14 and 18 have also been corrected.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

	2009		
	As Previously Reported	Adjustments	As Adjusted
Adjustments to Combined Statement of Cash Flows:			
Changes in receivables	\$ 32	\$ 13	\$ 45
Net Cash — Operating activities	357	13	370
Net transfer from/(to) parent	(279)	(13)	(292)
Net Cash — Financing activities	(279)	(13)	(292)

Adjustments to Combined Statement of Parent Company Equity and Comprehensive Income:

Net (decrease) in parent company investment	\$ (218)	\$ (72)	\$ (290)
Net foreign currency translation adjustments	22	59	81
Comprehensive Income	282	59	341

	2008		
	As Previously Reported	Adjustments	As Adjusted
Adjustments to Combined Statement of Cash Flows:			
Change in receivables	\$ 50	\$ (13)	\$ 37
Net Cash — Operating activities	421	(13)	408
Net transfer from/(to) parent	(397)	56	(341)
Net Cash — Financing activities	(397)	56	(341)
Exchange rate effects on cash and cash equivalents	34	(43)	(9)

Adjustments to Combined Statement of Parent Company Equity and Comprehensive Income:

Net (decrease) in parent company investment	\$ (379)	\$ 72	\$ (307)
Net foreign currency translation adjustments	(79)	(59)	(138)
Comprehensive Income	131	(59)	72
Parent Company Investment	1,227	72	1,299
Accumulated Other Comprehensive Income	396	(59)	337
Total Parent Company Equity	1,623	13	1,636

**UNAUDITED INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 and 2010**

PREface

The preparation of the unaudited interim Condensed Combined Financial Statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and certain financial statement disclosures. Estimates in these unaudited interim Condensed Combined Financial Statements include, but are not limited to, allowances for doubtful accounts, inventory valuation, goodwill and intangible asset impairment, postretirement benefits, income taxes and the allocation of purchase price to the assets acquired and liabilities assumed in a business combination. Estimates are revised as additional information becomes available.

The unaudited interim Condensed Combined Financial Statements for the six months ended June 30, 2011 and 2010 and balance sheet as of June 30, 2011 included herein have not been audited by an independent registered public accounting firm, but in our opinion, all adjustments (which include only normal recurring adjustments) necessary to make a fair statement of the financial position at June 30, 2011 and the results of operations and the cash flows for the periods presented herein have been made. The results of operations for the six months ended June 30, 2011 are not necessarily indicative of the operating results expected for the full fiscal year.

The unaudited interim Condensed Combined Financial Statements included herein have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Although we believe the disclosures made are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules or regulations. These interim Condensed Combined Financial Statements should be read in conjunction with the audited combined financial statements and notes thereto included in this Information Statement.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
CONDENSED COMBINED STATEMENTS OF OPERATIONS

<u>Period Ended June 30</u>	<u>2011</u>	<u>2010</u>
	(Unaudited)	
	(In millions)	
Net sales	\$1,861	\$ 1,461
Costs of sales	1,145	915
Gross profit	716	546
Selling, general and administrative expenses	450	334
Research and development expenses	50	35
Restructuring, net	—	7
Operating income	216	170
Other (expense), net	—	(3)
Income before income tax expense	216	167
Income tax expense	66	26
Net income	\$ 150	\$ 141

The accompanying notes are an integral part of the Condensed Combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
CONDENSED COMBINED BALANCE SHEETS

	ITT Dividend Pro Forma June 30, 2011	June 30, 2011 (Unaudited) (In millions)	December 31, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 138	\$ 138	\$ 131
Receivables, net	771	771	690
Inventories, net	436	436	389
Prepaid expenses	70	70	79
Other current assets	56	56	47
Total current assets	1,471	1,471	1,336
Plant, property and equipment, net	467	467	454
Goodwill	1,492	1,492	1,437
Other intangible assets, net	417	417	416
Other non-current assets	102	102	92
Total non-current assets	2,478	2,478	2,399
Total assets	\$ 3,949	\$ 3,949	\$ 3,735
LIABILITIES AND PARENT COMPANY EQUITY			
Current liabilities:			
Accounts payable	\$ 307	\$ 307	\$ 309
Accrued and other current liabilities	395	395	340
Total current liabilities	702	702	649
Postretirement benefits	174	174	163
Deferred income tax liability	98	98	99
Dividend payable to ITT	817	—	—
Other non-current liabilities	111	111	105
Total non-current liabilities	1,200	383	367
Total liabilities	1,902	1,085	1,016
Parent company equity:			
Parent company investment	1,545	2,362	2,361
Accumulated other comprehensive income	502	502	358
Total parent company equity	2,047	2,864	2,719
Total liabilities and parent company equity	\$ 3,949	\$ 3,949	\$ 3,735

The accompanying notes are an integral part of the condensed combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
CONDENSED COMBINED STATEMENTS OF CASH FLOWS

Six Months Ended June 30	2011	2010
	(Unaudited)	
	(In millions)	
Operating Activities		
Net income	\$ 150	\$ 141
Non-cash adjustments to net income:		
Depreciation and amortization	68	39
Share-based compensation	5	5
Restructuring charges, net	—	7
Payments for restructuring	(6)	(15)
Changes in assets and liabilities (net of acquisitions):		
Change in receivables	(54)	(45)
Change in inventories	(31)	(33)
Change in accounts payable	(14)	26
Change in accrued liabilities	3	(4)
Change in accrued taxes	26	(11)
Change in other assets	1	(2)
Change in other liabilities	10	5
Other, net	3	5
Net Cash — Operating activities	161	118
Investing Activities		
Capital expenditures	(53)	(24)
Acquisitions, net of cash acquired	—	(391)
Other, net	5	1
Net Cash — Investing activities	(48)	(414)
Financing Activities		
Net transfer (to)/from parent	(112)	326
Net Cash — Financing activities	(112)	326
Exchange rate effects on cash and cash equivalents	6	(5)
Net change in cash and cash equivalents	7	25
Cash and cash equivalents — beginning of year	131	81
Cash and Cash Equivalents — End of Period	\$ 138	\$ 106
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Income taxes (net of refunds received)	\$ 18	\$ 34

The accompanying notes are an integral part of the condensed combined financial statements.

THE WATEREQUIPMENT AND SERVICES BUSINESSES OF ITT CORPORATION
CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

<u>Six Months Ended June 30</u>	<u>2011</u>	<u>2010</u>
	(Unaudited)	
Net income	\$ 150	\$ 141
Other comprehensive income (loss):		
Net change in postretirement benefit plans	<u>1</u>	<u>1</u>
Net foreign currency translation adjustment	<u>143</u>	<u>(144)</u>
Other comprehensive income (loss)	<u>144</u>	<u>(143)</u>
Comprehensive income	<u>\$ 294</u>	<u>\$ (2)</u>

The accompanying notes are an integral part of the condensed combined financial statements.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, UNLESS OTHERWISE STATED)
(Unaudited)

NOTE 1 SEPARATION FROM ITT CORPORATION AND BASIS OF PRESENTATION

Separation from ITT Corporation

On January 12, 2011, ITT Corporation (ITT) announced a plan to separate its water equipment and services businesses (Water Co) from the remainder of its businesses through a pro rata distribution of the common stock of an entity holding the assets and liabilities associated with its water equipment and services business. Water Co is in the business of designing and manufacturing highly engineered technologies with a wide range of applications in the water industry and includes the following divisions of ITT: Water & Wastewater (which includes the Analytical Instrumentation business), Residential & Commercial Water, and Flow Control. ITT WCO, Inc. was incorporated in Indiana on May 4, 2011 to be the entity to hold such businesses subject to approval by the Board of Directors of ITT and other conditions described below. The name of the corporation was changed from ITT WCO, Inc. to Xylem Inc. Under the plan, ITT would also distribute its Defense and Information Solutions business (Exelis Inc.).

The distribution of our common stock to ITT shareholders is conditioned on, among other things, final approval of the distribution plan by the ITT Board of Directors; the receipt of a private letter ruling from the Internal Revenue Service (IRS) substantially to the effect that, among other things, the contribution by ITT of the assets and liabilities of the water equipment and services business to Water Co, or the contribution, and the distribution will qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended (the Code); the receipt of a legal opinion as to the satisfaction of certain requirements necessary for the contribution and the distribution to qualify as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Code upon which the IRS will not rule the U.S. Securities and Exchange Commission (SEC) declaring effective our Registration Statement on Form 10; and the completion of the financing necessary for a cash distribution from Water Co to ITT prior to the distribution.

Unless the context otherwise indicates, references in these notes to Condensed Combined Financial Statements to “we,” “us,” “our” and “the Company” refer to Water Co. References in the notes to the Combined Financial Statements to “ITT” or “parent” refers to ITT Corporation, an Indiana corporation, and its consolidated subsidiaries (other than Water Co), unless the context otherwise requires.

Basis of Presentation

The interim Condensed Combined Financial Statements presented herein, and discussed below, have been prepared on a standalone basis and are derived from the consolidated financial statements and accounting records of the water equipment and services businesses of ITT. The interim Condensed Combined Financial Statements reflect our financial position, results of operations and cash flows as we were historically managed, in conformity with accounting principles generally accepted in the United States of America, or GAAP. All intracompany transactions between our businesses have been eliminated. All intercompany transactions between us and ITT have been included in these interim Condensed Combined Financial Statements and are considered to be effectively settled for cash in the condensed combined financial statements at the time the transaction is recorded when the underlying transaction is to be settled in cash by ITT. The total net effect of the settlement of these intercompany transactions is reflected in the condensed combined statements of cash flow as a financing activity and in the combined balance sheets as “Parent company investment.”

Our interim Condensed Combined Financial Statements include expense allocations for (1) certain corporate functions historically provided by ITT, including, but not limited to, finance, legal, information technology, human resources, communications, ethics and compliance and shared services, (2) employee benefits and incentives, and (3) share-based compensation. These expenses have been allocated to us on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue, headcount or other measures. Both we and ITT consider the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the periods

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if we had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following our separation from ITT, we will perform these functions using our own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by ITT under the transition services agreements, which are planned to extend for a period of 3 to 24 months in most circumstances. In addition to the transition services agreements, effective upon the distribution, we intend for certain intercompany arrangements to be converted into third-party contracts.

ITT uses a centralized approach to cash management and financing of its operations, excluding debt where we are the legal obligor. The majority of our cash is transferred to ITT daily and ITT funds our operating and investing activities as needed. Cash transfers to and from ITT's cash management accounts are reflected in "Parent company investment."

The interim Condensed Combined Financial Statements include certain assets and liabilities that have historically been held at the ITT corporate level but are specifically identifiable or otherwise allocable to us. The cash and cash equivalents held by ITT at the corporate level are not specifically identifiable to Water Co and therefore were not allocated to us for any of the periods presented. Cash and cash equivalents in our combined balance sheets primarily represent cash held locally by entities included in our Combined Financial Statements. ITT third-party debt, and the related interest expense has not been allocated to us for any of the periods presented as we were not the legal obligor of the debt and the ITT borrowings were not directly attributable to our business.

The interim Condensed Combined Financial Statements exclude the allocation of liabilities, assets, and costs reported by ITT related to asbestos product liability matters. These matters were not allocated to us for any period presented as ITT will continue as the legal obligor for those liabilities. ITT is expected to pay any associated settlements, judgments, or legal defense costs, and such matters were not historically managed by us.

The unaudited interim Condensed Combined Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules. We believe that the disclosures made are adequate to make the information presented not misleading. We consistently applied the accounting policies described in the Combined Financial Statements presented elsewhere in this Information Statement with the exception of the accounting standards updates described in Note 2 which were adopted on January 1, 2011.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the interim Condensed Combined Financial Statements and accompanying notes. Such estimates include, but are not limited to, allowance for doubtful accounts, inventory valuation, goodwill and intangible asset impairment, postretirement benefits, income taxes and the allocation of purchase price to the assets acquired and liabilities assumed in a business combination. Estimates are revised as additional information becomes available. Additionally, our interim Condensed Combined Financial Statements may not be indicative of our future performance and do not necessarily reflect what the results of operations, financial position and cash flows would have been had we operated as an independent, publicly traded company during the periods presented. These interim Condensed Combined Financial Statements should be read in conjunction with the audited combined financial statements and notes thereto included elsewhere in this Information Statement.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

Our quarterly financial periods end on the Saturday closest to the last day of the calendar quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. For ease of presentation, the quarterly financial statements included herein are described as ending on the last day of the calendar quarter.

Unaudited Pro Forma Balance Sheet for ITT Contribution

In connection with the separation from ITT, the Company expects to raise \$1,200 of indebtedness, which includes indebtedness to be raised in connection with the YSI acquisition. Proceeds of \$817 received in connection with these borrowings are expected to be transferred to ITT. The accompanying unaudited pro forma balance sheet as of June 30, 2011 gives effect to the \$817 contribution expected to be paid to ITT.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued additional guidance applicable to the testing of goodwill for potential impairment. Specifically, for reporting units with zero or negative carrying amounts, an entity is required to perform the second step of the goodwill impairment test (a comparison between the carrying amount of a reporting unit's goodwill to its implied fair value) if it is more likely than not that a goodwill impairment exists, considering any adverse qualitative factors. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. As of the date of our most recent goodwill impairment test, none of our reporting units would have been affected by the application of this guidance as each reporting unit had a carrying amount that exceeded zero.

In April 2010, the FASB issued authoritative guidance permitting use of the milestone method of revenue recognition for research or development arrangements that contain payment provisions or consideration contingent on the achievement of specified events. On January 1, 2011, we adopted the new guidance on a prospective basis. The adoption of this guidance did not have a material impact on our financial condition, results of operations or cash flows.

In October 2009, the FASB issued amended guidance on the accounting for revenue arrangements that contain multiple elements by eliminating the criteria that objective and reliable evidence of fair value for undelivered products or services needs to exist in order to be able to account separately for deliverables and eliminating the use of the residual method of allocating arrangement consideration. The amendments establish a hierarchy for determining the selling price of a deliverable and will allow for the separation of products and services in more instances than previously permitted.

We adopted the new multiple element guidance effective January 1, 2011 for new arrangements entered into or arrangements materially modified on or after that date on a prospective basis. In connection with the adoption of the revised multiple element arrangement guidance, we revised our revenue recognition accounting policies. For multiple deliverable arrangements entered into or materially modified on or after January 1, 2011, we recognize revenue for a delivered element based on the relative selling price if the deliverable has stand-alone value to the customer and, in arrangements that include a general right of return relative to the delivered element, performance of the undelivered element is considered probable and substantially in the Company's control. The selling price for a deliverable is based on vendor-specific objective evidence of selling price (VSOE), if available, third-party evidence of selling price (TPE), if VSOE is not available, or best estimated selling price (BESP), if neither VSOE nor TPE is available.

The deliverables in our arrangements with multiple elements include various products and may include related services, such as installation and start-up services. For multiple element arrangements entered into or materially modified after adoption of the revised multiple element arrangement guidance, we allocate arrangement consideration based on the relative selling prices of the separate units of accounting determined in accordance with the hierarchy described above. For deliverables that are sold separately, we establish VSOE based on the price when the deliverable is sold separately. We establish TPE, generally for services, based on

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

prices similarly situated customers pay for similar services from third party vendors. For those deliverables for which we are unable to establish VSOE or TPE, we estimate the selling price considering various factors including market and pricing trends, geography, product customization, and profit objectives. Revenue allocated to products and services is generally recognized as the products are delivered and the services are performed, provided all other revenue recognition criteria have been satisfied. The adoption of the new multiple element guidance did not result in a material change in either the units of accounting or the pattern or timing of revenue recognition. Additionally, the adoption of the revised multiple element arrangement guidance did not have a material impact on our financial condition, results of operations or cash flows.

Pronouncements Not Yet Adopted

In May 2011, the FASB issued guidance intended to achieve common fair value measurements and related disclosures between U.S. GAAP and international accounting standards. The amendments primarily clarify existing fair value guidance and are not intended to change the application of existing fair value measurement guidance. However, the amendments include certain instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This guidance is effective for the periods beginning after December 15, 2011 and early application is prohibited. We will adopt these amendments on January 1, 2012; however, the requirements are not expected to have a material effect on the Company's Combined Financial Statements.

NOTE 3 ACQUISITIONS

We did not engage in any acquisitions during the first six months of 2011. During the first six months of 2010, we spent \$391, net of cash acquired. The substantial majority of the first six months of 2010 aggregate purchase price pertained to the acquisition of Nova Analytics Corporation (Nova) on March 23, 2010 for \$385. Nova provides us with analytical instrumentation brands and technologies, which when combined with the Water & Waste Water Division of the WaterInfrastructure segment, provides our customers the ability to procure, from a single source, a full suite of transport, treatment and testing products and solutions.

Additionally, in the third quarter of 2010, we completed the acquisitions of Godwin Pumps of America, Inc. and Godwin Holdings Limited (collectively referred to as Godwin) for \$580. Godwin is a supplier and servicer of automatic self-priming and on-demand pumping solutions serving the global industrial, construction, mining, municipal, oil and gas dewatering markets. The Godwin acquisition expands our dewatering market presence in the United States.

The results of operations and cash flows from our 2010 acquisitions have been included in our Condensed Combined Financial Statements prospectively from their date of acquisition.

Refer to Note 17 for the disclosure of a definitive agreement reached subsequent to the period ended June 30, 2011 to acquire a company.

NOTE 4 INCOME TAXES

Effective Tax Rate

Our quarterly provision for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items within periods presented. The comparison of our effective tax rate between periods is significantly impacted by the level and mix of earnings and losses by tax jurisdiction, foreign income tax rate differentials and amount of permanent book-to-tax differences.

For the six months ended June 30, 2011, we recorded an income tax provision of \$66 or 30.6% of income before income taxes compared to \$26 or 15.6% during the prior period. For 2011, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate incurred on foreign earnings and the favorable impact of interest not subject to income taxes offset in part by tax transformation costs. For 2010, the effective tax rate is lower than the federal statutory rate of 35% due principally to a lower rate

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

incurred on foreign earnings and the favorable impact of the repatriation of foreign earnings net of foreign tax credits.

Uncertain Tax Positions

We recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. As of June 30, 2011 and December 31, 2010, we had \$44 and \$43, respectively, of total unrecognized tax benefits recorded. The amount of unrecognized tax benefits that would affect the effective tax rate is \$44 and \$43, as of June 30, 2011 and December 31, 2010, respectively.

We classify interest relating to tax matters as a component of interest expense and tax penalties as a component of income tax expense in our Condensed Combined Income Statement. We had \$6 of interest accrued for tax matters as of June 30, 2011 and \$5 as of December 31, 2010.

NOTE 5 RECEIVABLES, NET

	June 30, 2011	December 31, 2010
Trade accounts receivable	\$ 782	\$ 703
Other	20	19
Receivables, gross	802	722
Allowance for doubtful accounts	(26)	(25)
Allowance for cash discounts	(5)	(7)
Receivables, net	<u>\$ 771</u>	<u>\$ 690</u>

NOTE 6 INVENTORIES, NET

	June 30, 2011	December 31, 2010
Finished goods	\$ 180	\$ 166
Work in process	33	32
Raw materials	223	191
Inventories, net	<u>\$ 436</u>	<u>\$ 389</u>

NOTE 7 PLANT, PROPERTY AND EQUIPMENT, NET

	June 30, 2011	December 31, 2010
Land and improvements	\$ 21	\$ 20
Buildings and improvements	214	200
Machinery and equipment	602	567
Equipment held for lease or rental	149	129
Furniture, fixtures and office equipment	84	81
Construction work in progress	48	51
Other	23	15
Plant, property and equipment, gross	1,141	1,063
Less — accumulated depreciation	(674)	(609)
Plant, property and equipment, net	<u>\$ 467</u>	<u>\$ 454</u>

Depreciation expense of \$47 and \$28 was recognized in the six months ended June 30, 2011 and 2010, respectively.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 8 GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Changes in the carrying amount of goodwill for the six months ended June 30, 2011 by business segment are as follows:

	Water Infrastructure	Applied Water	Total
Goodwill — 12/31/2010	\$ 873	\$ 564	\$ 1,437
Foreign currency	39	16	55
Goodwill — 6/30/2011	\$ 912	\$ 580	\$ 1,492

Based on the results of its annual impairment tests, we determined that no impairment of goodwill existed as of the measurement date in 2010. However, future goodwill impairment tests could result in a charge to earnings. We will continue to evaluate goodwill on an annual basis as of the beginning of our fourth fiscal quarter and whenever events and changes in circumstances indicate there may be a potential impairment.

Other Intangible Assets

Information regarding our other intangible assets is as follows:

	June 30, 2011			December 31, 2010		
	Gross Carrying Amount	Gross Accumulated Amortization	Net Intangibles	Carrying Amount	Accumulated Amortization	Net Intangibles
Customer and distributor relationships	\$ 282	\$ (42)	\$ 240	\$ 270	\$ (29)	\$ 241
Proprietary technology	70	(21)	49	68	(18)	50
Trademarks	34	(10)	24	33	(9)	24
Patents and other	22	(15)	7	21	(13)	8
Indefinite-lived intangibles	97	—	97	93	—	93
Other intangibles	<u>\$ 505</u>	<u>\$ (88)</u>	<u>\$ 417</u>	<u>\$ 485</u>	<u>\$ (69)</u>	<u>\$ 416</u>

Based on the results of its annual impairment tests, we determined that no impairment of the indefinite-lived intangibles existed as of the measurement date in 2010. However, future impairment tests could result in a charge to earnings. We will continue to evaluate the indefinite-lived intangible assets on an annual basis as of the beginning of our fourth fiscal quarter and whenever events and changes in circumstances indicate there may be a potential impairment.

Amortization expense related to finite-lived intangible assets for the six months ended June 30, 2011 and 2010 was \$16, and \$7, respectively.

NOTE 9 ACCOUNTS PAYABLE

	June 30, 2011	December 31, 2010
Trade accounts payable	\$ 296	\$ 297
Other	11	12
Accounts payable	\$ 307	\$ 309

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 10 ACCRUED AND OTHER CURRENT LIABILITIES

	June 30, 2011	December 31, 2010
Compensation and other employee-benefits	\$ 167	\$ 161
Customer-related liabilities	32	25
Accrued warranty costs	33	36
Accrued income taxes	58	20
Deferred income tax liability	15	12
Other accrued liabilities	90	86
Accrued and other current liabilities	<u>\$ 395</u>	<u>\$ 340</u>

NOTE 11 POSTRETIREMENT BENEFIT PLANS

The following table provides the components of net periodic benefit cost for pension plans, disaggregated by U.S. and International plans, and other employee-related benefit plans for the six months ended June 30, 2011 and 2010.

	2011					2010				
	U.S.	Int'l	Total Pension	Other Benefits	Total	U.S.	Int'l	Total Pension	Other Benefits	Total
Net periodic benefit cost										
Service cost	\$ 1	\$ 2	\$ 3	\$ —	\$ 3	\$ 1	\$ 1	\$ 2	\$ —	\$ 2
Interest cost	2	4	6	—	6	2	3	5	—	5
Expected return on plan assets	(2)	(1)	(3)	—	(3)	(2)	—	(2)	—	(2)
Amortization of net actuarial loss	—	1	1	—	1	—	1	1	—	1
Net periodic benefit cost	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$ 6</u>

We contributed approximately \$6 and \$2 to our various plans during the six months ended June 30, 2011 and 2010, respectively. Additional contributions ranging between \$2 and \$4 are expected during the remainder of 2011.

Certain Company employees participate in defined benefit pension and other postretirement benefit plans sponsored by ITT Corporation, which include participants of other ITT Corporation subsidiaries. We recorded approximately \$12 and \$14 of expense related to such multiemployer plans during the six months ended June 30, 2011 and 2010, respectively.

NOTE 12 SHARE-BASED PAYMENTS

ITT maintains several share-based incentive plans, for the benefit of certain officers, directors, and employees, including Water Co employees. Share-based awards issued to employees include non-qualified stock options (NQO), restricted stock awards (RS) and a target cash award (TSR). NQO and RS awards are accounted for as equity-based compensation. TSR awards are cash settled and accounted for as liability-based compensation. These compensation costs are recognized primarily within selling, general and administrative expenses.

Total share-based compensation costs recognized were \$6 and \$5 for the six months ended June 30 2011 and 2010, respectively. A significant component of these charges relates to costs allocated to Water Co for ITT Corporate employees as well as other ITT employees not solely dedicated to Water Co. As of June 30, 2011, there were approximately 0.7 NQO and 0.2 RS shares outstanding related to Water Co specific employees. These awards and related amounts are not necessarily indicative of awards and amounts that would

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

have been granted if we were an independent, publicly traded company for the periods presented. The following table provides further detail related to share-based compensation expense.

Compensation Cost	June 30, 2011			June 30, 2010		
	Water Co	Other	2011 Total	Water Co	Other	2010 Total
	Employees	Employee Allocations		Employees	Employee Allocations	
Equity-based awards	\$ 1	\$ 3	\$ 4	\$ 1	\$ 3	\$ 4
Liability-based awards	1	1	2	1	—	1
Total	\$ 2	\$ 4	\$ 6	\$ 2	\$ 3	\$ 5

NOTE 13 WARRANTIES

We warrant numerous products, the terms of which vary widely. In general, we warrant products against defect and specific non-performance. The table below provides changes in the product warranty accrual over each period.

	2011	2010
Warranty accrual — 1/1	\$ 36	\$ 34
Accruals for product warranties issued in the period	8	15
Payments	(11)	(12)
Warranty accrual — 6/30	\$ 33	\$ 37

NOTE 14 RELATED PARTY TRANSACTIONS AND PARENT COMPANY EQUITY

The interim Condensed Combined Financial Statements have been prepared on a standalone basis and are derived from the consolidated financial statements and accounting records of ITT.

During the six months ended June 30, 2011 and 2010, we sold inventory to other ITT businesses in the aggregate amount of \$7 and \$4, respectively which is included in net sales in our combined statements of operations. We also purchase inventories from other ITT businesses. During the six months ended June 30, 2011 and 2010, we recognized cost of sales from the inventory purchased from ITT of \$6 and \$6, respectively. The aggregate inventory on hand of purchases from other ITT businesses as of June 30, 2011 and December 31, 2010 was not significant.

Allocation of General Corporate Expenses

The interim Condensed Combined Financial Statements include expense allocations for certain functions provided by ITT, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, ethics and compliance, shared services, employee benefits and incentives, and share-based compensation. These expenses have been allocated to us on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenue, headcount or other measure. During the six months period ended June 30, 2011, and 2010, we were allocated \$64 and \$52, respectively, of general corporate expenses incurred by ITT which is included within SG&A expenses in the combined statements of operations.

The expense allocations have been determined on a basis that both we and ITT consider to be a reasonable reflection of the utilization of services provided or the benefit received by us during the periods presented. The allocations may not, however, reflect the expense we would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if we had been a stand-alone company would depend on a number of factors, including the chosen organization structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

Parent Company Equity

ITT uses a centralized approach to cash management and financing of its operations, excluding debt directly incurred by any of its businesses, such as debt assumed in an acquisition. The majority of our domestic cash is transferred to ITT daily and ITT funds our operating and investing activities as needed.

The interim Condensed Combined Financial Statements also include the push down of certain assets and liabilities that have historically been held at the ITT corporate level but which are specifically identifiable or otherwise allocable to us. The cash and cash equivalents held by ITT at the corporate level were not allocated to us for any of the periods presented. Cash and equivalents in our combined balance sheets primarily represent cash held locally by entities included in our combined financial statements. Transfers of cash to and from ITT's cash management system are reflected as a component of Parent company investment on the combined balance sheets.

All significant intercompany transactions between us and ITT have been included in these condensed combined financial statements and are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded when the underlying transaction is to be settled in cash by ITT. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flow as a financing activity and in the combined balance sheets as parent company investment.

NOTE 15 CONTINGENCIES AND OTHER LEGAL MATTERS

General

From time to time we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings seek remedies relating to environmental matters, product liability, personal injury claims, employment and pension matters, and commercial or contractual disputes, sometimes related to acquisitions or divestitures. We will continue to defend vigorously against all claims.

While no claims have been asserted against Xylem Inc. alleging injury caused by a Water Co product resulting from asbestos exposure, it is possible that claims could be filed in the future. Should asbestos product liability claims be asserted against Xylem Inc. in the future, we believe there are numerous legal defenses available and would defend ourselves vigorously against such a claim. As part of the separation, ITT will indemnify Xylem Inc. for asbestos product liability matters, including settlements, judgments, and legal defense costs associated with all pending and future claims that may arise from past sales of ITT's legacy products. We believe ITT remains a substantive entity with sufficient financial resources to honor its obligations to us.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claim, we do not expect that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on our cash flow, results of operations, or financial condition.

Indemnifications

As part of the separation, ITT will provide for certain indemnifications and cross-indemnifications among ITT, Exelis Inc. and Xylem Inc. The indemnifications address a variety of subjects; including asserted and unasserted product liability matters (e.g., asbestos claims, product warranties), which relate to products sold prior to the Separation Date. The indemnifications are absolute and indefinite. The indemnification associated with pending and future asbestos claims does not expire. Xylem Inc. has not recorded a liability for matters for which we will be indemnified by ITT or Exelis Inc. through the Distribution Agreement and we are not aware of any claims or other circumstances that would give rise to material payments from us under such indemnifications.

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

Environmental

In the ordinary course of business, we are subject to federal, state, local, and foreign environmental laws and regulations. We are responsible, or are alleged to be responsible, for ongoing environmental investigation and remediation of sites in various countries. These sites are in various stages of investigation and/or remediation and in many of these proceedings our liability is considered de minimis. We have received notification from the U.S. Environmental Protection Agency, and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned and/or operated by Water Co., and other properties or water supplies that may be or have been impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation and/or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations.

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our accrued liabilities for these environmental matters represent the best estimates related to the investigation and remediation of environmental media such as water, soil, soil vapor, air and structures, as well as related legal fees. These estimates, and related accruals, are reviewed quarterly and updated for progress of investigation and remediation efforts and changes in facts and legal circumstances. Liabilities for these environmental expenditures are recorded on an undiscounted basis. We have estimated and accrued \$10 and \$8 as of June 30, 2011 and December 2010, respectively, for environmental matters.

It is difficult to estimate the final costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of investigation or remediation and our share, if any, of liability for such conditions, the selection of alternative remedial approaches, and changes in environmental standards and regulatory requirements. In our opinion, the total amount accrued is appropriate based on existing facts and circumstances.

NOTE 16 SEGMENT INFORMATION

The Company's segments are reported on the same basis used internally for evaluating performance and allocating resources. Our business is organized into two segments: Water Infrastructure and Applied Water. Water Infrastructure, comprising our Water & Wastewater and Analytics operating segments, involves the core water processes that distribute water to users and return the wastewater back to the environment. Specifically, this involves public utility and industrial transport, treatment and test applications related to the supply of earth's water resources. Products include transport and treatment products and solutions for water and waste water, including pumps, filtration and disinfection equipment, and analytical instruments. Applied Water, comprising our Residential & Commercial Water and Flow Control operating segments, revolves around the usage of water.

Six Months Ended June 30	Revenue		Operating Income		Operating Margin	
	2011	2010	2011	2010	2011	2010
Water Infrastructure	\$1,153	\$ 820	\$158	\$ 103	13.7%	12.6%
Applied Water	740	669	97	92	13.1%	13.8%
Eliminations	(32)	(28)	—	—	—	—
Corporate and Other	—	—	(39)	(25)	—	—
Total	\$1,861	\$1,461	\$216	\$170	11.6%	11.6%

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS — (Continued)

NOTE 17 SUBSEQUENT EVENT

We evaluated subsequent events for recognition or disclosure through September 23, 2011, the date the condensed combined financial statements were available to be issued.

On September 1, 2011, we acquired YSI Incorporated (“YSI”) for an aggregate purchase price of \$310. YSI is a leading developer and manufacturer of sensors, instruments, software, and data collection platforms for environmental water monitoring. YSI reported 2010 global revenues of \$101 and employs 390 people at several facilities in the United States, Europe and Asia.

On September 20, 2011, we issued \$1.2 billion aggregate principal amount of senior notes, of which \$600 aggregate principal amount of 3.55% Senior Notes will mature on September 20, 2016 and \$600 aggregate principal amount of 4.875% Senior Notes will mature on October 1, 2021. Interest on the notes accrues from September 20, 2011. Interest on the 3.55% Senior Notes is payable on March 20 and September 20 of each year, commencing on March 20, 2012. Interest on the 4.875% Senior Notes is payable on April 1 and October 1 of each year, commencing on April 1, 2012.

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Godwin Pumps of America, Inc. and Godwin Holdings, Ltd.

We have audited the accompanying combined consolidated statements of income and retained earnings and of cash flows of Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and subsidiary (collectively, the "Company") for the period January 1, 2010 to August 2, 2010. These combined consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated statements of income and retained earnings and of cash flows are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined consolidated statements of income and retained earnings and of cash flows, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined consolidated financial statement presentation. We believe that our audit of the combined consolidated statements of income and retained earnings and of cash flows provides a reasonable basis for our opinion.

In our opinion, such combined consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the results of operations and cash flows of the Company for the period January 1, 2010 to August 2, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
June 13, 2011

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Combined Consolidated Statement of Income and Retained Earnings
For the period from January 1, 2010 to August 2, 2010

	(In thousands)
Product revenue	\$ 69,658
Rental and service revenue	75,559
Total revenues	<u>145,217</u>
Cost of product revenue	44,472
Cost of rental and service revenues	26,718
Total cost of revenues	<u>71,190</u>
Gross profit	74,027
Selling, general and administrative expenses	47,832
Operating income	<u>26,195</u>
Other expense:	
Loss on foreign currency forward contracts	290
Interest and other expense, net	242
Total other expense	<u>532</u>
Income before income taxes	25,663
Income tax expense	832
Net income	24,831
Retained earnings, beginning	144,305
Shareholders' distributions	(37,138)
Retained earnings, ending	<u>\$ 131,998</u>

See accompanying notes.

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary**Combined Consolidated Statement of Cash Flows
For the period from January 1, 2010 to August 2, 2010**

	(In thousands)
Cash flows from operating activities	
Net income	\$ 24,831
Non-cash adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	10,221
Deferred income taxes	(79)
Payments less than expense for retirement plan	(64)
Loss on foreign currency forward contracts	290
Change in:	
Accounts receivables	(608)
Inventories	3,162
Prepaid expenses and other assets	121
Accounts payables and accrued expense	928
Income taxes payable	630
Proceeds from settlement of foreign currency forward contracts	1,015
Cash provided by operating activities	<u>\$ 40,447</u>
Cash flows from investing activities	
Purchases of property and equipment	\$ (11,103)
Proceeds from sale of property and equipment to third parties	1,912
Proceeds from sale of property and equipment to related party	1,700
Cash used in investing activities	<u>\$ (7,491)</u>
Cash flows from financing activities	
Shareholders' distributions	\$ (33,769)
Repayments of borrowings to related parties	(2,411)
Repayments of borrowings to unrelated parties	(3,464)
Cash used in financing activities	<u>(39,644)</u>
Effect of exchange rates on cash and cash equivalents	(161)
Net decrease in cash and cash equivalents	(6,849)
Cash and cash equivalents, beginning of period	8,113
Cash and cash equivalents, end of period	<u>\$ 1,264</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u>\$ 13</u>
Cash paid for taxes, net of refunds	<u>\$ 692</u>
Noncash investing and financing activities	
Distribution of net assets to Shareholders	<u>\$ 3,354</u>
Forgiveness of related party debt, recognized as a distribution to shareholders	<u>\$ 9,181</u>

See accompanying notes.

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements

1. Description of Business and Basis of Presentation

The combined consolidated financial statements reflect the combined results of operations and cash flows of Godwin Pumps of America, Inc. (“GPA”) and Godwin Holdings, Ltd. (“Holdings”) (collectively referred to as “Godwin” or the “Company”) for the period from January 1, 2010 to August 2, 2010. From January 1, 2010 to August 2, 2010, GPA and Holdings were entities under common control of one individual (“Controlling Shareholder”). GPA, a subchapter S-corporation incorporated in New Jersey, is engaged in the business of assembling, selling, renting and servicing industrial and contractors’ pumps, as well as the sale and rental of other industrial products. Holdings is a holding company with no operations of its own and whose primary asset is its wholly owned subsidiary, Godwin Pumps, Ltd. (“GPL”). GPL manufactures and sells pumps and pump components and is a major supplier to GPA. GPL also sells directly and through independent distributors in the United Kingdom, Europe, Middle East, and Africa. Both Holdings and GPL are incorporated in the United Kingdom. Operations in the United Kingdom contributed 13% of combined net sales for the period from January 1, 2010 to August 2, 2010. In addition, approximately 19% of the combined net assets were located in the United Kingdom at August 2, 2010.

On August 3, 2010, ITT Corporation (“ITT”) acquired all of the privately held stock of GPA, Holdings and its wholly owned subsidiary, GPL, as of that date. These combined consolidated financial statements have been prepared for purposes of complying with the filing requirements under Securities and Exchange Commission (“SEC”) Regulation S-X, Rule 3-05, for significant acquired businesses, as well as other applicable SEC rules and regulations. Accordingly, these combined consolidated financial statements do not include a balance sheet, a statement of changes in shareholders’ equity, and note disclosures related to assets, liabilities and equity. Furthermore, they reflect the results of operations for GPA and Holdings solely for the period prior to acquisition by ITT in 2010. Excluding the aforementioned matters, the accompanying combined consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of GPA and Holdings and its wholly owned subsidiary, GPL. All intercompany transactions, accounts and profits have been eliminated.

2. Summary of Significant Accounting Principles

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect amounts reported in the combined consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Foreign Currency

The functional currency of Holdings and GPA are the British pound and US dollar, respectively. Holdings’ revenues and expenses are translated at the average exchange rate for the period presented. Translation adjustments have no effect on net income.

Some transactions of the Company are conducted in currencies different from their functional currency. Gains and losses from these foreign currency transactions are included in income as they occur and were not material to the results of operations during the period from January 1, 2010 to August 2, 2010.

Concentration of Credit Risk

Financial instruments that potentially subject the Company’s results of operations to credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts. The Company performs credit evaluations of its customers and

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements — (Continued)

generally does not require collateral. The Company provides for losses from uncollectible accounts based on an analysis of historical data trends and specific higher risk accounts. The past-due or delinquency status of a receivable is based on the contractual payment terms of the receivable.

Cash and Cash Equivalents

The Company considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are recorded at the lower of cost or market. Cost is determined as follows:

- Components and finished equipment — actual cost
- Spare parts — average cost (approximates the first-in, first-out method)

Estimated losses from obsolete and slow-moving inventories are recorded to reduce inventory values to their estimated net realizable value.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Significant replacements and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	50 years
Machinery and equipment — Rental	5 to 10 years
Hose, pipe and fittings — Rental	3 to 5 years
Plant machinery and equipment	7 years
Vehicles	5 years
Office furniture and equipment	10 years
Leasehold improvements	Lease term

Revenue Recognition

Revenue is recognized and earned when all of the following criteria are satisfied: (a) persuasive evidence of an arrangement exists; (b) price is fixed or determinable; (c) collectibility is reasonably assured; and (d) delivery has occurred or service has been rendered. Delivery occurs when the title and the risks and rewards of ownership have substantially transferred to the customer. Equipment and parts sales are recognized when risk and title to the product transfers to the customer, which is usually on delivery. Rental revenue is recognized over the term of the rental period based on the terms of the rental contract. Service revenue is recognized on completion of the service. All revenue is presented net of applicable sales tax.

Shipping and Handling Costs

Shipping and handling costs are included in cost of revenues. Related shipping and handling income is included in revenues.

Advertising and Promotion

The Company expenses advertising as incurred. Advertising expense was \$451,000 for the period from January 1, 2010 to August 2, 2010.

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements — (Continued)

Income Taxes

GPA's federal income taxes are payable personally by the Controlling Shareholder pursuant to an election to be taxed as a subchapter S-corporation under the Internal Revenue Code. A similar election was made in New Jersey, the state of incorporation of GPA, and all other applicable states that allow for such an election. Therefore, the income tax provision recognized by GPA include only those applicable states which do not recognize this election or which still maintain corporate level taxes.

Holdings and GPL account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the financial statement effects of uncertain tax positions when it is more likely than not, based on the technical merits of the position, that the position will be sustained upon examination by the taxing authorities. The Company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. Interest accrued related to unrecognized tax and income tax related penalties are included in the provision for income taxes. The Company has not recognized any uncertain tax positions in the combined financial statements.

Product Warranties

Warranty accruals are recorded at the time of sale and are estimated based on product warranty terms and estimates of costs to be incurred to fulfill the claim based on historical experience. The Company assesses the adequacy of its liabilities and revises its estimates, as necessary, based on known or anticipated warranty claims, or as new information becomes available.

Other Comprehensive Income

The components of total comprehensive income for the Company consist of the Company's net income, foreign currency translation adjustments and pension liability adjustments. For the period from January 1, 2010 to August 2, 2010, total comprehensive income (loss) was as follows (in thousands):

Net income	\$ 24,831
Foreign currency translation adjustment	(1,750)
Pension liability adjustments	(255)
Total comprehensive income	<u>\$22,826</u>

New Accounting Pronouncements

In October 2009, the FASB issued ASU No. 2009-13, which amended the accounting for revenue arrangements that contain multiple elements. The objective of this amendment is to address the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The amendments establish a hierarchy for determining the selling price of a deliverable and will allow for the separation of products and services in more instances than previously permitted. The guidance provided within ASU 2009-13 is effective for new or materially modified arrangements in fiscal years beginning on or after June 15, 2010 and allows for either prospective or retrospective application, with early adoption permitted. The Company will adopt the provisions of this ASU on January 1, 2011. Although the Company continues to evaluate the effects adoption of this ASU will have, it currently does not believe its results of operations, financial position or liquidity will be adversely affected.

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements — (Continued)

3. Derivative Financial Instrument

During 2009, the Company entered into forward contracts to purchase British pounds and Euros. The objective of the forward contracts was to minimize foreign currency risk associated with inventory purchases from foreign vendors by reducing the impact of changes in foreign currency on cash flows. The forward contracts were not designated as hedges for accounting purposes. The Company does not utilize the forward contracts or other financial instruments for trading purposes.

The Company settled its forward contracts during the period from January 1, 2010 to August 2, 2010 and received net proceeds of \$1 million. The decline in the fair value of the contracts from January 1, 2010 through the various settlement dates was \$290,000. This loss on settlement of foreign currency forward contracts is recognized in other income (expense) in the combined consolidated statement of income and retained earnings.

There were no derivative contracts outstanding at August 2, 2010.

4. Income Taxes

The components of income tax expense (benefit) are as follows for the period from January 1, 2010 to August 2, 2010 (in thousands):

Current income taxes:	
State	\$167
Foreign	743
Total	910
Deferred income taxes:	
State	(6)
Foreign	(72)
Total	(78)
Total taxes	<u>\$ 832</u>

The Company's effective income tax rate differs from the statutory Federal income tax rate on ordinary income due principally because of the Company's domestic subchapter S-corporation election and lower foreign tax rates.

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements — (Continued)

5. Retirement Benefits

Defined Benefit Pension Plan

The Company, through GPL, maintains a defined benefit pension plan which covers substantially all employees in the United Kingdom. The plan's benefits are based primarily on years of service and employee compensation near retirement. The net periodic pension cost, employer contributions, participant contributions, benefits paid and weighted average discount rate for the period from January 1, 2010 to August 2, 2010 were as follows:

Net periodic pension cost	\$ 427,000
Employer contributions	\$ 404,000
Participant contributions	\$ 139,000
Benefits paid	\$ 389,000
Related to net periodic pension cost:	
Weighted average discount rate	6.0%
Expected long-term rate of return on plan assets	7.5%
Expected rate of salary increases	2.9%

The estimated benefit payments for the Company's pension plan range from \$473,000 to \$610,000 for each of the next five years and \$5.8 million in aggregate for the five years thereafter. The Company expects to make contributions of approximately \$1 million in 2011.

Profit Sharing Retirement Plan

The Company, through GPA, sponsors a trustee profit sharing retirement plan, which covers all eligible employees and allows for employee contributions (401(k) option). Contributions to the profit sharing retirement plan and the matching employer contributions to the 401(k) option are at the discretion of the Board of Directors. Currently, GPA's matching portion is 50% of the employee's contribution up to a maximum of 6% of employee eligible wages. The Company's contribution to the profit sharing retirement plan and the matching portion of the 401(k) was \$865,000 for the period from January 1, 2010 to August 2, 2010.

6. Related Party Transactions

Leases

The Company rents its corporate office in Bridgeport, New Jersey, and other office buildings, warehouses and commercial real estate in the United States and United Kingdom under operating leases with affiliates of the Controlling Shareholder. Under the terms of these leases, the Company is responsible for real estate taxes, insurance, utilities and maintenance. Rent expense for these related party facility leases for the period from January 1, 2010 to August 2, 2010 was \$2.5 million in aggregate, of which \$1.9 million and \$600,000 is included in cost of sales and selling, general and administrative expenses, respectively. On August 3, 2010 in conjunction with ITT's acquisition of the Company, certain provisions of these leases, mainly the lease term, were amended. Future minimum lease payments under these revised lease agreements are included in the amounts disclosed in Note 7.

The Company also leased airplanes from an affiliate of the Controlling Shareholder. Under the terms of these leases, the Company was responsible for all operating expenses associated with use of the airplanes while the airplanes were being used by the Company as well as an hourly rental charge for each flight hour used. Rent expense for the aircraft recognized in the combined consolidated statement of income and retained earnings was \$625,000 for the period from January 1, 2010 to August 2, 2010.

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements — (Continued)

Related Party Guarantees

The Company has guaranteed the debt of two of the affiliated lessors discussed above related to the property and equipment leased by the Company. The affiliated lessors were current in their mortgage payments as of August 2, 2010. The aggregate guaranteed mortgage balances at August 2, 2010 were approximately \$9.9 million. The guarantee agreements were terminated in connection with ITT's acquisition of the Company on August 3, 2010.

Distributions

In June 2010, GPA sold City Lights Home LLC, a wholly owned subsidiary consisting primarily of a condominium in Philadelphia, Pennsylvania, to affiliates controlled by the Controlling Shareholder for cash proceeds of \$1.7 million. The book value of City Lights Home, LLC was \$1.8 million at the time of the sale. The Company recorded the resulting loss of \$100,000 as a reduction of retained earnings and accordingly did not recognize any gain or loss from this transaction.

In June and July 2010, Holdings distributed two legal entities to affiliates controlled by the Controlling Shareholder. These entities primarily held real estate leased to GPL. The book value of these entities was \$3.4 million at the time of distribution. The Company recorded this distribution at book value as a reduction of retained earnings and accordingly did not recognize any gain or loss from this transaction.

7. Commitments and Contingencies

Total rent expense under non-cancellable operating leases excluding those with related parties (see Note 6) was \$342,000 for the period from January 1, 2010 to August 2, 2010.

The future minimum payments under non-cancellable operating lease agreements including those with related parties, as of August 2, 2010 are as follows (in thousands):

Period from August 3 to December 31, 2010	\$ 2,239
2011	5,256
2012	4,453
2013	3,116
2014	1,649
2015	972
Total	<u>\$17,685</u>

Liabilities are recorded for various contingencies arising in the normal course of business, including litigation and administrative proceedings, environmental matters, product liability, product warranty, worker's compensation and other claims. The Company has recorded the estimated costs for these contingencies in the combined consolidated financial statements based on assumptions including those developed using input derived from actuarial estimates and historical and anticipated experience data depending on the nature of the liability, and in certain instances with consultation of legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, the Company believes the estimates are reasonable and does not believe the final determination of the cost associated with these liabilities would have a material effect on the combined consolidated results of operations or cash flows of the Company.

Until its acquisition by ITT, the Company's workers' compensation and general liability insurance was provided by a related multi-party captive insurance company incorporated in the Cayman Islands. The Company owns one voting common share of the captive insurer with a carrying value of one hundred dollars and the Controlling Shareholder owns one non-voting redeemable preferred share. Initial premiums paid by the

Godwin Pumps of America, Inc. and Godwin Holdings, Ltd. and Subsidiary
Notes to Combined Consolidated Financial Statements — (Continued)

Company have been sufficient to cover any losses incurred and no additional premiums have been required to date. Premium expense was \$1.6 million for the period from January 1, 2010 to August 2, 2010.

8. Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through June 13, 2011, the date the combined consolidated financial statements were available to be issued.

As discussed in Note 1, ITT acquired all of the privately held stock of GPA, Holdings and its wholly owned subsidiary, GPL, on August 3, 2010. As a result of the acquisition, the Company's guarantee of the debt of the lessors affiliated with the Controlling Shareholder discussed in Note 6 was terminated. Further, the Company will no longer lease airplanes from an affiliate of the Controlling Shareholder. As discussed in Note 6, the terms of certain leases with affiliates of the Controlling Shareholder were modified. The future minimum lease payments under the revised leases are included in Note 7.