

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

Amendment No. 3
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 Form of 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*
- 21.1 Subsidiaries of Xylem Inc.**
- 99.1 Information Statement**

* To be filed by amendment.

** 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 14, 2011

DISTRIBUTION AGREEMENT

by and among
ITT CORPORATION,
EXELIS INC.

and

XYLEM INC.

Dated as of [•], 2011

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND INTERPRETATION	2
Section 1.1. General	2
Section 1.2. References; Interpretation	23
ARTICLE II THE SEPARATION	24
Section 2.1. General	24
Section 2.2. Restructuring; Transfer of Assets; Assumption of Liabilities	24
Section 2.3. Treatment of Shared Contracts	25
Section 2.4. Intercompany Accounts	26
Section 2.5. Limitation of Liability; Intercompany Contracts	26
Section 2.6. Transfers Not Effected at or Prior to the Effective Time; Transfers Deemed Effective as of the Effective Time	27
Section 2.7. Conveyancing and Assumption Instruments	28
Section 2.8. Further Assurances; Ancillary Agreements	29
Section 2.9. Novation of Liabilities; Indemnification	29
Section 2.10. Guarantees; Letters of Credit	30
Section 2.11. Disclaimer of Representations and Warranties	31
ARTICLE III CERTAIN ACTIONS AT OR PRIOR TO THE DISTRIBUTIONS	32
Section 3.1. Articles of Incorporation; By-laws	32
Section 3.2. Directors	32
Section 3.3. Officers	32
Section 3.4. Resignations	33
Section 3.5. Cash Adjustments.	33
ARTICLE IV THE DISTRIBUTIONS	35
Section 4.1. Stock Dividends to ITT Shareholders	35
Section 4.2. Actions in Connection with the Distribution	36
Section 4.3. Sole Discretion of ITT	36
Section 4.4. Conditions to Distribution	37
ARTICLE V CERTAIN COVENANTS	38
Section 5.1. No Solicit; No Hire	38
Section 5.2. Intellectual Property	38
Section 5.3. Administration of Specified Shared Expenses	38
Section 5.4. Cooperation	39
Section 5.5. Periodic Meetings	39
Section 5.6. Board of Directors	39
Section 5.7. Office Space	40
Section 5.8. Night Vision	40
Section 5.9. SEC Settlement	41
ARTICLE VI SHARED CONTINGENT LIABILITIES	41
Section 6.1. Shared Contingent Liabilities	41
Section 6.2. Management of Shared Contingent Liabilities	42

	<u>Page</u>
Section 6.3. Access to Information; Certain Services; Expenses	43
Section 6.4. Notice Relating to Shared Contingent Liabilities; Disputes	44
Section 6.5. Cooperation with Governmental Entity	44
Section 6.6. Default	45
 ARTICLE VII INDEMNIFICATION	 45
Section 7.1. Release of Pre-Distribution Claims	45
Section 7.2. Indemnification by ITT	47
Section 7.3. Indemnification by Exelis	47
Section 7.4. Indemnification by Xylem	47
Section 7.5. Procedures for Indemnification	47
Section 7.6. Cooperation in Defense and Settlement	49
Section 7.7. Indemnification Payments	50
Section 7.8. Indemnification Obligations Net of Insurance Proceeds and Other Amounts	50
Section 7.9. Additional Matters; Survival of Indemnities	50
 ARTICLE VIII PRESERVATION OF RECORDS; ACCESS TO INFORMATION; CONFIDENTIALITY; PRIVILEGE	 51
Section 8.1. Preservation of Corporate Records	51
Section 8.2. Financial Statements and Accounting	51
Section 8.3. Provision of Corporate Records	53
Section 8.4. Witness Services	54
Section 8.5. Reimbursement; Other Matters	54
Section 8.6. Confidentiality	54
Section 8.7. Privilege Matters	55
Section 8.8. Ownership of Information	57
Section 8.9. Other Agreements	57
 ARTICLE IX DISPUTE RESOLUTION	 57
Section 9.1. Negotiation	57
Section 9.2. Mediation	57
Section 9.3. Arbitration	58
Section 9.4. Arbitration Period	58
Section 9.5. Treatment of Negotiations, Mediation and Arbitration	58
Section 9.6. Continuity of Service and Performance	59
Section 9.7. Consolidation	59
 ARTICLE X INSURANCE	 59
Section 10.1. Policies and Rights Included Within Assets	59
Section 10.2. Post-Effective Time Claims	60
Section 10.3. Administration; Other Matters	60
Section 10.4. Agreement for Waiver of Conflict and Shared Defense	61
Section 10.5. Agreement for Waiver of Conflict and Insurance Litigation and/or Recovery Efforts	61
Section 10.6. Directors and Officers Liability Insurance; Fiduciary Liability Insurance; Employment Practices Liability Insurance; Employed Lawyers Liability Insurance	61
Section 10.7. No Coverage for Post-Effective Occurrences	62
Section 10.8. Cooperation	62
Section 10.9. Excluded Policies	62
Section 10.10. ITT as General Agent and Attorney-In-Fact	62

	<u>Page</u>
Section 10.11. Additional Premiums, Return Premiums and Pro Rata Cancellation Premium Credits	62
ARTICLE XI MISCELLANEOUS	62
Section 11.1. Complete Agreement; Construction	62
Section 11.2. Ancillary Agreements	63
Section 11.3. Counterparts	63
Section 11.4. Survival of Agreements	63
Section 11.5. Expenses	63
Section 11.6. Notices	63
Section 11.7. Waivers	64
Section 11.8. Assignment	64
Section 11.9. Successors and Assigns	64
Section 11.10. Termination and Amendment	64
Section 11.11. Payment Terms	64
Section 11.12. No Circumvention	65
Section 11.13. Subsidiaries	65
Section 11.14. Third Party Beneficiaries	65
Section 11.15. Title and Headings	65
Section 11.16. Exhibits and Schedules	65
Section 11.17. Governing Law	65
Section 11.18. Consent to Jurisdiction	65
Section 11.19. Waiver of Jury Trial	66
Section 11.20. Severability	66
Section 11.21. Force Majeure	66
Section 11.22. Interpretation	66
Section 11.23. No Duplication; No Double Recovery	66
Section 11.24. Tax Treatment of Payments	67
Section 11.25. No Waiver	67
Section 11.26. No Admission of Liability	67

List of Schedules

Schedule 1.1(8)	Asset Transfers
Schedule 1.1(20)	Continuing Arrangements
Schedule 1.1(24)(ii)	Defense Divisions
Schedule 1.1(24)(iii)	Certain Specified Defense Assets
Schedule 1.1(24)(iv)	Defense Business Entities And Investments
Schedule 1.1(24)(v)	Defense Owned Real Property
Schedule 1.1(24)(vi)	Defense Leased Property
Schedule 1.1(24)(x)	Registered Intellectual Property to be Transferred to the Defense Group
Schedule 1.1(24)(xiv)	Defense Financial Assets
Schedule 1.1(29)(iv)	Specified Defense Liabilities
Schedule 1.1(29)(viii)	Sold, Transferred or Discontinued Defense Operations
Schedule 1.1(29)(xii)	Defense Litigation and Disputes
Schedule 1.1(61)	ITT Disclosure Sections
Schedule 1.1(64)(i)	ITT Retained Divisions
Schedule 1.1(64)(iii)	ITT Business Entities and Investments
Schedule 1.1(64)(iv)	ITT Owned Real Property
Schedule 1.1(64)(v)	ITT Leased Property
Schedule 1.1(64)(ix)	ITT Group Registered Intellectual Property
Schedule 1.1(64)(xiii)	ITT Financial Assets
Schedule 1.1(64)(xv)	Specified ITT Assets
Schedule 1.1(67)(iv)	Specified ITT Retained Liabilities
Schedule 1.1(67)(viii)	Sold, Transferred or Discontinued ITT Operations
Schedule 1.1(67)(xii)	ITT Retained Litigation and Disputes
Schedule 1.1(72)	License Agreements
Schedule 1.1(82)	Shared Contingent Liabilities
Schedule 1.1(83)	Specified Shared Expenses
Schedule 1.1(93)(ii)	Water Divisions
Schedule 1.1(93)(iii)	Certain Specified Water Assets
Schedule 1.1(93)(iv)	Water Business Entities And Investments
Schedule 1.1(93)(v)	Water Owned Real Property
Schedule 1.1(93)(vi)	Water Leased Property
Schedule 1.1(93)(x)	Registered Intellectual Property to be Transferred to the Water Group
Schedule 1.1(93)(xiv)	Water Financial Assets
Schedule 1.1(98)(iv)	Specified Water Liabilities
Schedule 1.1(98)(viii)	Sold, Transferred, or Discontinued Water Operations
Schedule 1.1(98)(xii)	Water Retained Litigation and Disputes
Schedule 2.2(a)	Transfers to Occur Post Distribution
Schedule 2.2(b)(i)	Transfers of Other Assets
Schedule 2.3(a)	Shared Contracts
Schedule 2.5	Intercompany Contracts
Schedule 2.10(a)	Defense and Water Guarantees where ITT is to Remain as Guarantor
Schedule 2.10(a)(i)	ITT Retained Liabilities for Which Exelis and Xylem Will be Removed as Guarantors
Schedule 2.10(a)(ii)	Defense Liabilities for Which ITT and Xylem Will be Removed as Guarantors
Schedule 2.10(a)(iii)	Water Liabilities for Which ITT and Exelis Will be Removed as Guarantors
Schedule 3.2(a)	ITT Directors

List of Schedules

Schedule 3.3(a)	ITT Officers
Schedule 3.5(d)	Principles to be Used in Connection With Preparing the Statement of Cash Detail and Cash Detail Accounting Principles
Schedule 3.5(g)	Statement of Cash Allocation Example
Schedule 5.1	No Solicit; No Hire
Schedule 5.4	Cooperation
Schedule 5.5	Periodic Meetings Designees
Schedule 5.6	Legacy Directors
Schedule 8.1(b)	Document Retention Policies
Schedule 8.2(c)	2011 Draft Report Date
Schedule 8.4	Witness Services
Schedule 10.1	Company Insurance Policies
Schedule 10.9	Excluded Policies
Schedule 11.5	Separation Expenses

List of Exhibits

Exhibit A	Benefits and Compensation Matters Agreement
Exhibit B	Tax Matters Agreement
Exhibit C	Transition Services Agreement
Exhibit D	IP Assignments

Index of Other Defined Terms

Defined Term	Section
2013 Meetings	Section 5.6
Accountant	Section 3.5(f)
ACA	Section 5.8(a)
Agreement Disputes	Section 9.1
Annual Reports	Section 8.2(c)
Audited Party	Section 8.2(b)
Board	Recitals
Cash Allocation	Section 3.5(g)
Cash Detail Review Period	Section 3.5(e)
Code	Recitals
Consent Agreement	Section 5.8(a)
CPR	Section 9.2
Defense Discontinued Operation	Section 1.1(29)(viii)
Defense Divisions	Section 1.1(24)(ii)
Defense Entities	Section 1.1(24)(iv)
Defense Leases	Section 1.1(24)(vi)
Dispute Notice	Section 9.1
Disputed Item	Section 3.5(e)
Distribution Date Cash Balance	Section 3.5(d)
Exelis	Preamble
Final Judgment	Section 5.9(a)
Guaranty Release	Section 2.10(b)
Indemnifying Party	Section 7.5(a)
Indemnitee	Section 7.5(a)
Indemnity Payment	Section 7.8(a)
Internal Control Audit and Management Assessments	Section 8.2(a)
ITT	Preamble
ITT Discontinued Operation	Section 1.1(67)(viii)
ITT Retained Divisions	Section 1.1(64)(i)
ITT Retained Entities	Section 1.1(64)(iii)
ITT Retained Leases	Section 1.1(64)(v)
Legacy Director	Section 5.6
Liable Party	Section 2.9(b)
Managing Party	Section 6.2(a)
Mediation Period	Section 9.2
New York Courts	Section 11.18
Nova	Section 8.1(a)
Nuclear Policies	Section 10.3(d)
Other Parties' Auditors	Section 8.2(b)
Other Party	Section 2.9(a)
Party	Preamble
Privilege	Section 8.7(a)
Privileged Information	Section 8.7(a)
Reallocation Payments	Section 3.5(d)
Response Letter	Section 3.5(e)
Restructuring	Section 2.2(a)

Defined Term	Section
Rules	Section 9.3
Separation Expenses	Section 11.5
Shared Contract	Section 2.3(a)
Specified Ancillary Agreements	Section 1.1(3)
Specified Defense Liabilities	Section 1.1(29)(iv)
Specified ITT Retained Liabilities	Section 1.1(67)(iv)
Specified Water Liabilities	Section 1.1(98)(iv)
Statement of Cash Allocation	Section 3.5(g)
Statement of Cash Detail	Section 3.5(d)
Statement Completion Date	Section 3.5(d)
Third Party Claim	Section 7.5(b)
Third Party Proceeds	Section 7.8(a)
Trademarks	Section 1.1(57)
Water Discontinued Operation	Section 1.1(98)(viii)
Water Divisions	Section 1.1(93)(ii)
Water Entities	Section 1.1(93)(iv)
Water Leases	Section 1.1(93)(vi)
White Plains Headquarters	Section 5.7(b)
Xylem	Preamble

DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (this “Agreement”), dated 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 and not defined herein shall have the meaning set forth in Section 1.1.

WITNESSETH:

WHEREAS, ITT, acting through its direct and indirect Subsidiaries, currently conducts a number of businesses, including (i) the ITT Retained Business (as defined herein), (ii) the Defense Business (as defined herein) and (iii) the Water Business (as defined herein);

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 Exelis and (iii) the Water Business, which shall be owned and conducted, directly or indirectly, by Xylem;

WHEREAS, in order to effect such separation, the Board has determined that it is appropriate, desirable and in the best interests of ITT, its shareholders and other constituents (i) to enter into a series of transactions after giving effect to which (A) ITT and/or one or more of its Subsidiaries will, collectively, own all of the ITT Retained Assets (as defined herein) and assume (or retain) all of the ITT Retained Liabilities (as defined herein), (B) Exelis and/or one or more of its Subsidiaries will, collectively, own all of the Defense Assets and assume (or retain) all of the Defense Liabilities and (C) Xylem and/or one or more of its Subsidiaries will, collectively, own all of the Water Assets and assume (or retain) all of the Water Liabilities and (ii) for ITT to distribute to the holders of its common stock, par value \$1 per share (“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 Exelis (the “Exelis Common Stock”) and (B) all of the outstanding shares of common stock, par value \$.01 per share, of Xylem (the “Xylem Common Stock”) (such transactions as they may be amended or modified from time to time, collectively, the “Plan of Separation”);

WHEREAS, each of ITT, Exelis and Xylem has determined that it is necessary and desirable, on or prior to the Effective Time (as defined herein), (i) to allocate and transfer to the applicable Party or its Subsidiaries those Assets, and to allocate and assign to the applicable Party or its Subsidiaries responsibility for those Liabilities, in respect of the activities of the applicable Businesses of such entities and (ii) to 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;

WHEREAS, it is the intention of the Parties that each of the contributions of Assets to, and the assumption of Liabilities by, Exelis and Xylem together with the corresponding distribution of all of the Exelis Common Stock and the Xylem Common Stock, respectively, qualifies 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”) and that this Agreement is, and is hereby adopted as, a “plan of reorganization” under Section 368 of the Code;

WHEREAS, each of ITT, Exelis and Xylem has determined that it is necessary and desirable to set forth the principal corporate transactions required to effect the Plan of Separation and each

Distribution and to set forth other agreements that will govern certain other matters following the Effective Time.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements, provisions and covenants contained in this Agreement, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. General. As used in this Agreement, the following terms shall have the following meanings:

(1) “Action” shall mean any demand, action, claim, suit, countersuit, arbitration, inquiry, subpoena, case, litigation, proceeding or investigation (whether civil, criminal, administrative or investigative) by or before any court or grand jury, any Governmental Entity or any arbitration or mediation tribunal.

(2) “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. It is expressly agreed that no Party or member of any Group shall be deemed to be an Affiliate of another Party or member of such other Party’s Group by reason of having one or more directors in common or by reason of having been under common control of ITT or ITT’s shareholders prior to or, in case of ITT’s shareholders, after, the Effective Time.

(3) “Ancillary Agreements” shall mean all of the written Contracts, instruments, assignments, licenses, guarantees, indemnities or other arrangements (other than this Agreement) entered into in connection with the transactions contemplated hereby, including the Conveyancing and Assumption Instruments, the Transition Services Agreement, the Benefits and Compensation Matters Agreement, the Tax Matters Agreement, the License Agreements, the IP Assignments, the Master Lease Agreement and the Master Sublease Agreement (the Transition Services Agreement, the Benefits and Compensation Matters Agreement, the Tax Matters Agreement, the License Agreements, the IP Assignments, the Master Lease Agreement and the Master Sublease Agreement, collectively, the “Specified Ancillary Agreements”).

(4) “Applicable Exelis Percentage” shall mean thirty-nine percent (39%).

(5) “Applicable ITT Percentage” shall mean twenty-one percent (21%).

(6) “Applicable Percentage” shall mean (i) as to ITT, the Applicable ITT Percentage, (ii) as to Exelis, the Applicable Exelis Percentage and (iii) as to Xylem, the Applicable Xylem Percentage.

(7) “Applicable Xylem Percentage” shall mean forty percent (40%).

(8) “Asset Transferors” shall mean the entities so identified on Schedule 1.1(8).

(9) “Assets” shall mean assets, properties, claims, Intellectual Property and other rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible, intangible or contingent. Except as otherwise specifically set forth herein, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, Taxes shall not be treated as Assets.

(10) “Assume” shall have the meaning set forth in Section 2.2(c); and the terms “Assumed” and “Assumption” shall have their correlative meanings.

(11) “Benefits and Compensation Matters Agreement” shall mean the Benefits and Compensation Matters Agreement by and among ITT, Exelis and Xylem, in the form attached hereto as Exhibit A.

(12) “Business” shall mean the ITT Retained Business, the Water Business or the Defense Business, as applicable.

(13) “Business Day” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Law to be closed in The City of New York.

(14) “Business Entity” shall mean any corporation, partnership, limited liability company, joint venture or other entity which may legally hold title to Assets.

(15) “Claims Administration” shall mean the processing of claims made under the Company Policies, including the reporting of losses or claims to insurance carriers (including as a result of reports provided to ITT by Exelis or Xylem), management and defense of claims, the settlement of claims and providing for appropriate releases upon settlement of claims.

(16) “Commission” shall mean the United States Securities and Exchange Commission.

(17) “Company Policies” shall mean all Policies, current or past, which are or at any time were maintained by or on behalf of or for the benefit or protection of ITT or any of its predecessors which relate to the ITT Retained Business, the Water Business or the Defense Business, or current or past directors, officers, employees or agents of any of the foregoing Businesses, including the Policies identified on Schedule 10.1 hereto.

(18) “Confidential Information” shall mean all non-public, confidential or proprietary Information concerning a Party and/or its 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 Effective Time pursuant to Section 2.6(d), Article VIII or otherwise in accordance with this Agreement, 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 Subsidiaries, (ii) lawfully acquired after the Effective Time by such Party or its 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 Effective Time without reference to any Confidential Information.

(19) “Consents” shall mean any consents, waivers or approvals from, or notification requirements to, any Person other than a Governmental Entity.

(20) “Continuing Arrangements” shall mean those arrangements set forth on Schedule 1.1(20) and such other commercial arrangements among the Parties that are intended to survive and continue following the Effective Time as expressly set forth in the Transition Services Agreement; provided, however, that for the avoidance of doubt, Continuing Arrangements shall not apply to Third Party Agreements.

(21) “Contract” shall mean any agreement, contract, subcontract, obligation, binding understanding, note, indenture, instrument, option, lease, promise, arrangement, release, warranty, license, sublicense, insurance policy, benefit plan, purchase order or legally binding commitment or undertaking of any nature (whether written or oral and whether express or implied).

(22) “Conveyancing and Assumption Instruments” shall mean, collectively, the various Contracts, resolutions and other documents heretofore entered into and to be entered into to effect the Transfer of Assets and the Assumption of Liabilities in the manner contemplated by this Agreement and the Plan of Separation, or otherwise relating to, arising out of or resulting from the transactions contemplated by this Agreement, in such form or forms as the applicable Parties thereto agree.

(23) “Defense Asset Transferees” shall mean the entities so identified on Schedule 1.1(8).

(24) “Defense Assets” shall mean those Assets that are owned, leased or licensed at or prior to the Effective Time, by ITT and/or any of its Subsidiaries, relating primarily to, used primarily in, or arising primarily from, the Defense Business; provided that no Assets used by more than one Business shall be deemed to be Defense Assets solely because the Defense Business represents the greatest percentage of ITT’s revenues, profits or employees or otherwise is the primary user of such Assets on account thereof, and shall include:

(i) any and all Assets reflected on the Exelis Balance Sheet or the accounting records supporting such balance sheet and any Assets acquired by or for Exelis or any member of the Defense Group subsequent to the date of the Exelis Balance Sheet which, had they been so acquired on or before such date and owned as of such date, would have been reflected on the Exelis Balance Sheet if prepared on a consistent basis, subject to any dispositions of any of such Assets subsequent to the date of the Exelis Balance Sheet;

(ii) all Assets of the divisions set forth on Schedule 1.1(24)(ii) (such divisions, the “Defense Divisions”) relating primarily to, used primarily in, or arising primarily from, the Defense Business;

(iii) the Assets set forth on Schedule 1.1(24)(iii) and any and all other Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets which have been or are to be Transferred to Exelis or any other member of the Defense Group;

(iv) the ownership interests in those Business Entities set forth on Schedule 1.1(24)(iv) (such entities, the “Defense Entities”);

(v) all rights, title and interest in and to the owned real property set forth on Schedule 1.1(24)(v), including all land and land improvements, structures, buildings and building improvements, other improvements, fixtures and appurtenances located thereon;

(vi) all right, title and interest in, to and under the leases or subleases of real property set forth on Schedule 1.1(24)(vi) (the “Defense Leases”), including, to the extent provided for in the Defense Leases, any land and land improvements, structures, buildings and building improvements, other improvements and appurtenances located thereon;

(vii) to the extent not provided in clauses (v) and (vi) of this definition, all fixtures, machinery, equipment, apparatuses, computer hardware and other electronic data processing and communications equipment, tools, instruments, furniture, office equipment, automobiles, trucks, aircraft and other transportation equipment, special and general tools, test devices, molds, tooling, dies, prototypes and models and other tangible personal property located at a physical site of which the ownership or leasehold interest remains with or is being Transferred to a member of the Defense Group, except as otherwise expressly provided in this Agreement or in the Transition Services Agreement;

(viii) all inventories, including products, goods, materials, parts, raw materials, work-in-process and supplies, relating primarily to, used primarily in, or arising primarily from, the Defense Business;

(ix) all Defense Contracts and any rights or claims arising thereunder;

(x) all Intellectual Property relating primarily to, used primarily in, or arising primarily from, the Defense Business, including the registrations and applications set forth on Schedule 1.1(24)(x), subject, as applicable, to any License Agreement;

(xi) all licenses, permits, approvals and authorizations which have been issued by any Governmental Entity and which relate primarily to, are used primarily in, or arise primarily from, the Defense Business;

(xii) all Information (including information used in creating the Exelis Form 10) relating primarily to, used primarily in, or arising primarily from, the Defense Business; provided, however, that to the extent any Information used in the Defense Business is (A) commingled with information used in the ITT Retained Business or the Water Business or (B) recorded in the ITT Group’s or the Water Group’s electronic systems, stored in facilities owned or leased by the ITT Group or the Water Group or stored in third party storage facilities pursuant to storage arrangements to which the ITT Group and/or the Water Group is party as of the Effective Time, then (1) the original version of such Information: in the event of clause (A) of this Section 1.1.24 (xii), shall be retained by ITT in accordance with Schedule 8.1(b) hereto and all Parties shall have equal rights to use such information and in the event of clause (B) of this Section 1.1.24(xii), shall remain in such electronic systems or storage facilities, as applicable, and be retained in accordance with Schedule 8.1(b), (2) Exelis shall have the right to access such Information and make reasonable copy thereof and (3) any such copy shall be included in the Defense Assets; provided, further, with respect to clauses (A) and (B) of this Section 1.1.24(xii), that to the extent such copy shall not have been made prior to the Effective Time, subject to the reimbursement of the actual out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees of such Party or any pro

rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing) incurred by the Party retaining the original version of such Information in providing access to such Information and to the provisions of this Agreement, Exelis shall have the right to access such Information and make such copy at any time following the Effective Time and such copy shall be included in the Defense Assets;

(xiii) all deposits, prepaid expenses, letters of credit and performance and surety bonds relating primarily to, used primarily in, or arising primarily from, the Defense Business;

(xiv) all bonds, notes, debentures or other debt securities issued by any Person, all loans, advances or other extensions of credit or capital contributions to any Person and all other investments in securities of any Person, in each case set forth on Schedule 1.1(24)(xiv);

(xv) subject to Article X, any rights of any member of the Defense Group under any Policies, including any rights thereunder arising after the Effective Time in respect of any Policies that are occurrence policies and all rights in the nature of insurance, indemnification or contribution; provided, that ownership of the Company Policies shall remain with the ITT Group; and

(xvi) any claims, counterclaims, setoffs, rights of recoupment, equity rights or defenses, whether known or unknown, that ITT and/or any of its Subsidiaries may have with respect to any Defense Assets or Defense Liabilities.

Notwithstanding the foregoing, the Defense Assets shall not include any Assets that are expressly contemplated by this Agreement or by any Specified Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be retained by or Transferred to any member of the ITT Group or the Water Group, as the case may be, including any Assets (A) specified in clauses (i) through (xvi) of the definition of ITT Retained Assets, or (B) specified in clauses (i) through (xvi) of the definition of Water Assets.

(25) "Defense Business" shall mean the businesses conducted through the Electronic Systems, Geospatial Systems, Information Systems and Mission Systems segments of ITT prior to the Effective Time, including, for the avoidance of doubt, the businesses of (i) the Defense Entities and the Defense Divisions, (ii) any other division, Subsidiary, line of business or investment of ITT or any of its Subsidiaries managed or operated prior to the Effective Time by any Defense Entity, unless such other division, Subsidiary, line of business or investment is an ITT Retained Entity, an ITT Retained Division, a Water Entity or a Water Division and (iii) those business entities acquired or established by or for Exelis or any of the Subsidiaries thereof after the Effective Time.

(26) "Defense Contracts" shall mean the following Contracts to which ITT or any of its Subsidiaries is a party as of the date hereof or becomes a party prior to the Effective Time or by which it or any of its Subsidiaries or any of their respective Assets is bound as of the date hereof or becomes bound prior to the Effective Time, whether or not in writing, except for any such Contract or part thereof (i) that is expressly contemplated not to be Transferred by any member of the ITT Group or the Water Group to the Defense Group or (ii) that is expressly contemplated to be Transferred to (or remain with) any member of the ITT Group or the Water

Group, in each case, pursuant to any provision of this Agreement or any Specified Ancillary Agreement:

(i) any Contract entered into in the name of, or expressly on behalf of, any division, business unit or member of the Defense Group;

(ii) any Contract that relates primarily to the Defense Business, including any contract providing for the acquisition or disposition of a Business Entity or Assets (other than in the ordinary course of business) used in the Defense Business;

(iii) any Contract that represents or underlies the Defense Assets or Defense Liabilities;

(iv) any Contract or part thereof that is otherwise expressly contemplated pursuant to this Agreement (including pursuant to Section 2.2(b)) or any of the Ancillary Agreements to be assigned to any member of the Defense Group; and

(v) any guarantee, indemnity, representation or warranty of or in favor of any member of the Defense Group.

(27) "Defense Group" shall mean Exelis and each Person that is a direct or indirect Subsidiary of Exelis immediately after the Effective Time, and each Person that becomes a Subsidiary of Exelis after the Effective Time, and shall include the Defense Entities.

(28) "Defense Indemnitees" shall mean each member of the Defense Group and each of their respective Affiliates from and after the Effective Time and each member of the Defense Group's and such respective Affiliates' respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing.

(29) "Defense Liabilities" shall mean any and all Liabilities relating primarily to, arising primarily out of or resulting primarily from: (a) the operation or conduct of the Defense Business, as conducted at any time prior to, on or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority) of the Defense Group); (b) the operation or conduct of any business conducted by any member of the Defense Group at any time after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority) of the Defense Group); or (c) any Defense Assets, whether arising prior to, on or after the Effective Time, including:

(i) any and all Liabilities reflected on the Exelis Balance Sheet or the accounting records supporting such balance sheet and any Liabilities incurred by or for Exelis or any member of the Defense Group subsequent to the date of the Exelis Balance Sheet which, had they been so incurred on or before such date, would have been reflected on the Exelis Balance Sheet if prepared on a consistent basis, subject to any discharge of any of such Liabilities subsequent to the date of the Exelis Balance Sheet;

(ii) any Liabilities to the extent relating to, arising out of or resulting from, the Defense Contracts;

- (iii) the Applicable Exelis Percentage of any Shared Contingent Liability;
- (iv) the liabilities set forth on Schedule 1.1(29)(iv) (the “Specified Defense Liabilities”);
- (v) any Liabilities assumed or retained by the Defense Group pursuant to this Agreement or the Ancillary Agreements;
- (vi) any Liabilities arising prior to, at or after the Effective Time for any infringement by the Defense Business of the Intellectual Property of any other Person or breach by the Defense Business of any Contract relating to Intellectual Property;
- (vii) all Liabilities arising prior to, at or after the Effective Time to the extent resulting from any (A) violation of any Environmental Laws by the Defense Group, any Defense Discontinued Operation or the conduct of the Defense Business, (B) use, treatment, or disposal of Materials of Environmental Concern by or on behalf of the Defense Group, any Defense Discontinued Operation or in the conduct of the Defense Business, or (C) presence of Materials of Environmental Concern at, or release of Materials of Environmental Concern from, any Defense Assets or any Defense Discontinued Operation; provided that Liabilities of the type described in this subsection (vii) relating to real estate that is an ITT Retained Asset or a Water Asset pursuant to this Agreement, shall not be Defense Liabilities but shall instead be, respectively, ITT Retained Liabilities and Water Liabilities;
- (viii) any Liabilities relating to, arising out of or resulting from, any division, Subsidiary, line of business or investment of ITT or any of its Subsidiaries managed or operated at any time prior to the Effective Time by the Defense Entities and sold, transferred or otherwise discontinued prior to the Effective Time, including the divisions, Subsidiaries, lines of business or investments set forth on Schedule 1.1(29)(viii), unless such division, Subsidiary, line of business or investment is listed on Schedule 1.1(67)(viii) or Schedule 1.1(98)(viii) (each such division, Subsidiary, line of business or investment, a “Defense Discontinued Operation”);
- (ix) for the avoidance of doubt, any Liabilities relating primarily to, arising primarily out of or resulting primarily from, the operation or conduct of the Defense Business by any Business Entity that is an ITT Retained Entity or a Water Entity under this Agreement but has conducted the Defense Business at any time prior to the Effective Time;
- (x) any Liabilities relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated in the Exelis Form 10 or the Exelis Offering Memorandum, or necessary to make the statements therein not misleading, with respect to all information contained in, or incorporated by reference into, the Exelis Form 10, the Exelis Offering Memorandum and any other Disclosure Documents filed by Exelis in connection with the Distribution or as contemplated by this Agreement, other than with respect to the ITT Disclosure Sections;
- (xi) Specified Shared Expenses to the extent provided in Section 5.3; and

(xii) any Liabilities relating to, arising out of or resulting from the claims, proceedings, litigation and disputes listed on Schedule 1.1(29)(xii).

Notwithstanding the foregoing, the Defense Liabilities shall not include any Liabilities that are expressly (A) contemplated by this Agreement or by any Specified Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be Assumed by any member of the ITT Group or the Water Group, as the case may be, including any Liabilities specified (1) in the definition of ITT Retained Liabilities, including clauses (i) through (xii) thereof, or (2) in clauses (i) through (xii) of the definition of Water Liabilities, or (B) discharged pursuant to Section 2.4 of this Agreement.

(30) "Disclosure Documents" shall mean any registration statement (including any registration statement on Form 10) or other document filed with the Commission by or on behalf of any Party or any of its controlled Affiliates, and also includes any information statement, prospectus, offering memorandum, offering circular or similar disclosure document, whether or not filed with the Commission or any other Governmental Entity, which offers for sale or registers the Transfer or distribution of any security of such Party or any of its controlled Affiliates.

(31) "Distribution" shall mean, collectively, the Exelis Distribution and the Xylem Distribution.

(32) "Distribution Agent" shall mean The Bank of New York Mellon.

(33) "Distribution Date" shall mean the date on which ITT distributes all of the issued and outstanding shares of Exelis Common Stock and Xylem Common Stock to the holders of ITT Common Stock.

(34) "Distribution Record Date" shall mean such date as may be determined by ITT's Board as the record date for the Distribution.

(35) "Effective Time" shall mean 12:01 a.m., New York time, on the Distribution Date.

(36) "Environmental Laws" shall mean all Laws relating to pollution, protection of the environment, or protection against harmful or deleterious substances.

(37) "Excluded Policies" shall mean the Policies listed on Schedule 10.9.

(38) "Exelis Balance Sheet" shall mean the pro forma balance sheet of the Defense Group, including the notes thereto, as of June 30, 2011, included in the Exelis Form 10.

(39) "Exelis Offering Memorandum" shall mean the offering memorandum, dated September [•], 2011, relating to the private offering by Exelis Inc. of senior unsecured notes.

(40) "Exelis Common Stock" shall have the meaning set forth in the recitals hereto.

(41) "Exelis Distribution" shall mean the distribution on the Distribution Date to holders of record of shares of ITT Common Stock as of the Distribution Record Date of the Exelis Common Stock owned by ITT on the basis of one (1) share of Exelis Common Stock for each outstanding share of ITT Common Stock.

(42) “Exelis Form 10” shall mean the registration statement on Form 10 (Registration No. 001-35228) filed by Exelis with the Commission under the Securities Exchange Act of 1934, as amended, in connection with the Exelis Distribution, including any amendment or supplement thereto.

(43) “Exelis Information Statement” shall mean the Information Statement attached as an exhibit to the Exelis Form 10 to be sent to the holders of shares of ITT Common Stock in connection with the Exelis Distribution, including any amendment or supplement thereto.

(44) “Exelis Target Cash Balance” shall mean \$200 million.

(45) “Final Determination” shall have the meaning set forth in the Tax Matters Agreement.

(46) “Financing Arrangements” shall mean (i) the senior unsecured notes to be issued by each of Exelis and Xylem on or prior to the Distribution Date and (ii) the four-year unsecured senior revolving credit facilities to be entered into by each of Exelis and Xylem on or prior to the Distribution Date.

(47) “Force Majeure” shall mean, with respect to a Party, an event beyond the control of such Party (or any Person acting on its behalf), which by its nature could not have been foreseen by such Party (or such Person), or, if it could have been foreseen, was unavoidable, and includes acts of God, storms, floods, riots, labor unrest, pandemics, nuclear incidents, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism or failure of energy sources or distribution facilities.

(48) “Governmental Approvals” shall mean any notices or reports to be submitted to, or other registrations or filings to be made with, or any consents, approvals, licenses, permits or authorizations to be obtained from, any Governmental Entity.

(49) “Governmental Entity” shall mean any nation or government, any state, municipality or other political subdivision thereof and any entity, body, agency, commission, department, board, bureau or court, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any executive official thereof.

(50) “Group” shall mean (i) with respect to ITT, the ITT Group, (ii) with respect to Exelis, the Defense Group and (iii) with respect to Xylem, the Water Group.

(51) “Income Taxes” shall have the meaning set forth in the Tax Matters Agreement.

(52) “Indebtedness” shall mean, with respect to any Person, (i) the principal value, prepayment and redemption premiums and penalties (if any), unpaid fees and other monetary obligations in respect of any indebtedness for borrowed money, whether short term or long term, including all obligations evidenced by bonds, debentures, notes, other debt securities or similar instruments, (ii) any indebtedness arising under any capital leases (excluding, for the avoidance of doubt, any real estate leases), whether short term or long term, (iii) all liabilities secured by any lien on any assets of such Person, (iv) all liabilities under any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement or other similar agreement designed to protect such Person against fluctuations in interest rates, (v)

all interest bearing indebtedness for the deferred purchase price of property or services, (vi) all liabilities under any letters of credit, performance bonds, bankers acceptances or similar obligations, (vii) all interest, fees and other expenses owed with respect to indebtedness described in the foregoing clauses (i) through (vi), and (viii) without duplication, all guarantees of indebtedness referred to in the foregoing clauses (i) through (vii).

(53) “Indemnifiable Loss” and “Indemnifiable Losses” shall mean any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including the costs and expenses of any and all Actions and demands, assessments, judgments, settlements and compromises relating thereto and the reasonable costs and expenses of attorneys’, accountants’, consultants’ and other professionals’ fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), excluding special, consequential, reputational, indirect or punitive damages (other than special, consequential, indirect, reputational and/or punitive damages awarded by a court of competent jurisdiction in connection with a Third Party Claim (and in such a case, only to the extent awarded in such Third Party Claim)) and/or Liabilities or requirements related to Taxes.

(54) “Information” shall mean information, content, and data in written, oral, electronic, computerized, digital or other tangible or intangible media, including (i) books and records, whether accounting, legal or otherwise, ledgers, studies, reports, surveys, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, marketing plans, customer names and information, communications, correspondence, materials, product literature, artwork, files, documents, policies, procedures and manuals, research and analyses of any nature, including operational, technical or legal and (ii) financial and business information, including earnings reports and forecasts, macro-economic reports and forecasts, all cost information, sales and pricing data, business plans, market evaluations, surveys and credit-related information.

(55) “Insurance Proceeds” shall mean those monies (i) received by an insured from an insurance carrier or (ii) paid by an insurance carrier on behalf of an insured, in either case net of any applicable deductible or retention.

(56) “Insured Claims” shall mean those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the Company Policies, whether or not subject to deductibles, co-insurance, uncollectability or retrospectively-rated premium adjustments, but only to the extent that such Liabilities are within applicable Company Policy limits, including aggregates.

(57) “Intellectual Property” shall mean all worldwide intellectual property, proprietary and industrial property rights of any kind, including all (i) patents, patent applications, inventions and invention disclosures and utility models, (ii) 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 (“Trademarks”), (iii) copyrights and copyrightable subject matter, including software, code, algorithms, databases, compilations and documentation, (iv) technology, trade secrets, know-how, processes, formulae, models, methodologies, discoveries, ideas, concepts, techniques, designs, specifications, drawings, blueprints, diagrams, models and prototypes, (v) moral rights and rights of privacy and publicity, (vi) all registrations, applications, continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions, renewals, extensions and foreign counterparts thereof and

(vii) all rights and remedies against infringement, misappropriation, or other violation of the foregoing prior to the Effective Time.

(58) “IP Assignments” shall mean the patent assignments, trademark assignments, copyright assignments and domain name assignments substantially in the form of Exhibit D, to be effective on the Distribution Date.

(59) “ITT Asset Transferee” shall mean the entities so identified on Schedule 1.1(8).

(60) “ITT Common Stock” shall mean the issued and outstanding shares of common stock of ITT, par value \$1 per share.

(61) “ITT Disclosure Sections” means all information set forth in or omitted from the Exelis Form 10, the Xylem Form 10, the Exelis Offering Memorandum or the Xylem Offering Memorandum, to the extent identified on Schedule 1.1(61).

(62) “ITT Group” shall mean ITT and each Person that is a direct or indirect Subsidiary of ITT immediately after the Effective Time, and each Business Entity that becomes a Subsidiary of ITT after the Effective Time, and shall include the ITT Retained Entities.

(63) “ITT Indemnitees” shall mean each member of the ITT Group and each of their respective Affiliates from and after the Effective Time and each member of the ITT Group’s and such Affiliates’ respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing.

(64) “ITT Retained Assets” shall mean any and all Assets that are owned, leased or licensed, at or prior to the Effective Time, by ITT and/or any of its Subsidiaries, that are not Defense Assets or Water Assets, including:

(i) all Assets of the divisions of ITT set forth on Schedule 1.1(64)(i) (such divisions, the “ITT Retained Divisions”);

(ii) any and all other Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets which have been or are to be remain with ITT or any other member of the ITT Group;

(iii) the ownership interests in those Business Entities that are set forth on Schedule 1.1(64)(iii) (such entities, the “ITT Retained Entities”);

(iv) all rights, title and interest in and to the owned real property set forth on Schedule 1.1(64)(iv), including all land and land improvements, structures, buildings and building improvements, other improvements and appurtenances located thereon;

(v) all right, title and interest in, to and under the leases or subleases of real property set forth on Schedule 1.1(64)(v) (the “ITT Retained Leases”), including, to the extent provided for in any ITT Retained Lease, any land and land improvements, structures, buildings and building improvements, other improvements and appurtenances located thereon;

(vi) to the extent not provided in clauses (iv) and (v) of this definition, all fixtures, machinery, equipment, apparatuses, computer hardware and other electronic

data processing and communications equipment, tools, instruments, furniture, office equipment, automobiles, trucks, aircraft and other transportation equipment, special and general tools, test devices, molds, tooling, dies, prototypes and models and other tangible personal property located at a physical site of which the ownership or leasehold interest is not being Transferred to a member of the Defense Group or the Water Group, except as otherwise expressly provided in this Agreement or in the Transition Services Agreement;

(vii) all inventories, including products, goods, materials, parts, raw materials, work in process and supplies;

(viii) all ITT Retained Contracts and any rights or claims arising thereunder;

(ix) all Intellectual Property, including the registrations and applications set forth on Schedule 1.1(64)(ix), subject, as applicable, to any License Agreement;

(x) all licenses, permits, approvals and authorizations which have been issued by any Governmental Entity;

(xi) all Information; provided, however, that to the extent any Information used in the ITT Retained Business is (A) commingled with information used in the Defense Business or the Water Business, the original version of such Information shall be retained by ITT in accordance with Schedule 8.1(b) hereto, all Parties shall have equal rights to use such information and each of Exelis and Xylem shall have the right to access such Information and make reasonable copy thereof, which copy shall be included in the Defense Assets or Water Assets, as the case may be or (B) stored in facilities owned or leased by the Defense Group or the Water Group or stored in third party storage facilities pursuant to storage arrangements with the Defense Group or the Water Group, the original version of such Information shall remain in such storage facilities and be retained in accordance with Schedule 8.1(b), ITT shall have the right to access such Information and make reasonable copy thereof and any such copy shall be included in the ITT Retained Assets; provided, further, with respect to clause (B) of this Section 1.1.64(xi), that to the extent such copy shall not have been made prior to the Effective Time, subject to the reimbursement of the actual out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees of such Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing) incurred by the Party retaining the original version of such Information in providing access to such Information and to the provisions of this Agreement, ITT shall have the right to access such Information and make such copy at any time following the Effective Time and such copy shall be included in the ITT Retained Assets;

(xii) all deposits, prepaid expenses, letters of credit and performance and surety bonds;

(xiii) all bonds, notes, debentures or other debt securities issued by any Person, all loans, advances or other extensions of credit or capital contributions to any Person and all other investments in securities of any Person set forth on Schedule 1.1(64)(xiii);

(xiv) subject to Article X, any rights of any member of the ITT Group under any Policies, including any rights thereunder arising after the Effective Time in respect of

any Policies that are occurrence policies and all rights in the nature of insurance, indemnification or contribution;

(xv) the Assets set forth on Schedule 1.1(64)(xv); and

(xvi) any claims, counterclaims, setoffs, rights of recoupment, equity rights or defenses, whether known or unknown, that ITT and/or any of its Subsidiaries may have with respect to any ITT Retained Assets and ITT Retained Liabilities.

Notwithstanding the foregoing, the ITT Retained Assets shall not include any Assets that are expressly contemplated by this Agreement or by any Specified Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be Transferred to any member of the Defense Group or the Water Group, as the case may be, including any Assets (A) specified in clauses (i) through (xvi) of the definition of Defense Assets or (B) specified in clauses (i) through (xvi) of the definition of Water Assets.

(65) “ITT Retained Business” shall mean the businesses of (i) the ITT Retained Entities and the ITT Retained Divisions, (ii) any other division, Subsidiary, line of business or investment managed or operated by ITT or any of its Subsidiaries prior to the Effective Time, including the businesses conducted through the Control Technologies, Interconnect Solutions, Motion Technologies and Industrial Process segments of ITT prior to the Effective Time, unless such other division, Subsidiary, line of business or investment is included in the definitions of Defense Business or Water Business and (iii) those business entities acquired or established by or for ITT or any of the Subsidiaries thereof after the Effective Time.

(66) “ITT Retained Contracts” shall mean any Contracts to which ITT or any of its Subsidiaries (other than members of the Defense Group or the Water Group) is a party as of the date hereof or becomes a party prior to the Effective Time or by which it or any of its Subsidiaries or any of their respective Assets is bound as of the date hereof or becomes bound prior to the Effective Time, whether or not in writing, except for any such Contract or part thereof that is a Defense Contract or a Water Contract, including:

(i) any Contract entered into in the name of, or expressly on behalf of, any division, business unit or member of the ITT Group;

(ii) any Contract that relates primarily to the ITT Retained Business, including any contract providing for the acquisition or disposition of a Business Entity or Assets (other than in the ordinary course of business) used in the ITT Retained Business;

(iii) any Contract that represents or underlies the ITT Retained Assets or ITT Retained Liabilities;

(iv) any Contract or part thereof that is otherwise expressly contemplated pursuant to this Agreement (including pursuant to Section 2.2(b)) or any of the Ancillary Agreements to be assigned to any member of the ITT Group; and

(v) guarantee, indemnity, representation or warranty of or in favor of any member of the ITT Group.

(67) “ITT Retained Liabilities” shall mean any and all Liabilities of the ITT Group that are not Defense Liabilities or Water Liabilities, including:

(i) any and all Liabilities relating primarily to, arising primarily out of or resulting primarily from: (a) the operation or conduct of the ITT Retained Business, as conducted at any time prior to, at or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority) of the ITT Group); (b) the operation or conduct of any business conducted by any member of the ITT Group at any time prior to, on or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority) of the ITT Group); or (c) any ITT Retained Assets, whether arising prior to, on or after the Effective Time;

(ii) any Liabilities to the extent relating to, arising out of or resulting from, the ITT Retained Contracts;

(iii) the Applicable ITT Percentage of any Shared Contingent Liability;

(iv) the liabilities set forth on Schedule 1.1(67)(iv) (the "Specified ITT Retained Liabilities");

(v) any Liabilities assumed or retained by the ITT Group pursuant to this Agreement or the Ancillary Agreements;

(vi) any Liabilities arising prior to, at or after the Effective Time for any infringement by the ITT Retained Business of the Intellectual Property of any other Person or breach by the ITT Retained Business of any Contract relating to Intellectual Property;

(vii) all Liabilities arising prior to, at or after the Effective Time to the extent resulting from any (A) violation of any Environmental Laws by the ITT Group, any ITT Discontinued Operation or the conduct of the ITT Retained Business, (B) use, treatment, or disposal of Materials of Environmental Concern by or on behalf of the ITT Group, any ITT Discontinued Operation or in the conduct of the ITT Retained Business, or (C) presence of Materials of Environmental Concern at, or release of Materials of Environmental Concern from, any ITT Retained Assets or any ITT Discontinued Operation; provided that Liabilities of the type described in this subsection (vii) relating to real estate that is a Defense Asset or a Water Asset pursuant to this Agreement, shall not be ITT Retained Liabilities but shall instead be, respectively, Defense Liabilities and Water Liabilities;

(viii) any Liabilities relating to, arising out of or resulting from, any division, Subsidiary, line of business or investment managed or operated by ITT or any of its Subsidiaries at any time prior to the Effective Time and sold, transferred or otherwise discontinued prior to the Effective Time, including the divisions, Subsidiaries, lines of business or investments set forth on Schedule 1.1(67)(viii), unless such division, Subsidiary, line of business or investment is included in Schedule 1.1(29)(viii) or Schedule 1.1(98)(viii) (each such division, Subsidiary, line of business or investment, an "ITT Discontinued Operation");

(ix) for the avoidance of doubt, any Liabilities relating primarily to, arising primarily out of or resulting primarily from, the operation or conduct of the ITT Retained Business by any Business Entity that is an Defense Entity or a Water Entity under this Agreement but has conducted the ITT Retained Business at any time prior to the Effective Time;

(x) any Liabilities relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in, or incorporated by reference into, the ITT Disclosure Sections;

(xi) Specified Shared Expenses to the extent provided in Section 5.3; and

(xii) any Liabilities relating to, arising out of or resulting from the claims, proceedings, litigation and disputes listed on Schedule 1.1(67)(xii).

Notwithstanding the foregoing, the ITT Retained Liabilities shall not include any Liabilities that are (A) expressly contemplated by this Agreement or by any Specified Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be Assumed by any member of the Defense Group or the Water Group, as the case may be, including any Liabilities specified (1) in clauses (i) through (xii) of the definition of Defense Liabilities or (2) in clauses (i) through (xii) of the definition of Water Liabilities or (B) expressly discharged pursuant to Section 2.4 of this Agreement.

(68) "ITT Target Cash Balance" shall mean \$600 million.

(69) "Law" shall mean any U.S. or non-U.S. federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, income tax treaty, order, requirement or rule of law (including common law) or other binding directives of any Governmental Entity.

(70) "Liabilities" shall mean any and all Indebtedness, liabilities, costs, expenses, interest and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, reserved or unreserved, or determined or determinable, including those arising under any Law, claim, demand, Action, whether asserted or unasserted, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Entity and those arising under any Contract or any fines, damages or equitable relief which may be imposed and including all costs and expenses related thereto. Except as otherwise specifically set forth herein, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, Taxes shall not be treated as Liabilities.

(71) "LIBOR" shall mean an interest rate per annum equal to the applicable three-month London Interbank Offer Rate for deposits in United States dollars published in the *Wall Street Journal*.

(72) "License Agreements" shall mean the agreements set forth on Schedule 1.1(72).

(73) "Master Lease Agreement" shall mean the Master Lease Agreement by and among each of the landlords and tenants party thereto, dated as of [•], 2011.

(74) “Master Sublease Agreement” shall mean the Master Sublease Agreement by and between each of the sublessors and sublessees party thereto, dated as of [•], 2011.

(75) “Materials of Environmental Concern” shall mean: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, molds, and radioactivity; any substance classified or regulated as hazardous or toxic (or words of similar meaning); and any other substances regulated pursuant to or that could give rise to liability under any applicable Environmental Law.

(76) “NYSE” shall mean the New York Stock Exchange.

(77) “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.

(78) “Plan of Separation” shall have the meaning set forth in the recitals.

(79) “Policies” shall mean insurance policies and insurance contracts of any kind (other than life and benefits policies or contracts), including primary, excess and umbrella policies, commercial general liability policies, fiduciary liability, automobile, aircraft, property and casualty, workers’ compensation and employee dishonesty insurance policies and bonds, together with the rights, benefits and privileges thereunder.

(80) “Records” shall mean any Contracts, documents, books, records or files.

(81) “Security Interest” shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-entry, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever, excluding restrictions on transfer under securities Laws.

(82) “Shared Contingent Liabilities” shall mean any of the Liabilities set forth on Schedule 1.1(82).

(83) “Specified Shared Expenses” shall mean any costs and expenses relating to the items or categories set forth on Schedule 1.1(83) and shall be shared in the manner specified in Section 5.3.

(84) “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.

(85) “Tax” shall have the meaning set forth in the Tax Matters Agreement.

(86) “Tax Contest” shall have the meaning of the definition of “Audit” as set forth in the Tax Matters Agreement.

- (87) “Tax Matters Agreement” shall mean the Tax Matters Agreement by and among ITT, Exelis and Xylem, in the form attached hereto as Exhibit B.
- (88) “Tax Return” shall have the meaning set forth in the Tax Matters Agreement.
- (89) “Third Party Agreements” shall mean any of the following Contracts, arrangements, course of dealings or understandings:
- (i) any agreements, arrangements, commitments or understandings to which any Person other than the Parties and their respective Groups is a party hereto (it being understood that to the extent that the rights and obligations of the Parties and the members of their respective Groups under any such Contracts constitute Water Assets or Water Liabilities, Defense Assets or Defense Liabilities or ITT Retained Assets or ITT Retained Liabilities, such Contracts shall be assigned or retained pursuant to Article II); and
 - (ii) any agreements, arrangements, commitments or understandings to which any non-wholly-owned Subsidiary of ITT, Exelis or Xylem, as the case may be, is a Party.
- (90) “Transfer” shall have the meaning set forth in Section 2.2(b)(i); and the term “Transferred” shall have its correlative meaning.
- (91) “Transition Services Agreement” shall mean the Master Transition Services Agreement by and among ITT, Exelis and Xylem, in the form attached hereto as Exhibit C.
- (92) “Water Asset Transferee” shall mean the entities so identified on Schedule 1.1(8).
- (93) “Water Assets” shall mean those Assets that are owned, leased or licensed, at or prior to the Effective Time, by ITT and/or any of its Subsidiaries, relating primarily to, used primarily in, or arising primarily from, the Water Business, and shall include:
- (i) any and all Assets reflected on the Xylem Balance Sheet or the accounting records supporting such balance sheet and any Assets acquired by or for Xylem or any member of the Water Group subsequent to the date of the Xylem Balance Sheet which, had they been so acquired on or before such date and owned as of such date, would have been reflected on the Xylem Balance Sheet if prepared on a consistent basis, subject to any dispositions of any of such Assets subsequent to the date of the Xylem Balance Sheet;
 - (ii) all Assets of the divisions of ITT set forth on Schedule 1.1(93)(ii) (such divisions, the “Water Divisions”) relating primarily to, used primarily in, or arising primarily from, the Water Business;
 - (iii) the Assets set forth on Schedule 1.1(93)(iii) and any and all other Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets which have been or are to be Transferred to Xylem or any other member of the Water Group;

- (iv) the ownership interests in those Business Entities set forth on Schedule 1.1(93)(iv) (such entities, the “Water Entities”);
- (v) all rights, title and interest in and to the owned real property set forth on Schedule 1.1(93)(v), including all land and land improvements, structures, buildings and building improvements, other improvements and appurtenances located thereon;
- (vi) all rights, title and interest in, and to and under the leases or subleases of real property set forth on Schedule 1.1(93)(vi) (the “Water Leases”) including, to the extent provided for in the Water Leases, any land and land improvements, structures, buildings and building improvements, other improvements and appurtenances;
- (vii) to the extent not provided in clauses (v) and (vi) of this definition, all fixtures, machinery, equipment, apparatuses, computer hardware and other electronic data processing and communications equipment, tools, instruments, furniture, office equipment, automobiles, trucks, aircraft and other transportation equipment, special and general tools, test devices, molds, tooling, dies, prototypes and models and other tangible personal property located at a physical site of which the ownership or leasehold interest remains with or is being Transferred to a member of the Water Group, except as otherwise expressly provided in this Agreement or in the Transition Services Agreement;
- (viii) all inventories, including products, goods, materials, parts, raw materials, work-in-process and supplies, relating primarily to, used primarily in, or arising primarily from, the Water Business;
- (ix) all Water Contracts and any rights or claims arising thereunder;
- (x) all Intellectual Property relating primarily to, used primarily in, or arising primarily from, the Water Business, including the registrations and applications set forth on Schedule 1.1(93)(x), subject, as applicable, to any License Agreement;
- (xi) all licenses, permits, approvals and authorizations which have been issued by any Governmental Entity and which relate primarily to, are used primarily in, or arise primarily from, the Water Business;
- (xii) all Information (including information used in creating the Xylem Form 10) relating primarily to, used primarily in, or arising primarily from, the Water Business; provided, however, that to the extent any Information used in the Water Business is (A) commingled with information used in the Water Business or the ITT Retained Business or (B) recorded in the ITT Group’s or Defense Group’s electronic systems, stored in facilities owned or leased by the Defense Group or the ITT Group or stored in third party storage facilities pursuant to storage arrangements with the Defense Group or the ITT Group, then (1) the original version of such Information: in the event of clause (A) of this Section 1.1.93(xii), shall be retained by ITT in accordance with Schedule 8.1(b) hereto and all Parties shall have equal rights to use such information and in the event of clause (B) of this Section 1.1.93(xii), shall remain in such electronic systems or storage facilities, as applicable, and be retained in accordance with Schedule 8.1(b), (2) Xylem shall have the right to access such Information and make reasonable copy thereof and (3) any such copy shall be included in the Water Assets; provided, further, with respect to clauses (A) and (B) of this Section 1.1.93(xii), that to the extent such copy shall not have been made prior to the Effective Time, subject to the reimbursement of the actual out-of-

pocket expenses (which shall not include the costs of salaries and benefits of employees of such Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing) incurred by the Party retaining the original version of such Information in providing access to such Information and to the provisions of this Agreement, Xylem shall have the right to access such Information and make such copy at any time following the Effective Time and such copy shall be included in the Water Assets;

(xiii) all deposits, prepaid expenses, letters of credit and performance and surety bonds relating primarily to, used primarily in, or arising primarily from, the Water Business;

(xiv) all bonds, notes, debentures or other debt securities issued by any Person, all loans, advances or other extensions of credit or capital contributions to any Person and all other investments in securities of any Person set forth on Schedule 1.1(93)(xiv);

(xv) subject to Article X, any rights of any member of the Water Group under any Policies, including any rights thereunder arising after the Effective Time in respect of any Policies that are occurrence policies and all rights in the nature of insurance, indemnification or contribution; provided that ownership of the Company Policies shall remain with the ITT Group; and

(xvi) any claims, counterclaims, setoffs, rights of recoupment, equity rights or defenses, whether known or unknown, that ITT and/or any of its Subsidiaries may have with respect to any Water Assets and Water Liabilities.

Notwithstanding the foregoing, the Water Assets shall not include any Assets that are expressly contemplated by this Agreement or by any Specified Ancillary Agreement (or the Schedules hereto or thereto) as Assets to be retained by or Transferred to any member of the Defense Group or the ITT Group, as the case may be, including any Assets (A) specified in clauses (i) through (xvi) of the definition of Defense Assets or (B) specified in clauses (i) through (xvi) of the definition of ITT Retained Assets.

(94) Water Business shall mean the businesses conducted through the Residential & Commercial Water, Water & Wastewater, Analytics and Flow Control segments of ITT prior to the Effective Time, including, for the avoidance of doubt, the businesses of (i) the Water Entities and the Water Divisions, (ii) any other division, Subsidiary, line of business or investment of ITT or any of its Subsidiaries managed or operated prior to the Effective Time by any Water Entity, unless such other division, Subsidiary, line of business or investment is a Defense Entity, a Defense Division an ITT Retained Entity or an ITT Retained Division and (iii) those business entities acquired or established by or for Xylem or any of the Subsidiaries thereof after the Effective Time.

(95) Water Contracts shall mean the following Contracts to which ITT or any of its Subsidiaries is a party as of the date hereof or becomes a party prior to the Effective Time or by which it or any of its Subsidiaries or any of their respective Assets is bound as of the date hereof or becomes bound prior to the Effective Time, whether or not in writing, except for any such Contract or part thereof (i) that is expressly contemplated not to be Transferred by any member of the ITT Group or the Defense Group to the Water Group or (ii) that is expressly contemplated to

be Transferred to (or remain with) any member of the ITT Group or the Defense Group, in each case, pursuant to any provision of this Agreement or any Specified Ancillary Agreement:

(i) any Contract entered into in the name of, or expressly on behalf of, any division, business unit or member of the Water Group;

(ii) any Contract that relates primarily to the Water Business, including any contract providing for the acquisition or disposition of a Business Entity or Assets (other than in the ordinary course of business) used in the Water Business;

(iii) any Contract that represents or underlies the Water Assets or Water Liabilities;

(iv) any Contract or part thereof that is otherwise expressly contemplated pursuant to this Agreement (including pursuant to Section 2.2(b)) or any of the Ancillary Agreements to be assigned to any member of the Water Group; and

(v) any guarantee, indemnity, representation or warranty of or in favor of any member of the Water Group.

(96) “Water Group” shall mean Xylem and each Person that is a direct or indirect Subsidiary of Xylem immediately after the Effective Time, and each Person that becomes a Subsidiary of Xylem after the Effective Time, and shall include the Water Entities.

(97) “Water Indemnitees” shall mean each member of the Water Group and each of their respective Affiliates from and after the Effective Time and each member of the Water Group’s and such respective Affiliates’ respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing.

(98) “Water Liabilities” shall mean any and all Liabilities relating primarily to, arising primarily out of or resulting primarily from: (a) the operation or conduct of the Water Business, as conducted at any time prior to, at or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority) of the Water Group); (b) the operation or conduct of any business conducted by any member of the Water Group at any time after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person’s authority) of the Water Group); or (c) any Water Assets, whether arising prior to, at or after the Effective Time, including:

(i) any and all Liabilities reflected on the Xylem Balance Sheet or the accounting records supporting such balance sheet and any Liabilities incurred by or for Xylem or any member of the Water Group subsequent to the date of the Xylem Balance Sheet which, had they been so incurred on or before such date, would have been reflected on the Xylem Balance Sheet if prepared on a consistent basis, subject to any discharge of any of such Liabilities subsequent to the date of the Xylem Balance Sheet;

(ii) any Liabilities to the extent relating to, arising out of or resulting from, the Water Contracts;

- (iii) the Applicable Xylem Percentage of any Shared Contingent Liability;
- (iv) The liabilities set forth on Schedule 1.1(98)(iv) (the “Specified Water Liabilities”);
- (v) any Liabilities assumed or retained by the Water Group pursuant to this Agreement or the Ancillary Agreements;
- (vi) any Liabilities arising prior to, at or after the Effective Time for any infringement by the Water Business of the Intellectual Property of any other Person or breach by the Water Business of any Contract relating to Intellectual Property;
- (vii) all Liabilities arising prior to, at or after the Effective Time to the extent resulting from any (A) violation of any Environmental Laws by the Water Group, any Water Discontinued Operation or the conduct of the Water Business, (B) use, treatment, or disposal of Materials of Environmental Concern by or on behalf of the Water Group, any Water Discontinued Operation or in the conduct of the Water Business, or (C) presence of Materials of Environmental Concern at, or release of Materials of Environmental Concern from, any Water Assets or any Water Discontinued Operation; provided that Liabilities of the type described in this subsection (vii) relating to real estate that is a Defense Asset or an ITT Retained Asset pursuant to this Agreement, shall not be Water Liabilities but shall instead be, respectively, Defense Liabilities and ITT Retained Liabilities;
- (viii) any Liabilities relating to, arising out of or resulting from, any division, Subsidiary, line of business or investment of ITT or any of its Subsidiaries managed or operated at any time prior to the Effective Time by the Water Entities and sold, transferred or otherwise discontinued prior to the Effective Time, including the divisions, Subsidiaries, lines of business or investments set forth on Schedule 1.1(98)(viii), unless such division, Subsidiary, line of business or investment is listed on Schedule 1.1(29)(viii) or Schedule 1.1(67)(viii) (each such division, Subsidiary, line of business or investment, a “Water Discontinued Operation”);
- (ix) for the avoidance of doubt, any Liabilities relating primarily to, arising primarily out of or resulting primarily from, the operation or conduct of the Water Business by any Business Entity that is an ITT Retained Entity or a Defense Entity under this Agreement but has conducted the Water Business at any time prior to the Effective Time;
- (x) any Liabilities relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated in the Xylem Form 10 or the Xylem Offering Memorandum, or necessary to make the statements therein not misleading, with respect to all information contained in, or incorporated by reference into, the Xylem Form 10, the Xylem Offering Memorandum and any other Disclosure Documents filed by Xylem in connection with the Distribution or as contemplated by this Agreement, other than with respect to the ITT Disclosure Sections;
- (xi) Specified Shared Expenses to the extent provided in Section 5.3; and

(xii) any Liabilities relating to, arising out of or resulting from the claims, proceedings, litigation and disputes listed on Schedule 1.1(98)(xii).

Notwithstanding the foregoing, the Water Liabilities shall not include any Liabilities that are expressly (A) contemplated by this Agreement or by any Specified Ancillary Agreement (or the Schedules hereto or thereto) as Liabilities to be Assumed by any member of the Defense Group or the ITT Group, as the case may be, including any Liabilities specified (1) in clauses (i) through (xii) of the definition of Defense Liabilities or (2) in the definition of ITT Retained Liabilities, including clauses (i) through (xii) thereof, or (B) discharged pursuant to Section 2.4 of this Agreement.

(99) "Xylem Balance Sheet" shall mean the pro forma balance sheet of the Water Group, including the notes thereto, as of June 30, 2011, as filed with the Xylem Form 10.

(100) "Xylem Offering Memorandum" shall mean the offering memorandum, dated September [•], 2011, relating to the private offering by Xylem Inc. of senior unsecured notes.

(101) "Xylem Common Stock" shall have the meaning set forth in the recitals hereto.

(102) "Xylem Distribution" shall mean the distribution on the Distribution Date to holders of record of shares of ITT Common Stock as of the Distribution Record Date of the Xylem Common Stock owned by ITT on the basis of one (1) share of Xylem Common Stock for each outstanding share of ITT Common Stock.

(103) "Xylem Form 10" shall mean the registration statement on Form 10 (Registration No. 001-35229) filed by Water with the Commission under the Securities Exchange Act of 1934, as amended, in connection with the Xylem Distribution, including any amendment or supplement thereto.

(104) "Xylem Information Statement" shall mean the Information Statement attached as an exhibit to the Xylem Form 10 to be sent to the holders of shares of ITT Common Stock in connection with the Xylem Distribution, including any amendment or supplement thereto

(105) "Xylem Target Cash Balance" shall mean \$200 million.

Section 1.2. References; Interpretation. 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, Annexes, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Annexes, 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. The words "written request" when used in this Agreement shall include email. In the event of any inconsistency or conflict which may arise in the application or interpretation of any of the definitions set forth in Section 1.1, for the purpose of determining what is and is not included in such definitions, any item explicitly included on a Schedule referred to in any such definition shall take priority over any provision of the text thereof.

ARTICLE II
THE SEPARATION

Section 2.1. General. Subject to the terms and conditions of this Agreement, the Parties shall use, and shall cause their respective Affiliates to use, their respective commercially reasonable efforts to consummate the transactions contemplated hereby, a portion of which may have already been implemented prior to the date hereof. It is the intent of the Parties that after consummation of the transactions contemplated hereby ITT shall have been restructured, to the extent necessary, such that following the consummation of such restructuring, subject to Section 2.6, (i) ITT shall own the equity interests of all the ITT Retained Entities (other than ITT), all of ITT's and its Subsidiaries' right, title and interest in and to the ITT Retained Assets shall be owned or held by the ITT Group, the ITT Retained Business shall be conducted by the ITT Group and all of the ITT Retained Liabilities shall be Assumed directly or indirectly by (or remain with) the ITT Group, (ii) Exelis shall own the equity interests of all the Defense Entities (other than Exelis), all of ITT's and its Subsidiaries' right, title and interest in and to the Defense Assets shall be owned or held by the Defense Group, the Defense Business shall be conducted by the Defense Group and all of the Defense Liabilities shall be Assumed directly or indirectly by (or remain with) the Defense Group, and (iii) Xylem shall own the equity interests of all the Water Entities (other than Xylem), all of ITT's and its Subsidiaries' right, title and interest in and to the Water Assets shall be owned or held by the Water Group, the Water Business shall be conducted by the Water Group and all of the Water Liabilities shall be Assumed directly or indirectly by (or remain with) the Water Group.

Section 2.2. Restructuring: Transfer of Assets; Assumption of Liabilities.

(a) Restructuring. At or prior to the Effective Time, to the extent not already completed and except for the Transfers set forth on Schedule 2.2(a), the costs of which shall be shared equally by the parties to such Transfers, ITT will take such steps (which may include transfer of shares or other equity interests, formation of new entities and/or declaration of dividends) as may be necessary or desirable to cause (i) ITT to directly or indirectly own the ITT Retained Entities (other than ITT), (ii) Exelis to directly or indirectly own the Defense Entities (other than Exelis) and (iii) Xylem to directly or indirectly own the Water Entities (other than Xylem); provided, that the Parties shall use their commercially reasonable efforts to cause the transfers set forth on Schedule 2.2(a) to occur as soon as practicable following the Effective Time.

(b) Transfer of Other Assets. At or prior to the Effective Time, to the extent not already completed (and it being understood that some of such Transfers may occur following the Effective Time in accordance with Section 2.2(a) or Section 2.6), pursuant to the Conveyancing and Assumption Instruments:

(i) ITT shall, or shall cause the applicable Asset Transferors to, transfer, contribute, distribute, assign and/or convey or cause to be transferred, contributed, distributed, assigned and/or conveyed ("Transfer") to (A) the respective ITT Asset Transferees, all of the applicable Asset Transferors' right, title and interest in and to the ITT Retained Assets, (B) Exelis and/or the respective Defense Asset Transferees, all of its and the applicable Asset Transferors' right, title and interest in and to the Defense Assets and (C) Xylem and/or the respective Water Asset Transferees, all of its and the applicable Asset Transferors' right, title and interest in and to the Water Assets, including those Transfers set forth on Schedule 1.1(8).

(ii) Any costs and expenses incurred after the Effective Time and on or prior to the second anniversary of the Distribution Date to effect any Transfer contemplated by this Section 2.2(b) (including any transfer effected pursuant to Section 2.6) shall be shared equally) between

the Asset Transferor and the applicable ITT Asset Transferee, Defense Asset Transferee or Water Asset Transferee, with any costs and expenses incurred following such second anniversary to be the exclusive responsibility of the applicable ITT Asset Transferee, Defense Asset Transferee or Water Asset Transferee. Other than costs and expenses incurred and reimbursed in accordance with the foregoing, nothing in this Section 2.2(b) shall require any member of any Group to incur any material obligation or grant any material concession for the benefit of any member of any other Group in order to effect any transaction contemplated by this Section 2.2(b).

(c) Assumption of Liabilities. Except as otherwise specifically set forth in any Specified Ancillary Agreement, from and after the Effective Time (i) ITT shall, or shall cause a member of the ITT Group to, accept, assume (or, as applicable, retain) and perform, discharge and fulfill, in accordance with their respective terms (“Assume”), all of the ITT Retained Liabilities, (ii) Exelis shall, or shall cause a member of the Defense Group to, Assume all the Defense Liabilities and (iii) Xylem shall, or shall cause a member of the Water Group to, Assume all the Water Liabilities, in each case, regardless of (A) when or where such Liabilities arose or arise, (B) whether the facts upon which they are based occurred prior to, on or subsequent to the Effective Time, (C) where or against whom such Liabilities are asserted or determined or (D) whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the ITT Group, the Defense Group or the Water Group, as the case may be, or any of their past or present respective directors, officers, employees, agents, Subsidiaries or Affiliates.

(d) Consents. The Parties shall use their commercially reasonable efforts to obtain the required Consents to Transfer any Assets, Contracts, licenses, permits and authorizations issued by any Governmental Entity or parts thereof as contemplated by this Agreement.

(e) Notwithstanding anything herein to the contrary, no Contract or other asset shall be transferred if it would violate applicable Law or, in the case of any Contract, the rights of any third party to such Contract.

Section 2.3. Treatment of Shared Contracts. Without limiting the generality of the obligations set forth in Sections 2.2(a) and (b):

(a) Unless the Parties otherwise agree or the benefits of any Contract described in this Section are expressly conveyed to the applicable Party pursuant to an Ancillary Agreement, any Contract that is (1) listed on Schedule 2.3(a), (2) an ITT Retained Asset but inures in part to the benefit or burden of any member of the Water Group or the Defense Group, as the case may be, (3) a Water Asset but inures in part to the benefit or burden of any member of the ITT Group or the Defense Group, as the case may be or (4) a Defense Asset but inures in part to the benefit or burden of any member of the ITT Group or the Water Group, as the case may be (each, a “Shared Contract”), shall be assigned in part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to, on or after the Effective Time, so that each Party or the members of their respective Groups as of the Effective Time shall be entitled to the rights and benefits, and shall Assume the related portion of any Liabilities, inuring to their respective Businesses; provided, however, that (x) in no event shall any member of any Group be required to assign (or amend) any Shared Contract in its entirety or to assign a portion of any Shared Contract (including any Policy) which is not assignable (or cannot be amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled) and (y) if any Shared Contract cannot be so partially assigned by its terms or otherwise, cannot be amended or has not for any other reason been assigned or amended, or if such assignment or amendment would impair the benefit the parties thereto derive from such Shared Contract, (I) at the reasonable request of the Party (or the member of such Party’s Group) to which the benefit of such Shared Contract inures in part, the Party for which such Shared Contract is, as

applicable, an ITT Retained Asset, Defense Asset or Water Asset shall, and shall cause each of its respective Subsidiaries to, for a period ending not later than eighteen (18) months after the Distribution Date, take such other reasonable and permissible actions to cause such member of the Water Group, the Defense Group or the ITT Group, as the case may be, to receive the benefit of that portion of each Shared Contract that relates to the Water Business, the Defense Business or the ITT Retained Business, as the case may be (in each case, to the extent so related) as if such Shared Contract had been assigned to (or amended to allow) a member of the applicable Group pursuant to this Section 2.3 and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement) as if such Liabilities had been Assumed by a member of the applicable Group pursuant to this Section 2.3 and (II) the Party for which the benefit of such Shared Contract inures in part to it (or a member of such Party's Group) shall use commercially reasonable efforts to, in a reasonably timely manner, enter into a separate contract or other arrangement or otherwise transition or migrate to alternative arrangements such that it (or such member of such Party's Group) no longer needs to avail itself of the arrangements provided pursuant to Section 2.3(a)(I); provided that, other than in the event of gross negligence or willful misconduct of the Party for which such Shared Contract is, as applicable, an ITT Retained Asset, Defense Asset or Water Asset, such Party, and such Party's applicable Subsidiaries shall not be liable for any actions or omissions taken in accordance with clause (y) of this Section 2.3(a).

(b) Each of ITT, Exelis and Xylem shall, and shall cause the members of its Group to, (A) treat for all Income Tax purposes the portion of each Shared Contract inuring to its respective Businesses as Assets owned by, and/or Liabilities of, as applicable, such Party as of the Effective Time and (B) neither report nor take any Income Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by a change in applicable Tax Law or good faith resolution of a Tax Contest relating to Income Taxes).

Section 2.4. Intercompany Accounts.

(a) Except as set forth in Section 7.1(b), all (i) intercompany receivables, payables and loans (other than receivables, payables and loans otherwise specifically provided for under this Agreement, under any Ancillary Agreement or under any Continuing Arrangements as set forth on Schedule 1.1(20), and other than payables created or required hereby or by any Ancillary Agreement or any Continuing Arrangements), if any, and (ii) intercompany balances, including in respect of any cash balances, any cash balances representing deposited checks or drafts or any cash held in any centralized cash management system (A) between any member of the ITT Group, on the one hand, and any member of the Defense Group or the Water Group, on the other hand or (B) between any member of the Defense Group, on the one hand, and any member of the Water Group, on the other hand, in each case, which exist and are reflected in the accounting records of the relevant Parties immediately prior to the Effective Time, shall be settled, capitalized or converted into ordinary trade accounts, in each case as of the Effective Time, as may be agreed in writing prior to the Effective Time by duly authorized representatives of ITT, Exelis and/or Xylem, as applicable.

(b) As between any two Parties (and the members of their respective Group) all payments and reimbursements received after the Effective Time by any Party (or member of its Group) that relate to a Business, Asset or Liability of another Party (or member of its Group), shall be held by such Party in trust for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and, promptly upon receipt by such Party of any such payment or reimbursement, such Party shall pay or shall cause the applicable member of its Group to pay over to the Party entitled thereto the amount of such payment or reimbursement without right of set-off.

Section 2.5. Limitation of Liability: Intercompany Contracts.

(a) No Party shall have any Liability to any other Party in the event that any Information exchanged or provided pursuant to this Agreement which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate, except for such estimates as may be prepared in connection with Section 3.5, which shall be addressed as provided therein.

(b) No Party or any Subsidiary thereof shall be liable to any other Party or any Subsidiary of any other Party based upon, arising out of or resulting from any Contract, arrangement, course of dealing or understanding between or among it and any other Party existing at or prior to the Effective Time (other than this Agreement, any Ancillary Agreement, any Continuing Arrangements, any Third Party Agreements, as set forth in Section 7.1(b), any Contract entered into in connection herewith or in order to consummate the transactions contemplated hereby or thereby or by the Plan of Separation or any Contract specified on Schedule 2.5 and except as provided in any thereof) and each Party hereby terminates any and all Contracts, arrangements, courses of dealing or understandings between or among it and any other Party effective as of the Effective Time (other than this Agreement, any Ancillary Agreement, any Continuing Arrangements, any Third Party Agreements, as set forth in Section 7.1(b), any Contract entered into in connection herewith or in order to consummate the transactions contemplated hereby or thereby or by the Plan of Separation or any Contract specified on Schedule 2.5 and except as provided in any thereof), provided, however, that with respect to any Contract, arrangement, course of dealing or understanding between or among the Parties or any Subsidiaries thereof discovered after the Effective Time, the relevant Parties agree that such Contract, arrangement, course of dealing or understanding shall nonetheless be deemed terminated as of the Effective Time with the only liability of the Parties in respect thereof to be the obligations incurred between the Parties pursuant to such Contract, arrangement, course of dealing or understanding between the Effective Time and the time of discovery or later termination of any such Contract, arrangement, course of dealing or understanding.

Section 2.6. Transfers Not Effected at or Prior to the Effective Time; Transfers Deemed Effective as of the Effective Time.

(a) To the extent that any Transfers contemplated by this Article II shall not have been consummated at or prior to the Effective Time, the Parties shall use commercially reasonable efforts to effect such Transfers as promptly following the Effective Time as shall be practicable. Nothing herein shall be deemed to require the Transfer of any Assets or the Assumption of any Liabilities which by their terms or operation of Law cannot be Transferred; provided, however, that the Parties and their respective Subsidiaries shall cooperate and use commercially reasonable efforts to seek to obtain, in accordance with applicable Law, any necessary Consents or Governmental Approvals for the Transfer of all Assets and Assumption of all Liabilities to the fullest extent permitted by applicable Law contemplated to be Transferred and Assumed pursuant to this Article II. In the event that any such Transfer of Assets or Assumption of Liabilities has not been consummated, from and after the Effective Time (i) the Party retaining such Asset shall thereafter hold such Asset in trust for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and (ii) the Party intended to Assume such Liability shall, or shall cause the applicable member of its Group to, pay or reimburse the Party retaining such Liability for all amounts paid or incurred in connection with the retention of such Liability. In addition, the Party retaining such Asset or Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Asset or Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the Party to which such Asset is to be Transferred or by the Party Assuming such Liability in order to place such Party, insofar as reasonably possible, in the same position as if such Asset or Liability had been Transferred or Assumed as contemplated hereby and so that all the benefits and burdens relating to such Asset or Liability, including possession, use, risk of loss, potential for gain, and dominion, control and command over such Asset or Liability, are to inure from and after the Effective Time to the member or members of the ITT Group, the Water Group or the Defense Group entitled to the receipt of such Asset or required to Assume such

Liability. In furtherance of the foregoing, the Parties agree that, as of the Effective Time, subject to Section 2.2(e) and Section 2.9(b), each Party shall be deemed to have acquired complete and sole beneficial ownership over all of the Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have Assumed in accordance with the terms of this Agreement all of the Liabilities, and all duties, obligations and responsibilities incident thereto, which such Party is entitled to acquire or required to Assume pursuant to the terms of this Agreement.

(b) If and when the Consents, Governmental Approvals and/or conditions, the absence or non-satisfaction of which caused the deferral of Transfer of any Asset or deferral of the Assumption of any Liability pursuant to Section 2.6(a), are obtained or satisfied, the Transfer, assignment, Assumption or novation of the applicable Asset or Liability shall be effected in accordance with and subject to the terms of this Agreement (including Section 2.2) and/or the applicable Ancillary Agreement, and shall, to the extent possible without the imposition of any undue cost on any Party, be deemed to be effective as of the Effective Time.

(c) Following the second anniversary of the Distribution Date, the Party retaining any Asset or Liability due to the deferral of the Transfer of such Asset or the deferral of the Assumption of such Liability pursuant to Section 2.6(a) or otherwise shall not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced, assumed, or agreed in advance to be reimbursed by the Party entitled to such Asset or the Person intended to be subject to such Liability, other than reasonable attorneys' fees and recording or similar or other incidental fees, all of which shall be promptly reimbursed by the Party entitled to such Asset or the Person intended to be subject to such Liability.

(d) After the Effective Time, each Party (or any member of its Group) may receive mail, packages and other communications properly belonging to another Party (or any member of its Group). Accordingly, at all times after the Effective Time, each Party is hereby authorized to receive and open all mail, packages and other communications received by such Party that belongs to such other Party, and to the extent that they do not relate to the business of the receiving Party, the receiving Party shall promptly deliver such mail, packages or other communications (or, in case the same also relates to the business of the receiving Party or another Party, copies thereof) to such other Party as provided for in Section 11.6. The provisions of this Section 2.6(d) are not intended to, and shall not, be deemed to constitute an authorization by any Party to permit the other to accept service of process on its behalf and no Party is or shall be deemed to be the agent of any other Party for service of process purposes.

(e) With respect to Assets and Liabilities described in Section 2.6(a), each of ITT, Exelis and Xylem shall, and shall cause the members of its respective Group to, (i) treat for all Income Tax purposes (A) the deferred Assets as assets having been Transferred to and owned by the Party entitled to such Assets not later than the Effective Time and (B) the deferred Liabilities as liabilities having been Assumed and owned by the Person intended to be subject to such Liabilities not later than the Effective Time and (ii) neither report nor take any Income Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by a change in applicable Tax Law or good faith resolution of a Tax Contest relating to Income Taxes).

Section 2.7. Conveyancing and Assumption Instruments. In connection with, and in furtherance of, the Transfers of Assets and the Assumptions of Liabilities contemplated by this Agreement, the Parties shall execute or cause to be executed, on or after the date hereof by the appropriate entities to the extent not executed prior to the date hereof, any Conveyancing and Assumption Instruments necessary to evidence the valid Transfer to the applicable Party or member of such Party's Group of all right, title and interest in and to its accepted Assets and the valid and effective Assumption by the applicable Party of its Assumed Liabilities for Transfers and Assumptions to be effected pursuant to New

York Law or the Laws of one of the other states of the United States or, if not appropriate for a given Transfer or Assumption, and for Transfers or Assumptions to be effected pursuant to non-U.S. Laws, in such form as the Parties shall reasonably agree, including the Transfer of real property by mutually acceptable conveyance deeds as may be appropriate and in form and substance as may be required by the jurisdiction in which the real property is located. The Transfer of capital stock shall be effected by means of executed stock powers and notation on the stock record books of the corporation or other legal entities involved, or by such other means as may be required in any non-U.S. jurisdiction to Transfer title to stock and, only to the extent required by applicable Law, by notation on public registries.

Section 2.8. Further Assurances; Ancillary Agreements.

(a) In addition to and without limiting the actions specifically provided for elsewhere in this Agreement, including Section 2.6, each of the Parties shall cooperate with each other and use (and shall cause its respective Subsidiaries and Affiliates to use) commercially reasonable efforts, at and after the Effective Time, to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary on its part under applicable Law or contractual obligations to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, at and after the Effective Time, each Party shall cooperate with the other Parties, and without any further consideration, but at the expense of the requesting Party from and after the Effective Time, to execute and deliver, or use commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of Transfer or title, and to make all filings with, and to obtain all Consents and/or Governmental Approvals, any permit, license, Contract, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by any other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the Transfers of the applicable Assets and the assignment and Assumption of the applicable Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each Party shall, at the reasonable request, cost and expense of any other Party, take such other actions as may be reasonably necessary to vest in such other Party such title as possessed by the transferring Party to the Assets allocated to such other Party under this Agreement or any of the Ancillary Agreements, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) Without limiting the foregoing, in the event that any Party receives any Assets to be transferred to another Party pursuant to this Agreement or the Ancillary Agreements, such Party agrees to promptly return or cause the return of such Assets to the applicable Party at such latter Party's expense.

(d) At or prior to the Effective Time, each of ITT, Exelis and Xylem shall enter into, and/or (where applicable) shall cause a member or members of their respective Group to enter into, the Ancillary Agreements and any other Contracts in respect of the Distributions reasonably necessary or appropriate in connection with the transactions contemplated hereby and thereby.

Section 2.9. Novation of Liabilities; Indemnification.

(a) Each Party, at the request of another Party, shall use commercially reasonable efforts to obtain, or to cause to be obtained, any Consent, Governmental Approval, substitution or amendment required to novate or assign to the fullest extent permitted by applicable Law all obligations under Contracts and Liabilities for which a member of such Party's Group and a member of another Party's Group (such other Party, the "Other Party") are jointly or severally liable and that do not constitute Liabilities of such Other Party hereunder, or, if permitted by applicable Law, to obtain in writing the

unconditional release of all parties to such arrangements (other than any member of the Group who Assumed or retained such Liability as set forth in this Agreement), so that, in any such case, the members of the applicable Group shall be solely responsible for such Liabilities; provided, however, that no Party shall be obligated to pay any consideration therefor to any third party from whom any such Consent, Governmental Approval, substitution or amendment is requested (unless such Party is fully reimbursed by the requesting Party).

(b) If the Parties are unable to obtain, or to cause to be obtained, any such required Consent, Governmental Approval, release, substitution or amendment, the Other Party or a member of such Other Party's Group shall continue to be bound by such Contract, license or other obligation that does not constitute a Liability of such Other Party and, unless not permitted by Law or the terms thereof, as agent or subcontractor for such Party, the Party or member of such Party's Group who Assumed or retained such Liability as set forth in this Agreement (the "Liable Party") shall, or shall cause a member of its Group to, pay, perform and discharge fully all the obligations or other Liabilities of such Other Party or member of such Other Party's Group thereunder from and after the Effective Time. The Liable Party shall indemnify each Other Party and hold each of them harmless against any Liabilities (other than Liabilities of such Other Party) arising in connection therewith; provided, that the Liable Party shall have no obligation to indemnify any Other Party with respect to any matter to the extent that such Liabilities arise from such Other Party's willful breach, knowing violation of Law, fraud, misrepresentation or gross negligence in connection therewith, in which case such Other Party shall be responsible for such Liabilities. The Other Party shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to the Liable Party or, at the direction of the Liable Party, to another member of the Liable Party's Group, all money, rights and other consideration received by it or any member of its Group in respect of such performance by the Liable Party (unless any such consideration is an Asset of such Other Party pursuant to this Agreement). If and when any such Consent, Governmental Approval, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, the Other Party shall, to the fullest extent permitted by applicable Law, promptly Transfer or cause the Transfer of all rights, obligations and other Liabilities thereunder of such Other Party or any member of such Other Party's Group to the Liable Party or to another member of the Liable Party's Group without payment of any further consideration and the Liable Party, or another member of such Liable Party's Group, without the payment of any further consideration, shall Assume such rights and Liabilities to the fullest extent permitted by applicable Law.

Section 2.10. Guarantees: Letters of Credit.

(a) Except for those guarantees and/or letters of credit set forth on Schedule 2.10(a) where ITT shall remain as guarantor or obligor and the applicable Party shall indemnify and hold harmless the ITT Indemnitees for any Indemnifiable Loss arising from or relating thereto (in accordance with the provisions of Article VII) or as otherwise specified in any Ancillary Agreement, at or prior to the Effective Time or as soon as practicable thereafter, (i) ITT shall (with the reasonable cooperation of the applicable member of the Water Group or Defense Group) use its commercially reasonable efforts to have any member of the Water Group and/or the Defense Group removed as guarantor of or obligor for any ITT Retained Liability to the fullest extent permitted by applicable Law, including in respect of those guarantees set forth on Schedule 2.10(a)(i), to the extent that they relate to ITT Retained Liabilities, (ii) Exelis shall (with the reasonable cooperation of the applicable member of the ITT Group or any Defense Group) use commercially reasonable efforts to have any member of the ITT Group and/or the Water Group removed as guarantor of or obligor for any Defense Liability to the fullest extent permitted by applicable Law, including in respect of those guarantees set forth on Schedule 2.10(a)(ii), to the extent that they relate to Defense Liabilities and (iii) Xylem shall (with the reasonable cooperation of the applicable member of the ITT Group or Defense Group) use commercially reasonable efforts to have any member of the ITT Group and/or the Defense Group removed as guarantor of or obligor for any Water

Liability, to the fullest extent permitted by applicable Law, including in respect of those guarantees set forth on Schedule 2.10(a)(iii), to the extent that they relate to Water Liabilities.

(b) At or prior to the Effective Time, to the extent required to obtain a release from a guaranty (a “Guaranty Release”):

(i) of any member of the ITT Group, Exelis and/or Xylem shall, as applicable, execute a guaranty agreement substantially in the form of the existing guaranty or such other form as is agreed to by the relevant parties to such guaranty agreement, except to the extent that such existing guaranty contains representations, covenants or other terms or provisions either (A) with which Exelis or Xylem, as the case may be, would be reasonably unable to comply or (B) which would be reasonably expected to be breached;

(ii) of any member of the Defense Group, ITT and/or Xylem shall, as applicable, execute a guaranty agreement substantially in the form of the existing guaranty or such other form as is agreed to by the relevant parties to such guaranty agreement, except to the extent that such existing guaranty contains representations, covenants or other terms or provisions either (A) with which ITT or Xylem, as the case may be, would be reasonably unable to comply or (B) which would be reasonably expected to be breached; and

(iii) of any member of the Water Group, ITT and/or Exelis, shall, as applicable, execute a guaranty agreement substantially in the form of the existing guaranty or such other form as is agreed to by the relevant parties to such guaranty agreement, except to the extent that such existing guaranty contains representations, covenants or other terms or provisions either (A) with which ITT or Exelis, as the case may be, would be reasonably unable to comply or (B) which would be reasonably expected to be breached.

(c) If ITT, Exelis or Xylem is unable to obtain, or to cause to be obtained, any such required removal as set forth in clauses (a) and (b) of this Section 2.10, (i) the relevant member of the ITT Group, Defense Group or Water Group, as applicable, that has assumed the underlying Liability with respect to such guaranty shall indemnify and hold harmless the guarantor or obligor for any Indemnifiable Loss arising from or relating thereto (in accordance with the provisions of Article VII) and shall or shall cause one of its Subsidiaries, as agent or subcontractor for such guarantor or obligor to pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder and (ii) each of ITT, Exelis and Xylem, on behalf of themselves and the members of their respective Groups, agree not to renew or extend the term of, increase its obligations under, or Transfer to a third party, any loan, guarantee, lease, contract or other obligation for which another Party or member of such Party’s Group is or may be liable without the prior written consent of such other Party, unless all obligations of such other Party and the other members of such Party’s Group with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to such Party; provided, however, with respect to leases, in the event a Guaranty Release is not obtained and the relevant beneficiary wishes to extend the term of such guaranteed lease, then such beneficiary shall have the option of extending the term if it provides such security as is reasonably satisfactory to the guarantor under such guaranteed lease.

Section 2.11. Disclaimer of Representations and Warranties. EACH OF ITT (ON BEHALF OF ITSELF AND EACH MEMBER OF THE ITT GROUP), EXELIS (ON BEHALF OF ITSELF AND EACH MEMBER OF THE DEFENSE GROUP), AND XYLEM (ON BEHALF OF ITSELF AND EACH MEMBER OF THE WATER GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN, IN ANY ANCILLARY AGREEMENT OR IN ANY CONTINUING ARRANGEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS

AGREEMENT, ANY ANCILLARY AGREEMENTS OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HERewith OR THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY ACTION OR OTHER ASSET, INCLUDING ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN "AS IS, WHERE IS" BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST AND (II) ANY NECESSARY CONSENTS OR GOVERNMENTAL APPROVALS ARE NOT OBTAINED OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

ARTICLE III

CERTAIN ACTIONS AT OR PRIOR TO THE DISTRIBUTIONS

Section 3.1. Articles of Incorporation; By-laws.

(a) Exelis. On or prior to the Distribution Date, all necessary actions shall be taken to adopt the form of Articles of Incorporation and By-laws filed by Exelis with the Commission as exhibits to the Exelis Form 10, to be effective as of the Effective Time.

(b) Xylem. On or prior to the Distribution Date, all necessary actions shall be taken to adopt the form of Articles of Incorporation and By-laws filed by Xylem with the Commission as exhibits to the Xylem Form 10, to be effective as of the Effective Time.

Section 3.2. Directors.

(a) ITT. On or prior to the Distribution Date, ITT shall take all necessary actions, including procuring the resignations of the directors named on Schedule 3.2(a), such that, at the Effective Time, its Board shall include the individuals named on Schedule 3.2(a)

(b) Exelis. On or prior to the Distribution Date, ITT shall take all necessary action to cause the Board of Directors of Exelis to include, at the Effective Time, the individuals identified in the Exelis Information Statement as director nominees of Exelis.

(c) Xylem. On or prior to the Distribution Date, ITT shall take all necessary action to cause the Board of Directors of Xylem to include, at the Effective Time, the individuals identified in the Xylem Information Statement as director nominees of Xylem.

Section 3.3. Officers.

(a) ITT. On or prior to the Distribution Date, ITT shall take all necessary actions, including procuring the resignations of its officers, such that at the Effective Time its officers shall be the individuals named on Schedule 3.3(a).

(b) Exelis. On or prior to the Distribution Date, ITT shall take all necessary action to cause the individuals identified as such in the Exelis Information Statement to be the officers of Exelis as of the Effective Time.

(c) Xylem. On or prior to the Distribution Date, ITT shall take all necessary action to cause the individuals identified as such in the Xylem Information Statement to be the officers of Xylem as of the Effective Time.

Section 3.4. Resignations.

(a) Exelis. On or prior to the Distribution Date, (i) ITT shall cause all its employees and any employees of its Subsidiaries (excluding any employees of any member of the Defense Group) to resign, effective as of the Effective Time, from all positions as officers or directors of any member of the Defense Group in which they serve, and (ii) Exelis shall cause all its employees and any employees of its Subsidiaries to resign, effective as of the Effective Time, from all positions as officers or directors of any members of the ITT Group or the Water Group in which they serve.

(b) Xylem. On or prior to the Distribution Date, (i) ITT shall cause all its employees and any employees of its Subsidiaries (excluding any employees of any member of the Water Group) to resign, effective as of the Effective Time, from all positions as officers or directors of any member of the Water Group in which they serve, and (ii) Xylem shall cause all its employees and any employees of its Subsidiaries to resign, effective as of the Effective Time, from all positions as officers or directors of any members of the ITT Group or the Defense Group in which they serve.

(c) No Person shall be required by any Party to resign from any position or office with another Party if such Person is disclosed in the applicable Information Statement as the Person who is to hold such position or office following the applicable Distribution.

Section 3.5. Cash Adjustments.

(a) Exelis. Subject to Section 3.5(c), prior to the Distribution Date, either (i) Exelis shall transfer funds to ITT or (ii) ITT shall transfer funds to Exelis, such that Exelis' book cash and cash equivalents balance in its accounts immediately prior to the Effective Time shall equal the Exelis Target Cash Balance.

(b) Xylem. Subject to Section 3.5(c), prior to the Distribution Date, either (i) Xylem shall transfer funds to ITT or (ii) ITT shall transfer funds to Xylem, such that Xylem's book cash and cash equivalents balance in its accounts immediately prior to the Effective Time shall equal the Xylem Target Cash Balance.

(c) ITT. Notwithstanding Sections 3.5(a) and (b), prior to the Distribution Date, ITT shall retain funds or funds shall be transferred to ITT such that ITT's book cash and cash equivalents balance in its accounts immediately prior to the Effective Time shall equal the ITT Target Cash Balance. If on the Business Day prior to the Distribution Date, after making the adjustments contemplated in Sections 3.5(a) and (b), the actual aggregate book cash and cash equivalents balance of the Parties is greater than or equal to the sum of the Exelis Target Cash Balance, the Xylem Target Cash Balance and the ITT Target Cash Balance, as calculated above, ITT shall retain funds or funds shall be transferred to ITT such that ITT's

book cash and cash equivalents balance in its accounts immediately prior to the Effective Time shall equal the sum of the ITT Target Cash Balance plus any excess above such sum.

(d) Promptly following the Distribution Date, and in any event not later than forty-five (45) days thereafter, ITT shall (i) prepare, as of 12:01 a.m., New York time, on the Distribution Date, an exhibit (the “Statement of Cash Detail”) which includes, for each of ITT, Exelis and Xylem: (A) the book cash and cash equivalents balance of such Party as of 12:01 a.m., New York time, on the Distribution Date (each a “Distribution Date Cash Balance”) and (B) a proposal, which shall not involve any repatriation of cash (but which may, for the avoidance of doubt, involve either on or off-shore transfers), for the payment in a tax efficient manner by any applicable Party to any other Party of such other amounts as are necessary so that each Party’s Distribution Date Cash Balance equals the requisite amount pursuant to Sections 3.5(a), (b) and (c) (“Reallocation Payments”) and (ii) deliver such Statement of Cash Detail to each other Party for review (the day the Statement of Cash Detail is so delivered, the “Statement Completion Date”). In preparing the Statements of Cash Detail, the elements thereof shall be prepared (1) in accordance with GAAP applied on a consistent basis and with the same accounting principles, practices, methodologies and policies historically used by ITT in connection with the preparation of its audited financial statements, (2) in a manner consistent with the principles set forth in Schedule 3.5(d), and (3) in a manner consistent with the terms of this Agreement.

(e) Each Party receiving the Statement of Cash Detail and their respective accountants shall be entitled to make reasonable inquiries of ITT, the applicable other Party and/or their respective accountants and senior officers, at reasonable times, upon reasonable advance notice, and without unreasonable interference to such Parties’ operations, regarding the Statement of Cash Detail with respect to such Parties. Within thirty (30) days of the Statement Completion Date (such 30-day period, the “Cash Detail Review Period”), each Party shall (i) complete its review of the Statement of Cash Detail and (ii) submit to ITT and the other applicable Party a letter stating its concurrence or disagreement with the accuracy of the Statement of Cash Detail with respect to such Party (“Response Letter”) and specifying any specific items on the Statement of Cash Detail with which such Party disagrees (each, a “Disputed Item”), it being understood that all other items in the Statement of Cash Detail other than the Disputed Items shall be deemed agreed to by the Parties. Unless a Party delivers a Response Letter by the last day of the Cash Detail Review Period, such Party shall be deemed to have accepted ITT’s Statement of Cash Detail and the calculations therein shall become final and binding upon ITT and such Party.

(f) Following the delivery of the Response Letter, ITT and the applicable Party or Parties shall in good faith attempt promptly to resolve all disagreements as to the computation of all Disputed Items within the thirty (30) day period (or longer, as mutually agreed by the Parties after delivery of the Response Letter). Any items not in dispute or resolved during such period shall be deemed to be final. Following such thirty (30) day period, ITT and the applicable Party shall submit any remaining Disputed Items (and only such remaining Disputed Items) to PricewaterhouseCoopers LLP or, if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by the parties hereto in writing (in any such case, the “Accountant”) for determination. The determination of the Accountant with respect to all remaining Disputed Items and the Reallocation Payments shall be completed within thirty (30) days after the appointment of the Accountant, shall be determined in accordance with this Agreement and shall be final and binding upon ITT and the applicable Party. With respect to each Disputed Item subject to resolution by the Accountant, the Accountant shall adopt a position that is either equal to the applicable Party’s proposed position, equal to ITT’s proposed position, or any amount as so determined by the Accountant between the positions proposed by such Party and ITT. The fees, costs and expenses of the Accountant shall be allocated by the Accountant at the time the Accountant’s determination is rendered with respect to all the remaining Disputed Items as follows: (A) if the Accountant resolves all of the remaining Disputed Items in favor of one Party’s position, then all such fees, costs and expenses (and the reasonable attorney’s fees and expenses of such

Party) shall be paid by the other Party or, if applicable, equally among the two other Parties maintaining different positions; and (B) if the Accountant does not resolve all of the remaining Disputed Items in favor of one Party's position, then such fees, costs and expenses (and the reasonable attorney's fees and expenses of the applicable Parties) shall be paid in inverse proportion as the Parties may prevail on matters resolved by the Accountant, based on the dollar amount of each Disputed Item resolved in favor of each Party.

(g) Within seven (7) days of the final resolution of all Disputed Items as to Exelis and Xylem in accordance with Sections 3.5(e) and (f) above, ITT shall submit to Exelis and Xylem a statement calculated based on the example in Schedule 3.5(g) (the "Statement of Cash Allocation") indicating the final allocation of cash to each Party as finally determined in accordance with this Section 3.5 (each, a "Cash Allocation"). The Statement of Cash Allocation shall provide for payments among the Parties in accordance with the following principles:

(i) If the difference between any Party's Cash Allocation and such Party's Distribution Date Cash Balance is less than \$1,000,000, then such Party shall not be entitled to any adjustment pursuant to this Section 3.5. If the difference between any Party's Cash Allocation and such Party's Distribution Date Cash Balance is more than \$1,000,000, then such Party shall be entitled to receive payments, in a tax efficient manner and not involving any repatriation of cash, from such other Party or Parties whose Distribution Date Cash Balance exceeds its Cash Allocation such that after giving effect to such payments each Party's Distribution Date Cash Balance shall equal its Cash Allocation, and each such Party shall be obligated to pay, or cause to be paid, to such other Party, or its designee, the amount of such shortfall.

(h) Any payments made pursuant to this Section 3.5 shall be made by wire transfer of immediately available funds to the account designated in writing by the relevant Parties.

ARTICLE IV

THE DISTRIBUTIONS

Section 4.1. Stock Dividends to ITT Shareholders.

(a) Exelis. On the Distribution Date, ITT shall cause the Distribution Agent to distribute all of the outstanding shares of Exelis Common Stock then owned by ITT to holders of ITT Common Stock on the Distribution Record Date, and to credit the appropriate number of such shares of Exelis Common Stock to book entry accounts for each such holder or designated transferee or transferees of such holder of Exelis Common Stock. For shareholders of ITT who own ITT Common Stock through a broker or other nominee, their shares of Exelis Common Stock shall be credited to their respective accounts by such broker or nominee. 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 Exelis Distribution one (1) share of Exelis Common Stock for every one (1) share of ITT Common Stock held by such shareholder. No action by any such shareholder shall be necessary for such shareholder (or such shareholder's designated transferee or transferees) to receive the applicable number of shares (and, if applicable, cash in lieu of any fractional shares) of Exelis Common Stock such shareholder is entitled to in the Exelis Distribution.

(b) Xylem. On the Distribution Date, ITT shall cause the Distribution Agent to distribute all of the outstanding shares of Xylem Common Stock then owned by ITT to holders of ITT Common Stock on the Distribution Record Date, and to credit the appropriate number of such shares of Xylem Common Stock to book entry accounts for each such holder or designated transferee or transferees of such holder of Xylem Common Stock. For shareholders of ITT who own ITT Common Stock through a broker or other

nominee, their shares of Xylem Common Stock shall be credited to their respective accounts by such broker or nominee. 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 Xylem Distribution one (1) share of Xylem Common Stock for every one (1) share of ITT Common Stock held by such shareholder. No action by any such shareholder shall be necessary for such shareholder (or such shareholder's designated transferee or transferees) to receive the applicable number of shares (and, if applicable, cash in lieu of any fractional shares) of Xylem Common Stock such shareholder is entitled in the Xylem Distribution.

Section 4.2. Actions in Connection with the Distribution.

(a) Prior to the Distribution Date, each of Exelis and Xylem shall file such amendments and supplements to their respective Form 10's as ITT may reasonably request, and such amendments as may be necessary in order to cause the same to become and remain effective as required by Law, including filing such amendments and supplements to their respective Form 10's as may be required by the Commission or federal, state or foreign securities Laws. Each of Exelis and Xylem shall mail to the holders of ITT Common Stock, at such time on or prior to the Distribution Date as ITT shall determine, the Information Statement included in its Form 10, as well as any other information concerning Exelis or Xylem, as applicable, their business, operations and management, the Plan of Separation and such other matters as ITT shall reasonably determine are necessary and as may be required by Law. Promptly after receiving a request from ITT, to the extent requested, each of Exelis and Xylem shall prepare and, in accordance with applicable Law, file with the Commission any such documentation that ITT reasonably determines is necessary or desirable to effectuate the applicable Distribution, and ITT, Exelis and Xylem shall each use commercially reasonable efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(b) Each of Exelis and Xylem shall use commercially reasonable efforts in preparing, filing with the Commission and causing to become effective, as soon as reasonably practicable (but in any case prior to the Effective Time), effective registration statements or amendments thereof which are required in connection with the establishment of, or amendments to, any employee benefit plans of such Party.

(c) To the extent not already approved and effective, each of Exelis and Xylem shall use commercially reasonable efforts to have approved and made effective, the respective application for the original listing of the Xylem Common Stock and Exelis Common Stock, as applicable, to be distributed in the applicable Distribution on the NYSE, subject to official notice of distribution.

(d) Each Party shall provide all cooperation reasonably requested by the other Parties that is necessary or desirable in connection with the Financing Arrangements.

(e) Nothing in this Section 4.2 shall be deemed to shift or otherwise impose Liability for any portion of such Form 10's or Information Statements to ITT.

Section 4.3. Sole Discretion of ITT. ITT shall, in its sole and absolute discretion, determine the Distribution Date, the Effective Time and all other terms of the Distribution, including the form, structure and terms of any transactions and/or offerings to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, ITT may, in accordance with Section 11.11, at any time and from time to time until the completion of the Distribution decide to abandon the Xylem Distribution and/or the Exelis Distribution or modify or change the terms of the Xylem Distribution and/or the Exelis Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution. Without limiting the foregoing, ITT shall have the right not to complete the Distribution if, at any time prior to the Effective Time, the Board shall have determined, in its sole discretion, that the Distribution 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 Exelis or Xylem to separate from ITT.

Section 4.4. Conditions to Distribution. Subject to Section 4.3, the following are conditions to the consummation of the Distribution. The conditions are for the sole benefit of ITT and shall not give rise to or create any duty on the part of ITT or the Board to waive or not waive any such condition.

(a) The applicable Form 10 shall have been declared effective by the Commission, no stop order suspending the effectiveness thereof shall be in effect, no proceedings for such purpose shall be pending before or threatened by the Commission, and the applicable Information Statement shall have been mailed to the holders of ITT Common Stock;

(b) With respect to the (i) Xylem Distribution, the Xylem Common Stock to be delivered in the Xylem Distribution shall have been approved for listing on the NYSE, subject to official notice of distribution and (ii) Exelis Distribution, the Exelis Common Stock to be delivered in the Exelis Distribution shall have been approved for listing on the NYSE, subject to official notice of distribution;

(c) Prior to the Distribution Date, ITT shall have obtained an opinion from Simpson Thacher & Bartlett LLP, its tax counsel, in form and substance satisfactory to ITT (in its sole discretion), as to the satisfaction of certain conditions necessary for such Distribution, together with certain related transactions, to qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code;

(d) Prior to the Distribution Date, ITT shall have obtained a private letter ruling from the Internal Revenue Service in form and substance satisfactory to ITT (in its sole discretion), and such ruling shall remain in effect as of such Distribution Date, to the effect, among other things, that such Distribution, together with certain related transactions, will qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code;

(e) Prior to the Distribution Date, the Board 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;

(f) Any material Governmental Approvals and other Consents necessary to consummate the applicable Distribution or any portion thereof shall have been obtained and be in full force and effect, it being understood that, for the avoidance of doubt, the Governmental Approvals and Consents contemplated by Section 2.6 and Section 2.9 shall not be deemed necessary to consummate any Distribution;

(g) 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 applicable 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 applicable Distribution;

(h) No other events or developments shall have occurred or failed to occur prior to the Distribution Date that, in the judgment of the Board, would result in the Distribution having a material adverse effect on ITT or its shareholders;

(i) The Financing Transactions described in the applicable Information Statements as having occurred prior to an applicable Distribution shall have been consummated on or prior to the applicable Distribution;

(j) The Restructuring shall have been completed, except for such steps as ITT in its sole discretion shall have determined may be completed after the Effective Time;

(k) The actions and events set forth in Sections 3.1, 3.2, 3.3 and 3.4 shall have occurred;

(l) The Board shall have authorized the Distribution, which authorization may be given or withheld at its absolute and sole discretion;

(m) In the event the Distribution is for any reason postponed more than one hundred twenty (120) days after the date hereof, the Board shall have redetermined, as of such postponed Distribution Date, that the Distribution satisfies the requirements of Indiana Business Corporation Law governing distributions; and

(n) Each Ancillary Agreement shall have been executed by each party thereto.

ARTICLE V CERTAIN COVENANTS

Section 5.1. No Solicit; No Hire. None of ITT, Exelis or Xylem or any member of their respective Groups shall, from the Effective Time through and including the date set forth on Schedule 5.1, without the prior written consent of the applicable Party, directly or indirectly, recruit, solicit, hire or retain any person who is an employee specified on Schedule 5.1 of any other Party or its Subsidiaries as of the Effective Time or induce, or attempt to induce, any such employee to terminate his or her employment with, or otherwise cease his or her relationship with, any other Party or its Subsidiaries; provided, however, that (i) nothing in this Section 5.1 shall be deemed to prohibit any general solicitation for employment through advertisements and search firms not specifically directed at employees of such other applicable Party or, except with respect to employees defined as “First-Tier Employees” and “Second-Tier Employees” on Schedule 5.1, any hiring as a result thereof; provided, that the applicable Party has not encouraged or advised such firm to approach any such employee or Party and (ii) the prohibitions of this Section 5.1 shall not apply (A) with respect to employees who have been terminated by a Party and (B) following a Change in Control (as defined in the Benefits and Compensation Matters Agreement) of ITT, Exelis or Xylem, as applicable, with respect to the employees of such Party. The Parties agree that irreparable damage would occur in the event that the provisions of this Section 5.1 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.

Section 5.2. Intellectual Property. Each Party shall not use or exploit the Intellectual Property of the other Parties after the Effective Time, except (i) as permitted in the Ancillary Agreements, (ii) as required by applicable Law; (iii) as permitted by the “fair use” doctrine or defense, or (iv) for neutral, non-trademark use of the other Parties’ Trademarks to describe the history of each Party’s respective business.

Section 5.3. Administration of Specified Shared Expenses. ITT shall be responsible for administering each Specified Shared Expense. Each Party shall be responsible for payment of its Applicable Percentage of any Specified Shared Expense, except with respect to (i) certain Specified Shared Expenses that are otherwise allocated among the Parties pursuant to the Tax Matters Agreement and (ii) certain Specified Shared Expenses otherwise allocated among the parties as set forth on Schedule 1.1(83). ITT shall invoice each of Exelis and Xylem on a quarterly basis, and Exelis and Xylem shall

each promptly following invoice reimburse ITT for its allocable share of such Specified Shared Expenses. In addition, ITT shall, in connection with each invoice, provide a quarterly estimated budget (for informational and planning purposes only) to Exelis and Xylem of Specified Shared Expenses for the following quarter.

Section 5.4. Cooperation. From and after the Effective Time, each Party shall, and shall cause each of its respective Affiliates and employees to, (i) provide reasonable cooperation and assistance to each other Party (and any member of their respective Groups) in connection with the completion of the Plan of Separation (including assisting in the preparation of the Distributions), (ii) provide knowledge transfer regarding its applicable Business or ITT's historical business, (iii) reasonably assist each other Party in the orderly and efficient transition in becoming an independent company to the extent set forth in the Transition Services Agreement and (iv) reasonably assist each other Party to which such Party is providing or has provided services, as applicable, pursuant to the Transition Services Agreement, in connection with requests for information from, audits or other examinations of, such other Party by a Governmental Entity; in each case, except as may otherwise be agreed to by the Parties in writing, at no additional cost to the Party requesting such assistance other than for the actual out-of-pocket costs (which shall not include the costs of salaries and benefits of employees of such Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing) incurred by any such Party, if applicable. The cooperation and assistance provided for in this Section 5.4 shall not be required to the extent such cooperation and assistance would unreasonably interfere with the operation of any Party's business or with any Party's employees' normal functions and duties except with respect to the individuals identified on Schedule 5.4, whose full assistance and cooperation shall be required. In furtherance of, and without limiting, the foregoing, each Party shall make reasonably available those employees with particular knowledge of any function or service of which another Party was not allocated the employees, agents or consultants involved in such function or service in connection with the Plan of Separation (including, employee benefits functions, risk management, etc.).

Section 5.5. Periodic Meetings. Unless otherwise agreed to by the Parties, at least once during each fiscal quarter during the two (2) year period following the Distribution Date, the Parties shall hold a meeting for the purpose of sharing Information related to this Agreement, any Shared Contingent Liabilities or the preparation of any Party's financial statements. Each Party shall designate between one (1) and three (3) persons as its standing representatives for such meetings, who shall initially be the individuals set forth on Schedule 5.5. The Managing Party shall be responsible for scheduling such meeting at reasonably consistent and convenient times and on no less than thirty (30) days' notice. The Parties' standing representatives and others may participate in such meetings in person or other medium by which all participants may hear each other.

Section 5.6. Board of Directors. Each of Exelis and Xylem agrees that, without the prior written consent of the two other Parties, it shall not nominate a slate of directors to be elected at its shareholders meeting to be held in 2013 (the "2013 Meetings") as a result of which (i) 50% or more of the members of its Board of Directors shall have served as directors or executive officers of ITT at any time during the twelve-month period immediately preceding the Effective Time (each, a "Legacy Director") or (ii) any member of its Board of Directors shall be a Legacy Director who is also a director of ITT following the Effective Time, including any Legacy Director who would be nominated to serve as a director of ITT at its shareholders meeting to be held in 2013. In furtherance of the foregoing, (x) in the absence of agreement as to which Legacy Directors shall not be nominated for election at the 2013 Meetings to serve on Exelis' and/or Xylem's respective Board of Directors, as the case may be, the individuals identified on Schedule 5.6 shall not be nominated by the applicable Board of Directors to stand for re-election at such meetings, and (y) ITT shall not nominate the individuals identified on

Schedule 5.6 to serve on ITT's Board at such meeting, unless such individuals will not be nominated for election to the Board of Directors of either Exelis or Xylem at such meeting.

Section 5.7. Office Space.

(a) Exelis Headquarters Office Space. Exelis' corporate headquarters as of the Effective Time will be located at 1650 Tysons Boulevard, Suite 1700, McLean, Virginia 22102.

(b) Xylem Headquarters Office Space. Xylem's corporate headquarters as of the Effective Time will be located at 1133 Westchester Avenue, Suite 2000, White Plains, New York 10604 (the "White Plains Headquarters") on a transitional basis.

(c) ITT Headquarters Office Space. ITT's corporate headquarters as of the Effective Time will be located at 1133 Westchester Avenue, Suite 3000, White Plains, New York 10604.

(d) Headquarters. From and after the Effective Time, ITT's and Xylem's headquarters shall be located in physically segregated spaces on separate floors, with each of ITT and Xylem having its own security systems. Xylem agrees that it shall vacate the White Plains Headquarters on or before the second anniversary of the Distribution Date.

Section 5.8. Night Vision.

(a) Each Party acknowledges that it has read and is familiar with the Administrative Compliance Agreement between the United States Army and ITT dated as of October 11, 2007 (the "ACA") and the Consent Agreement between the United States Department of State and ITT dated as of December 21, 2007 (the "Consent Agreement") and all of ITT's obligations thereunder.

(b) The Parties agree that from and after the Effective Time, Exelis shall, and shall cause its Subsidiaries to, (A) satisfy and comply in all respects with ITT's obligation to pay the "Deferred Prosecution Monetary Penalty" (as defined in the ACA (as defined therein) and (B) pay all out-of-pocket fees and expenses associated with the "Independent Monitor" (as defined in the ACA), in each case as if Exelis were a party to the ACA.

(c) Subject to Section 5.8(b), from and after the Effective Time, each of ITT, Exelis and Xylem (i) shall, and shall cause their respective Subsidiaries to, comply with the ACA and the Consent Agreement in all respects as applicable to the ITT Retained Business, the Water Business and the Defense Business, respectively, and (ii) shall indemnify and hold the other Parties' Indemnitees harmless for any Indemnifiable Losses arising out of or resulting from or incurred in connection with any violation (as determined in connection with any final judgment or settlement agreement under which the relevant Party has Liability) of the ACA or the Consent Agreement by, respectively, the ITT Group, the Water Group and/or the Defense Group, including, for the avoidance of doubt, reasonable expenses incurred by any ITT Indemnitee, Defense Indemnitee or Water Indemnitee, as applicable, in respect of any Action arising from such violation or alleged violation.

(d) Each of ITT, Exelis and/or Xylem, as applicable, shall promptly notify the other Parties in writing and in reasonable detail of any Action arising from any action or omission or alleged action or omission of any member of the ITT Group, the Defense Group and/or the Water Group, as applicable, in violation of Section 5.8(c)(i); provided, however, that no such notification shall be required unless the applicable Party shall have received a written notice or other written communication from a Governmental Entity in connection with such Action. Each such Party shall cooperate with each other Party involved in any such Action in the defense of such Action and make available to each other Party (i)

its and its Subsidiaries' officers, directors, employees, counsel and agents to assist in such defense, to the extent that such Persons may reasonably be required in connection with such defense and (ii) all witnesses, pertinent Information, materials and information in its Group's possession or under its Group's control relating to such defense, as are reasonably required in connection with such defense. For the avoidance of doubt, except as otherwise specifically set forth in this Section 5.8(d), the provisions of clauses (b), (e), (f) and (g) of Section 7.5 shall apply, *mutatis mutandis*, to any Third Party Claims arising out of this Section 5.8.

Section 5.9. SEC Settlement.

(a) Each Party acknowledges that it has read and is familiar with the Consent and Final Judgment entered in *Securities and Exchange Commission v. ITT Corporation*, Case No. 1:09-cv-00272-RJL, in the United States District Court for the District of Columbia the (collectively, the "Final Judgment") and all of ITT's obligations thereunder.

(b) From and after the Effective Time, each of ITT, Exelis and Xylem shall, and shall cause their respective Subsidiaries to, comply with the Final Judgment in all respects as applicable to the ITT Retained Business, the Defense Business and the Water Business, respectively.

(c) Each of ITT, Exelis and/or Xylem, as applicable, shall promptly notify the other Parties in writing and in reasonable detail of any Action arising from any action or omission or alleged action or omission of any member of the ITT Group, the Defense Group and/or the Water Group, as applicable, in violation of the Final Judgment; provided, however, that no such notification shall be required unless the applicable Party shall have received a written notice or other written communication from a Governmental Entity in connection with such Action. Each such Party shall cooperate with each other Party involved in such Action in such defense and make available to each other Party (i) its and its Subsidiaries' officers, directors, employees, counsel and agents to assist in such defense, to the extent that such Persons may reasonably be required in connection with such defense and (ii) all witnesses, pertinent Information, materials and information in its Group's possession or under its Group's control relating to such defense, as are reasonably required in connection with such defense. For the avoidance of doubt, except as otherwise specifically set forth in this Section 5.9(c), the provisions of clauses (b), (e), (f) and (g) of Section 7.5 shall apply, *mutatis mutandis*, to any Third Party Claims arising out of this Section 5.9.

(d) Each of ITT, Exelis and Xylem shall indemnify and hold the other Parties' Indemnitees harmless for any violation (as determined in connection with any final judgment or settlement agreement under which the relevant Party has Liability) of the Final Judgment by, respectively, the ITT Group, the Defense Group and/or the Water Group, including their respective officers, employees, agents and attorneys and all Persons in active participation with the aforementioned who received actual notice of the Final Judgment, including, for the avoidance of doubt, reasonable expenses incurred by any ITT Indemnitee, Defense Indemnitee or Water Indemnitee, as applicable, in respect of any Action arising from such violation or alleged violation.

ARTICLE VI

SHARED CONTINGENT LIABILITIES

Section 6.1. Shared Contingent Liabilities. From and after the Effective Time, except as otherwise expressly set forth in this Article VI or the Tax Matters Agreement (with respect to Taxes) and without limiting the indemnification provisions of Article VII, ITT, Exelis and Xylem shall each be responsible for (i) its Applicable Percentage of any Shared Contingent Liabilities pursuant to and in accordance with the relevant provisions of Article VII and, without duplication, (ii) its Applicable

Percentage of any Specified Shared Expenses related to or arising out of any Shared Contingent Liability. Any amounts owed in respect of any Shared Contingent Liabilities other than Specified Shared Expenses (which are addressed pursuant to Section 5.3) shall be remitted promptly after the Party entitled to such amount provides an invoice (including reasonable supporting Information with respect thereto and a calculation of the amounts owed by each Party based on such Party's Applicable Percentage) to the Party or Parties owing such amount and such costs and expenses shall be included in the calculation of the amount of the applicable Shared Contingent Liability in determining the reimbursement obligations of the other Parties with respect thereto; provided, however, that if so directed by the Party providing the invoice, in lieu of remitting amounts directly to the Party providing the invoice, the owing Party shall remit the owed amount directly to the appropriate third party or parties or to an account established by the invoicing Party for the benefit of the Parties, in which case each Party shall contribute its Applicable Percentage of such amount to such account for the benefit of the Parties. It shall not be a defense to any obligation by any Party to pay any amounts, whether pursuant to this Article VI or in respect of Indemnifiable Losses pursuant to Article VII, in respect of any Shared Contingent Liability that (i) such Party was not consulted in the defense or management thereof, (ii) that such Party's views or opinions as to the conduct of such defense were not accepted or adopted, (iii) that such Party does not approve of the quality or manner of the defense thereof or (iv) that such Shared Contingent Liability was incurred by reason of a settlement rather than by a judgment or other determination of Liability (even if, subject in each case to Section 7.5(f), such settlement was effected without the consent or over the objection of such Party). Notwithstanding the foregoing, no Party shall be required to pay its share of any final settlement in connection with any Shared Contingent Liability unless the final settlement agreement in connection therewith shall provide for a full and unconditional release of such Party.

Section 6.2. Management of Shared Contingent Liabilities.

(a) "Managing Party" shall initially mean ITT or such other Party as may be identified on Schedule 1.1(82); provided, however, another Party may become the Managing Party with respect to any Shared Contingent Liabilities or other matters set forth in this Agreement upon the prior written agreement of each of the Parties.

(b) Except as provided in the Tax Matters Agreement (with respect to management of Tax Contests), the Managing Party shall, on behalf of the other Parties, have sole and exclusive authority to, and shall actively and diligently, commence, prosecute, manage, control, conduct or defend (or assume or conduct the defense of) or otherwise determine all matters whatsoever (including, as applicable, litigation strategy and choice of legal counsel or other professionals) with respect to, on behalf of the other Parties, any Action or Third Party Claim with respect to a Shared Contingent Liability (including with respect to those Shared Contingent Liabilities set forth on Schedule 1.1(82)). The Managing Party shall use its commercially reasonable efforts to promptly notify the other Parties in the event that it receives notice of any Shared Contingent Liability including any claim or demand relating thereto; provided, that the failure to provide such notice shall not give rise to any rights on the part of the other Parties against the Managing Party or affect any other provision of this Section 6.2, except to the extent any Party is actually and materially prejudiced thereby in a manner different from any other Party. No Party other than the Managing Party shall consent to the entry of any judgment or enter into any settlement with respect to any Shared Contingent Liability without the prior written consent of the Managing Party and the other Party. For the avoidance of doubt, any settlement by the Managing Party shall be subject to Section 7.5(f).

(c) The Managing Party shall on a quarterly basis, or if a material development occurs as soon as reasonably practicable thereafter, inform the other Parties of the status of and developments relating to any matter involving a Shared Contingent Liability and provide copies of any material document, notices or other materials related to such matters; provided, that the failure to provide any such information shall not be a basis for liability of the Managing Party except and solely to the extent the

receiving Party shall have been actually and materially prejudiced thereby in a manner different than any other Party. Each Party shall cooperate fully with the Managing Party in its management of any of such Shared Contingent Liability and shall take such actions in connection therewith that the Managing Party reasonably requests (including providing access to such Party's Records and employees as set forth in Section 6.3).

(d) In the event of any dispute as to whether any Liability is a Shared Contingent Liability as set forth in Section 6.4(b), the Managing Party may, but shall not be obligated to, commence prosecution or other assertion of such claim or right pending resolution of such dispute. In the event that the Managing Party commences any such prosecution or assertion and, upon resolution of the dispute (pursuant to Article IX or otherwise), it is determined that such Liability is not a Shared Contingent Liability and that such Liability belongs to another Party, pursuant to the provisions of this Agreement or any Ancillary Agreement, the Managing Party shall cease the prosecution or assertion of such right or claim and the applicable Parties shall cooperate to transfer the control thereof to the applicable other Party. In such event, the applicable other Party shall promptly reimburse the Managing Party (or any other Party who has fronted costs and expenses) for all out-of-pocket costs and expenses incurred to such date in connection with the prosecution or assertion of such claim or right (which shall not include the costs of salaries and benefits of employees of the Managing Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing).

Section 6.3. Access to Information; Certain Services; Expenses.

(a) Access to Information and Employees by the Managing Party. Unless otherwise prohibited by Law, in connection with the management and disposition of any Shared Contingent Liability, each of the Parties shall make readily available to and afford to the Managing Party and its authorized accountants, counsel and other designated representatives reasonable access, subject to appropriate restrictions for classified Information, Confidential Information or Privileged Information, to the employees, properties, and Information of such Party and the members of such Party's Group insofar as such access relates to the relevant Shared Contingent Liability; it being understood by the Parties that such access as well as any services provided pursuant to Section 6.3(b) below may require a significant time commitment on the part of such Party's employees and that any such commitment shall not otherwise limit any of the rights or obligations set forth in this Article VI; it also being understood that such access and such services provided shall not unreasonably interfere with any of such Party's employees' normal functions. Nothing in this Section 6.3(a) shall require any Party to violate any agreement with any third party regarding the confidentiality of confidential and proprietary information relating to that third party or its business; provided, however, that in the event that a Party is required to disclose any such Information, such Party shall use commercially reasonable efforts to seek to obtain such third party's written consent to the disclosure of such Information.

(b) Certain Services. Each of ITT, Exelis and Xylem shall make available to the others, upon reasonable written request, its and its Subsidiaries' officers, directors, employees, counsel and agents to assist in the management (including, if applicable, as witnesses in any Action) of any Shared Contingent Liabilities to the extent that such Persons may reasonably be required in connection with the prosecution, defense or day-to-day management of any Shared Contingent Liability. In respect of the foregoing, Schedule 1.1(82) sets forth certain identified Shared Contingent Liabilities, respectively, and identify (but do not limit) those employees and agents who shall assist the Managing Party in its management of such Shared Contingent Liabilities.

(c) Costs and Expenses Relating to Access by the Managing Party. Except as otherwise provided in any Ancillary Agreement, the provision of access and other services pursuant to this Section 6.3

(including by the Managing Party) shall be borne by the Party providing such access and services (other than for actual out-of-pocket costs and expenses, which shall constitute Specified Shared Expenses) and shall be shared by the other Parties accordingly.

(d) Other Specified Shared Expenses. The Managing Party (and the Party or Parties providing assistance to the Managing Party pursuant to Section 6.3(b)) shall be entitled, upon presentation of reasonable supporting documentation thereof, to reimbursement by the other Parties (in accordance with their Applicable Percentages) of any out-of-pocket costs and expenses (which shall include, in the case of the Managing Party, the pro rata portion of the costs of salaries and benefits of such employees with respect to whom at least 30% of their professional time over period of one-month or greater is dedicated to the management or defense of such Shared Contingent Liability) related to or arising out of defending or managing any such Shared Contingent Liability from Exelis and Xylem, as applicable, from time to time when invoiced, but no more frequently than quarterly, in advance of a final determination or resolution of any Action related to a Shared Contingent Liability. Specified Shared Expenses in respect of Shared Contingent Liabilities shall also include the reasonable out-of-pocket costs and expenses of defending, managing or providing assistance to the Managing Party pursuant to Section 6.3(b) with respect to any Third Party Claim that is a Shared Contingent Liability, which shall include any amounts with respect to a bond, prepayment or similar security or obligation required (or determined to be advisable by the Managing Party) to be posted by the Managing Party in respect of any claim and shall not include the costs of salaries and benefits of employees or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing).

Section 6.4. Notice Relating to Shared Contingent Liabilities; Disputes.

(a) In the event that any Party or any member of such Party's Group or any of their respective Affiliates, becomes aware of (i) any Liability that may be a Shared Contingent Liability, (ii) any matter or occurrence that has given or could give rise to a Shared Contingent Liability or (iii) any matter that is material and is reasonably relevant to the Managing Party's ongoing or future management, prosecution, defense and/or administration of any Shared Contingent Liability, such Party shall promptly (but in any event within thirty (30) days of becoming aware, unless, by its nature the subject matter of such notice would require earlier notice) notify each of the Managing Party and the other Party of any such matter (setting forth in reasonable detail the subject matter thereof); provided, however, that no Party shall be liable for the failure to provide such notice except and solely to the extent the Managing Party and the other Party shall have been actually prejudiced as a result of such failure in a manner different than any other Party.

(b) In the event that any Party disagrees whether a claim, obligation or Liability is a Shared Contingent Liability or whether such claim, obligation or Liability is a Liability allocated to one of the Parties pursuant to this Agreement or any Ancillary Agreement, then such matter shall be resolved pursuant to and in accordance with the dispute resolution provisions set forth in Article IX.

Section 6.5. Cooperation with Governmental Entity. If, in connection with any Shared Contingent Liability, a Party is required by Law to respond to and/or cooperate with a Governmental Entity, such Party shall be entitled to cooperate and respond to such Governmental Entity after, to the extent practicable under the specific circumstances, consultation with the Managing Party with respect to such Shared Contingent Liability; provided, that to the extent such consultation was not practicable such Party shall promptly inform the Managing Party of such cooperation and/or response to the Governmental Entity and the subject matter thereof. In the event that any Party is requested or required by any Governmental Entity in connection with any Shared Contingent Liability pursuant to written or oral question or request for Information or documents in any legal or administrative proceeding, review,

interrogatory, subpoena, investigation, demand, or similar process, such Party shall notify the Managing Party promptly of the request or requirement and such Party's response thereto, and shall use commercially reasonable efforts to consult with the Managing Party with respect to the nature of such Party's response to the extent practicable and not in violation of any attorney-client Privilege or legal process.

Section 6.6. Default. In the event that one or more of the Parties defaults in any full or partial payment in respect of any Shared Contingent Liability (as provided in this Article VI and in Article VII), including the payment of the costs and expenses of the Managing Party, then each non-defaulting Party (including ITT) shall be required to pay its relative Applicable Percentage of the amount in default; provided, however, that any such payment by a non-defaulting Party shall in no way release the defaulting Party from its obligations to pay its obligations in respect of such Shared Contingent Liability (both for past and future obligations) and any non-defaulting Party may exercise any available legal remedies available against such defaulting Party.

ARTICLE VII

INDEMNIFICATION

Section 7.1. Release of Pre-Distribution Claims.

(a) Except (i) as provided in Section 7.1(b), (ii) as may be otherwise expressly provided in this Agreement or in any Ancillary Agreement and (iii) for any matter for which any Party is entitled to indemnification pursuant to this Article VII, each Party (A) for itself and each member of its respective Group, their respective Affiliates as of the Effective Time and all Persons who at any time prior to the Effective Time were directors, officers, agents or employees of any member of their Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, does hereby remise, release and forever discharge the other Parties and the other members of such other Parties' Group, their respective Affiliates and all Persons who at any time prior to the Effective Time were shareholders, directors, officers, agents or employees of any member of such other Parties (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the Plan of Separation and all other activities to implement the Restructuring and the Distributions and any of the other transactions contemplated hereunder and under the Ancillary Agreements and (B) in any event will not, and will cause its respective Subsidiaries not to, bring any Action or claim against any member of the other Groups in respect of any such Liabilities.

(b) Nothing contained in Section 7.1(a), Section 2.4(a) and Section 2.5(b) shall impair or otherwise affect any right of any Party and, as applicable, a member of such Party's Group, to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings contemplated in this Agreement or in any Ancillary Agreement to continue in effect after the Effective Time. In addition, nothing contained in Section 7.1(a) shall release any person from:

(i) any Liability Assumed, Transferred or allocated to a Party or a member of such Party's Group pursuant to or contemplated by, or any other Liability of any member of such Group under, this Agreement or any Ancillary Agreement including (A) with respect to any

Shared Contingent Liability, (B) with respect to ITT, any ITT Retained Liability, (C) with respect to Exelis, any Defense Liability and (D) with respect to Xylem, any Water Liability;

(ii) any Liability for the sale, lease, construction, manufacture or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from or on behalf of a member of any other Group prior to the Effective Time;

(iii) any Liability provided in or resulting from any other Contract or understanding that is entered into after the Effective Time between any Party (and/or a member of such Party's or Parties' Group), on the one hand, and any other Party or Parties (and/or a member of such Party's or Parties' Group), on the other hand;

(iv) any Liability with respect to any Continuing Arrangements set forth on Schedule 1.1(20);

(v) any Liability that the Parties may have with respect to indemnification pursuant to this Agreement or otherwise for claims brought against the Parties by third Persons, which Liability shall be governed by the provisions of this Agreement and, in particular, this Article VII and, if applicable, the appropriate provisions of the Ancillary Agreements; and

(vi) any Liability of any Party in respect of third party claims involving products manufactured or services provided by more than one of the Defense Business, Water Business and ITT Retained Business (e.g. products sold by one Business including components manufactured by another Business, or services provided by one Business using products manufactured by another Business) prior to the Effective Time.

In addition, nothing contained in Section 7.1(a) shall release ITT from indemnifying any director, officer or employee of Exelis and Xylem who was a director, officer or employee of ITT or any of its Affiliates prior to the Effective Time or the Distribution Date, as the case may be, to the extent such director, officer or employee is or becomes a named defendant in any Action with respect to which he or she was entitled to such indemnification pursuant to then existing obligations.

(c) Each Party shall not, and shall not permit any member of its Group to, make any claim, demand or offset, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against any other Party or any member of any other Party's Group, or any other Person released pursuant to Section 7.1(a), with respect to any Liabilities released pursuant to Section 7.1(a).

(d) It is the intent of each Party, by virtue of the provisions of this Section 7.1, to provide, to the fullest extent permitted by applicable Law, for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed at or before the Effective Time, whether known or unknown, between or among any Party (and/or a member of such Party's Group), on the one hand, and any other Party or Parties (and/or a member of such Party's or parties' Group), on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members at or before the Effective Time), except as specifically set forth in Sections 7.1(a) and 7.1(b). At any time, at the reasonable request of any other Party, each Party shall cause each member of its respective Group and, to the extent practicable, each other Person on whose behalf it released Liabilities pursuant to this Section 7.1 to execute and deliver releases, to the fullest extent permitted by applicable Law, reflecting the provisions hereof.

Section 7.2. Indemnification by ITT. Except as otherwise specifically set forth in any provision of this Agreement or of any Ancillary Agreement, following the Effective Time, ITT shall and shall cause the other members of the ITT Group to 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 (a) the ITT Retained Liabilities or alleged ITT Retained Liabilities or (b) any breach by ITT of any provision of this 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.

Section 7.3. Indemnification by Exelis. Except as otherwise specifically set forth in any provision of this Agreement or of any Ancillary Agreement, following the Effective Time, Exelis shall and shall cause the other members of the Defense Group to 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 (a) the Defense Liabilities or alleged Defense Liabilities or (b) any breach by Exelis of any provision of this 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.

Section 7.4. Indemnification by Xylem. Except as otherwise specifically set forth in any provision of this Agreement or of any Ancillary Agreement, following the Effective Time, Xylem shall and shall cause the other members of the Water Group to 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 (a) the Water Liabilities or alleged Water Liabilities or (b) any breach by Xylem of any provision of this 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.

Section 7.5. Procedures for Indemnification.

(a) Other than with respect to Third Party Claims, which shall be governed by Section 7.5(b), and Shared Contingent Liabilities, which shall be governed by Section 6.4, each ITT Indemnitee, Defense Indemnitee and Water Indemnitee (each, an “Indemnitee”) shall notify in writing, with respect to any matter that such Indemnitee has determined has given or could give rise to a right of indemnification under this Agreement or any Ancillary Agreement, the Party which is or may be required pursuant to this Article VII or pursuant to any Ancillary Agreement to make such indemnification (the “Indemnifying Party”), within thirty (30) days of such determination, stating the amount of the Indemnifiable Loss claimed, if known, and method of computation thereof, and referring to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnitee or arises; provided, however, that the failure to provide such written notice shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure. Each such Indemnitee shall provide the applicable Indemnifying Party with reasonable access, upon reasonable prior written notice and during normal business hours, in a manner so as not to unreasonably interfere in any material respect with the normal business operations of such Indemnitee, to its books and records, properties and personnel relating to the claim the Indemnitee has determined has given or could give rise to a right of indemnification under this Agreement or any Ancillary Agreement.

(b) Third Party Claims. If a claim or demand is made against an Indemnitee by any Person who is not a party to this Agreement (a “Third Party Claim”) as to which such Indemnitee is or may be entitled to indemnification pursuant to this Agreement or any Ancillary Agreement, such Indemnitee shall notify the Indemnifying Party in writing, and in reasonable detail, of the Third Party Claim promptly (and in any event within thirty (30) days) after receipt by such Indemnitee of written notice of the Third Party Claim; provided, however, that the failure to provide notice of any such Third Party Claim pursuant to this or the preceding sentence shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been actually prejudiced as a result of such failure. If any Party shall receive notice or otherwise learn of the assertion of a Third Party Claim which may reasonably be determined to be a Shared Contingent Liability, such Party, as appropriate, shall give the Managing Party written notice thereof within thirty (30) days after such Person becomes aware of such Third Party Claim subject to and in compliance with Section 6.4. Thereafter, the Indemnitee shall deliver to the Indemnifying Party (and, if applicable, to the Managing Party), promptly (and in any event within five (5) Business Days) after the Indemnitee’s receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third Party Claim.

(c) Other than in the case of (i) a Shared Contingent Liability (the defense of which shall be assumed and controlled by the Managing Party), (ii) Taxes addressed in the Tax Matters Agreement, or (iii) claims in respect of the matters referred to in Sections 5.8 and 5.9, which shall be addressed as set forth therein, an Indemnifying Party shall be entitled to participate in the defense of any Third Party Claim and, if it so chooses, to assume the defense thereof, at such Indemnifying Party’s own cost and expense and by such Indemnifying Party’s own counsel, that is reasonably acceptable to the applicable Indemnitees, within thirty (30) days of the receipt of such notice from such Indemnitees; provided, however, that the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim to the extent such Third Party Claim (x) is an allegation of a criminal violation or (ii) seeks injunctive relief against the Indemnitee. In connection with the Indemnifying Party’s defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, at its own expense and, in any event, shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party’s expense, all witnesses, pertinent Information, materials and information in such Indemnitee’s possession or under such Indemnitee’s control relating thereto as are reasonably required by the Indemnifying Party; provided, however, that in the event of a conflict of interest between the Indemnifying Party and the applicable Indemnitee(s), such Indemnitee(s) shall be entitled to retain, at the Indemnifying Party’s expense, separate counsel as required by the applicable rules of professional conduct with respect to such matter; provided, further, that if (i) the Third Party Claim is not a Shared Contingent Liability and (ii) the Indemnifying Party has assumed the defense of the Third Party Claim but has specified, and continues to assert, any reservations or exceptions to such defense or to its liability therefor, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnitees shall be borne by the Indemnifying Party.

(d) Notwithstanding any assumption of defense of a Third Party Claim by an Indemnifying Party in accordance with Section 7.5(c), in the event that in the course of defending such Third Party Claim the Indemnifying Party or another Party shall become aware that the subject matter of such Third Party Claim relates to a Liability of another Party and not to a Liability of such Indemnifying Party, then the Indemnifying Party shall, subject to the prior written consent of the other Party to which such Liability belongs, use commercially reasonable efforts to transfer the defense of such claim to such other Party, and shall thereafter cooperate fully with such other Party in such defense and make available to such other Party, at such Party’s expense, all witnesses, pertinent Information, materials and information in such Indemnifying Party’s possession or under such Indemnifying Party’s control relating to such Third Party Claim as are reasonably required by such other Party.

(e) Other than in the case of a Shared Contingent Liability, if an Indemnifying Party fails for any reason to assume responsibility for defending a Third Party Claim within the time specified, such Indemnitee may defend such Third Party Claim at the cost and expense of the Indemnifying Party. If the Indemnitee is conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnitee in such defense and make available to the Indemnitee, at the Indemnitee's expense, all witnesses, pertinent information, and material in such Indemnifying Party's possession or under such Indemnifying Party's control relating thereto as are reasonably required by the Indemnitee.

(f) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement (including in respect of the matters referred to in Sections 5.8 and 5.9), no Indemnitee may settle or compromise any Third Party Claim (with any Shared Contingent Liability governed by Article VI) without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

(g) In the case of a Third Party Claim (including in respect of a Shared Contingent Liability), no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the prior written consent of the Indemnitee (not to be unreasonably withheld or delayed) if the effect thereof is to permit any injunction, declaratory judgment, other order or other non-monetary relief, to be entered, directly or indirectly, against any Indemnitee; it being understood that in the case of a Third Party Claim that is a Shared Contingent Liability, the Managing Party shall be subject to the same requirement to seek the consent of the other Parties in connection with any such judgment or settlement.

(h) Notwithstanding anything to the contrary in this Article VII, subject to Article VI, the Managing Party shall, on behalf of the other Parties, have sole and exclusive authority to, and shall actively and diligently, commence, prosecute, manage, control, conduct or defend (or assume or conduct the defense of) or otherwise determine all matters whatsoever (including, as applicable, litigation strategy and choice of legal counsel or other professionals) with respect to any Action or Third Party Claim with respect to a Shared Contingent Liability.

(i) Except as otherwise set forth in Sections 5.1, 5.8, 5.9, Article VI and 8.6, or as set forth in any Ancillary Agreement, absent fraud or willful misconduct by an Indemnifying Party, the indemnification provisions of this Article VII shall be the sole and exclusive remedy of an Indemnitee for any monetary or compensatory damages or losses resulting from any breach of this Agreement and each Indemnitee expressly waives and relinquishes any and all rights, claims or remedies such Person may have with respect to the foregoing other than under this Article VII against any Indemnifying Party. For the avoidance of doubt, all disputes in respect of this Article VII shall be resolved in accordance with Article IX.

Section 7.6. Cooperation in Defense and Settlement.

(a) With respect to any Third Party Claim that is not a Shared Contingent Liability and that implicates two or more Parties in any material respect due to the allocation of Liabilities, responsibilities for management of defense and related indemnities pursuant to this Agreement or any of the Ancillary Agreements, the applicable Parties agree to use commercially reasonable efforts to cooperate fully and maintain a joint defense (in a manner that will preserve for all Parties any Privilege with respect thereto). The Party that is not responsible for managing the defense of any such Third Party Claim shall, upon reasonable request, be consulted with respect to significant matters relating thereto and may, if necessary or helpful, retain counsel to assist in the defense of such claims.

(b) Each of ITT, Exelis and Xylem agrees that at all times from and after the Effective Time, if an Action is commenced by a third party naming two (2) or more Parties (or any member of such Parties' respective Groups) as defendants and with respect to which one or more named Parties (or any member of such Party's respective Group) is a nominal defendant and/or such Action is otherwise not a Liability allocated to such named Party under this Agreement or any Ancillary Agreement, then the other Party or Parties shall use commercially reasonable efforts to cause such nominal defendant to be removed from such Action, as soon as reasonably practicable.

Section 7.7. Indemnification Payments. Indemnification required by this Article VII shall be made by periodic payments of the amount of Indemnifiable Losses in a timely fashion during the course of the investigation or defense, as and when bills are received or an Indemnifiable Loss incurred.

Section 7.8. Indemnification Obligations Net of Insurance Proceeds and Other Amounts.

(a) Any Indemnifiable Loss subject to indemnification pursuant to this Article VII including, for the avoidance of doubt, in respect of any Shared Contingent Liability, shall be calculated (i) net of insurance proceeds that actually reduce the amount of the Indemnifiable Loss, (ii) net of any proceeds received by the Indemnitee from any third party for indemnification for such Liability that actually reduce the amount of the Indemnifiable Loss (" Third Party Proceeds") and (iii) net of any Tax benefits actually realized in accordance with, and subject to, the principles set forth or referred to in Section 8.3 of the Tax Matters Agreement, and increased in accordance with, and subject to, the principles set forth in Section 8.3 of the Tax Matters Agreement. Accordingly, the amount which any Indemnifying Party is required to pay pursuant to this Article VII to any Indemnitee pursuant to this Article VII shall be reduced by any Insurance Proceeds or Third Party Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Indemnifiable Loss. If an Indemnitee receives a payment required by this Agreement from an Indemnifying Party in respect of any Indemnifiable Loss (an "Indemnity Payment") and subsequently receives Insurance Proceeds or Third Party Proceeds, then the Indemnitee shall pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or Third Party Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) The Parties acknowledge that the indemnification provisions hereof do not relieve any insurer who would otherwise be obligated to pay any claim to pay such claim. In furtherance of the foregoing, the Indemnitee shall use commercially reasonable efforts to seek to collect or recover any Insurance Proceeds and any Third Party Proceeds (other than Insurance Proceeds under an arrangement where future premiums are adjusted to reflect prior claims in excess of prior premiums) to which the Indemnitee is entitled in connection with any Indemnifiable Loss for which the Indemnitee seeks indemnification pursuant to this Article VII; provided, that the Indemnitee's inability to collect or recover any such Insurance Proceeds or Third Party Proceeds (despite having used commercially reasonable efforts) shall not limit the Indemnifying Party's obligations hereunder.

Section 7.9. Additional Matters; Survival of Indemnities.

(a) The indemnity agreements contained in this Article VII shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnitee; (ii) the knowledge by the Indemnitee of Indemnifiable Losses for which it might be entitled to indemnification hereunder; and (iii) any termination of this Agreement following the Effective Time.

(b) The rights and obligations of each Party and their respective Indemnitees under this Article VII shall survive the sale or other Transfer by any Party or its respective Subsidiaries of any

Assets or businesses or the assignment by it of any Liabilities, with respect to any Indemnifiable Loss of any Indemnitee related to such Assets, businesses or Liabilities.

ARTICLE VIII

PRESERVATION OF RECORDS; ACCESS TO INFORMATION; CONFIDENTIALITY; PRIVILEGE

Section 8.1. Preservation of Corporate Records.

(a) Except to the extent otherwise contemplated by any Ancillary Agreement, a Party providing Records or access to Information to another Party under this Article VIII shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees of such Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing), as may be reasonably incurred in providing such Records or access to Information. Without limiting the foregoing, for a period of six (6) years following the Distribution Date, ITT shall be entitled to receive from each of Exelis and Xylem, upon the presentation of invoices therefor, payments for one third (1/3) of any amounts paid by any member of the ITT Group to Cornerstone Records Management ("Nova") in connection with any storage agreements entered into between Nova and any member of the ITT Group to the extent covering periods ending on or prior to such six (6) year anniversary; provided that no later than three (3) months prior to the end of such six (6) year period, the Parties shall hold a meeting for the purpose of considering in good faith and determining whether to continue to share such amounts beyond such six (6) year period.

(b) The Parties shall comply with those document retention policies as shall be set forth on Schedule 8.1(b) hereto or otherwise established and agreed to in writing by their respective authorized officers at or prior to the Effective Time in respect of Records and related matters.

(c) Notwithstanding anything to the contrary herein and other than with respect to Tax Records (in which event the provisions of the Tax Matters Agreement shall govern), if on or before the sixth (6th) anniversary of the Distribution Date ITT (or any Affiliate of ITT) wishes to destroy any Records that were in existence as of the Effective Date and are stored pursuant to storage agreements with Nova, then ITT shall (or shall cause such Affiliate to) give sixty (60) days' prior written notice, including a reasonable description of the Records it wishes to destroy, to the other Parties and (to the extent permitted by applicable Law) each other Party shall have the right at its option and expense, upon prior written notice given within such sixty (60) day period to the other two Parties, to take possession or make copies of such Records within thirty (30) days after the date such notice is given by such Party to the other Parties, it being understood that in the event both other Parties wish to take possession of such Records, such Parties shall (i) agree on which Party shall be entitled to retain such Records and (ii) share equally the reasonable costs incurred by the other non-destroying Party in making copy of such Records within such thirty (30) day period.

Section 8.2. Financial Statements and Accounting. Each Party agrees to provide the following assistance and reasonable access to its properties, Records, other Information and personnel set forth in this Section 8.2, (i) at any time, with the consent of the other applicable Party (not to be unreasonably withheld or delayed) for reasonable business purposes relating to financial reporting; (ii) from the Effective Time until the completion of each Party's audit for the fiscal year ending December 31, 2012, in connection with the preparation and audit of each Party's financial statements for the fiscal years ended December 31, 2011 and 2012, the printing, filing and public dissemination of such financial statements and the audit of each Party's internal controls over financial reporting and management's

assessment thereof and management's assessment of each Party's disclosure controls and procedures, if required; (iii) in the event that any Party changes its independent auditors within two (2) years following the Distribution Date, then such Party may request reasonable access on the terms set forth in this Section 8.2 for a period of up to one hundred and eighty (180) days from such change; and (iv) to the extent reasonably necessary to respond (and for the limited purpose of responding) to any written request or official comment from a Governmental Entity, such as in connection with responding to a comment letter from the Commission. Without limiting the foregoing, each Party agrees as follows:

(a) Financial Statements. Each Party shall provide reasonable access to the other Party on a timely basis to all Information reasonably required to meet its schedule for the preparation, printing, filing, and public dissemination of its quarterly and annual financial statements and for management's assessment of the effectiveness of its disclosure controls and procedures and its internal controls over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K and, to the extent applicable to such Party, its auditor's audit of its internal controls over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the Commission's and the Public Company Accounting Oversight Board's rules and auditing standards thereunder, if required (such assessments and audit being referred to as the "Internal Control Audit and Management Assessments"). Without limiting the generality of the foregoing, each Party shall provide all required financial and other Information with respect to itself and its Subsidiaries to its auditors in a sufficient and reasonable time and in sufficient detail to permit its auditors to take all steps and perform all reviews necessary to provide sufficient assistance, if requested, to each other Party's auditors with respect to Information to be included or contained in such other Party's annual financial statements and to permit such other Party's auditors and management to complete the Internal Control Audit and Management Assessments, for 2011 and 2012.

(b) Access to Personnel and Records. Except to the extent otherwise contemplated by the Ancillary Agreements, each Party shall authorize its respective auditors to make reasonably available to each other Party's auditors (each such other Party's auditors, collectively, the "Other Parties' Auditors") both the personnel who performed or are performing the annual audits of such audited Party (each such Party with respect to its own audit, the "Audited Party") and work papers related to the annual audits of such Audited Party (subject to the execution of any reasonable and customary access letters that such Audited Party's auditors may require in connection with the review of such work papers by such Other Parties' Auditors), in all cases within a reasonable time prior to such Audited Party's auditors' opinion date, so that the Other Parties' Auditors are able to perform the procedures they reasonably consider necessary to take responsibility for the work of the Audited Party's auditors as it relates to their auditors' report on such other Party's financial statements, all within sufficient time to enable such other Party to meet its timetable for the printing, filing and public dissemination of its annual financial statements. Each Party shall make reasonably available to the Other Parties and to such Other Parties' Auditors and management its personnel and Records in a reasonable time prior to the Other Parties' Auditors' opinion date and other Parties' management's assessment date so that the Other Parties' Auditors and other Parties' management are able to perform the procedures they reasonably consider necessary to conduct the Internal Control Audit and Management Assessments for 2011 and 2012.

(c) Annual Reports. Each Party shall deliver to the other Parties a reasonably complete draft of the first report to be filed with the Commission (or otherwise) that includes its respective financial statements (in the form expected to be covered by the audit report of such Party's independent auditors) for the year ended December 31, 2011 (such reports, collectively, the "Annual Reports"), on or prior to the date set forth on Schedule 8.2(c); provided, however, that each Party may continue to revise its respective Annual Report prior to the filing thereof, which changes shall be delivered to the other Parties as soon as reasonably practicable. Each Party shall notify the other Parties, as soon as reasonably practicable after becoming aware thereof, of any material accounting differences between the financial

statements to be included in such Party's Annual Report and the pro-forma financial statements included, as applicable, in the Exelis Form 10 or the Xylem Form 10 or the Form 8-K to be filed by ITT with the Commission on or about the time of the Distribution. If any such differences are notified by any Party, the Parties shall confer and/or meet as soon as reasonably practicable thereafter, and in any event prior to the filing of any Annual Report, to consult with each other in respect of such differences and the effects thereof on the Parties' Annual Reports.

(d) Nothing in this Article VIII shall require any Party to violate any agreement with any third party regarding the confidentiality of confidential and proprietary Information relating to that third party or its business; provided, however, that in the event that a Party is required under this Section 8.2 to disclose any such Information, such Party shall use commercially reasonable efforts to seek to obtain such third party's written consent to the disclosure of such Information.

Section 8.3. Provision of Corporate Records. Other than in circumstances in which indemnification is sought pursuant to Article VII (in which event the provisions of such Article shall govern) or for matters related to provision of Tax Records (in which event the provisions of the Tax Matters Agreement shall govern) and without limiting the applicable provisions of Article VI, and subject to appropriate restrictions for classified Information, Privileged Information or Confidential Information:

(a) after the Effective Time, upon the prior written request by Exelis or Xylem for specific and identified Information which relates to (x) Exelis or Xylem or the conduct of the Defense Business or the Water Business, as the case may be, prior to the Effective Time or (y) any Ancillary Agreement to which ITT and one or more of Exelis and/or Xylem are parties, as applicable, ITT shall provide, as soon as reasonably practicable following the receipt of such request, appropriate copies of such Information (or the originals thereof if the Party making the request has a reasonable need for such originals) in the possession or control of ITT or any of its Affiliates or Subsidiaries, but only to the extent such items so relate and are not already in the possession or control of the requesting Party;

(b) after the Effective Time, upon the prior written request by ITT or Xylem for specific and identified Information which relates to (x) ITT or Xylem or the conduct of the ITT Retained Business or Water Business, as the case may be, prior to the Effective Time or (y) any Ancillary Agreement to which Exelis and one or more of ITT and/or Xylem are parties, as applicable, Exelis shall provide, as soon as reasonably practicable following the receipt of such request, appropriate copies of such Information (or the originals thereof if the Party making the request has a reasonable need for such originals) in the possession or control of Exelis or any of its Subsidiaries, but only to the extent such items so relate and are not already in the possession or control of the requesting Party; and

(c) after the Effective Time, upon the prior written request by ITT or Exelis for specific and identified Information which relates to (x) ITT or Exelis or the conduct of the ITT Retained Business or Defense Business, as the case may be, prior to the Effective Time or (y) any Ancillary Agreement to which Xylem and one or more of ITT and/or Exelis are parties, as applicable, Xylem shall provide, as soon as reasonably practicable following the receipt of such request, appropriate copies of such Information (or the originals thereof if the Party making the request has a reasonable need for such originals) in the possession or control of Xylem or any of its Subsidiaries, but only to the extent such items so relate and are not already in the possession or control of the requesting Party; provided that, to the extent any originals are delivered to any requesting Party pursuant to this Agreement or the Ancillary Agreements, such Party shall, at its own expense, return them to the Party having provided such originals within a reasonable time after the need to retain such originals has ceased.

Section 8.4. Witness Services. Except in the event any Parties are opposing one another in an Action, in which case normal discovery rules shall apply, at all times from and after the Effective Time, each of ITT, Exelis and Xylem shall use its commercially reasonable efforts (including as described on Schedule 8.4) to make available to the others, upon reasonable written request, its and its Subsidiaries' former (to the extent practicable), current (to the extent practicable) and future directors, officers, employees, other personnel and agents of such Party as witnesses and any Records within its control or which it otherwise has the ability to make available (other than materials covered by any Privilege) to the extent that such Persons (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or Records or other documents may reasonably be required to testify, in the case of Persons, or be provided, in the case Records, in connection with the prosecution or defense of any Action in which the requesting Party may from time to time be involved (except for claims, demands or Actions between members of each Group). A Party providing a witness to the other Party under this Section shall be entitled to receive from the recipient of such witness services, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees who are witnesses or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service as witnesses), as may be reasonably incurred and properly paid under applicable Law.

Section 8.5. Reimbursement; Other Matters. Except to the extent otherwise contemplated by this Agreement (including Section 6.3) or any Ancillary Agreement, a Party providing Information or access to Information to the other Party under this Article VIII shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees of such Party or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing), as may be reasonably incurred in providing such Information or access to such Information.

Section 8.6. Confidentiality.

(a) Notwithstanding any termination of this Agreement, each Party shall hold, and shall cause each of its respective Subsidiaries to hold, and shall cause its and their respective officers, employees, agents, consultants and advisors (or potential buyers) to hold, in strict confidence, and not to disclose or release or, except as otherwise permitted by this Agreement or any Ancillary Agreement, use, without the prior written consent of the Party to whom the Confidential Information relates (which may be withheld in such Party's sole and absolute discretion, except where disclosure is required by applicable Law), any and all Confidential Information (as defined herein) concerning or belonging to the other Parties; provided, that each Party may disclose, or may permit disclosure of, Confidential Information (i) to its respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such Information and are informed of the obligation to hold such Information confidential and in respect of whose failure to comply with such obligations, the applicable Party will be responsible, (ii) if any Party or any of its respective Subsidiaries is required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of Law or stock exchange rule or is advised by outside counsel in connection with a governmental proceeding that it is advisable to do so, (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, (v) as necessary for a Party to enforce its rights under this Agreement or an Ancillary Agreement, or (vi) to Governmental Entities in accordance with applicable procurement regulations and contract requirements. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause

(ii), (iii), (iv), (v) or (vi) above, each Party, as applicable, shall promptly notify (to the extent permissible by Law) the Party to whom the Confidential Information relates of the existence of such request, demand or disclosure requirement and shall provide such affected Party a reasonable opportunity to seek an appropriate protective order or other remedy, which such Party will cooperate in obtaining to the extent reasonably practicable. 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 required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

(b) Each Party acknowledges that it and the other members of its Group may have in its or their possession confidential or proprietary Information of third parties that was received under confidentiality or non-disclosure agreements with such third party while such Party and/or members of its Group were part of the ITT Group. Each Party shall comply, and shall cause the other members of its Group to comply, and shall cause its and their respective officers, employees, agents, consultants and advisors (or potential buyers) to comply, with all terms and conditions of any such third-party agreements entered into prior to the Effective Time, with respect to any confidential and proprietary Information of third parties to which it or any other member of its Group has had access.

(c) The Parties agree that irreparable damage would occur in the event that the provisions of this Section 8.6 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.

(d) For the avoidance of doubt, the disclosure and sharing of Privileged Information shall be governed by Section 8.7 and not by this Section 8.6.

Section 8.7. Privilege Matters.

(a) Pre-Separation Services. The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the ITT Group, the Water Group and the Defense Group, and that each of the members of the ITT Group, the Water Group and the Defense Group should be deemed to be the client with respect to such pre-separation services for the purposes of asserting all privileges, immunities, or other protections from disclosure which may be asserted under applicable Law, including attorney-client privilege, business strategy privilege, joint defense privilege, common interest privilege, and protection under the work-product doctrine (“Privilege”). The Parties shall have a shared Privilege with respect to all Information subject to Privilege (“Privileged Information”) which relates to such pre-separation services. For the avoidance of doubt, Privileged Information within the scope of this Section 8.7 includes, but is not limited to, services rendered by legal counsel retained or employed by any Party (or any member of such Party’s respective Group), including outside counsel and in-house counsel.

(b) Post-Separation Services. The Parties recognize that legal and other professional services will be provided following the Effective Time to each of ITT, Exelis and Xylem. The Parties further recognize that certain of such post-separation services will be rendered solely for the benefit of ITT, Exelis or Xylem, as the case may be, while other such post-separation services may be rendered with respect to claims, proceedings, litigation, disputes, or other matters which involve two or more of ITT, Exelis or Xylem. With respect to such post-separation services and related Privileged Information, the Parties agree as follows:

(i) All Privileged Information relating to any claims, proceedings, litigation, disputes, or other matters which involve two or more of ITT, Exelis or Xylem shall be subject to a shared Privilege among the Parties involved in the claims, proceedings, litigation, disputes, or other matters at issue; and

(ii) Except as otherwise provided in Section 8.7(b)(i), Privileged Information relating to post-separation services provided solely to one of ITT, Exelis or Xylem shall not be deemed shared between the Parties, provided, that the foregoing shall not be construed or interpreted to restrict the right or authority of two or more Parties (x) to enter into any further agreement, not otherwise inconsistent with the terms of this Agreement, concerning the sharing of Privileged Information or (y) otherwise to share Privileged Information without waiving any Privilege which could be asserted under applicable Law.

(c) The Parties agree as follows regarding all Privileged Information with respect to which the Parties shall have a shared Privilege under Section 8.7(a) or (b):

(i) Subject to Section 8.7(c)(iii) and (iv), no Party may waive any Privilege which could be asserted under any applicable Law, and in which any other Party has a shared Privilege, without the consent of the other Party, which shall not be unreasonably withheld or delayed. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within ten (10) days after written notice by the requesting Party to the Party whose consent is sought;

(ii) If a dispute arises between or among the Parties or their respective Subsidiaries regarding whether a Privilege should be waived to protect or advance the interest of any Party, each Party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other Parties, and shall not unreasonably withhold consent to any request for waiver by another Party. Each Party specifically agrees that it shall not withhold consent to waive for any purpose except to protect its own legitimate interests;

(iii) If, within ten (10) days of receipt by the requesting Party of written objection, the Parties have not succeeded in negotiating a resolution to any dispute regarding whether a Privilege should be waived, and the requesting Party determines that a Privilege should nonetheless be waived to protect or advance its interest, the requesting Party shall provide the objecting Party ten (10) days written notice prior to effecting such waiver. Each Party specifically agrees that failure within ten (10) days of receipt of such notice to commence proceedings in a court of competent jurisdiction to enjoin such disclosure under applicable Law shall be deemed full and effective consent to such disclosure; and

(iv) In the event of any litigation or dispute between or among any of the Parties, or any members of their respective Groups, either such Party may waive a Privilege in which the other Party or member of such Group has a shared Privilege, without obtaining the consent of the other Party; provided, that such waiver of a shared Privilege shall be effective only as to the use of Privileged Information with respect to the litigation or dispute between the relevant Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared Privilege with respect to third parties.

(d) The transfer of all Information pursuant to this Agreement is made in reliance on the agreement of ITT, Exelis or Xylem as set forth in Sections 8.6 and this Section 8.7, to maintain the confidentiality of Privileged Information and to assert and maintain any applicable Privilege. The access to Information being granted pursuant to Sections 6.3, 7.6, 8.2 and 8.3 hereof, the agreement to provide

witnesses and individuals pursuant to Sections 6.3, 7.6 and 8.4 hereof, the furnishing of notices and documents and other cooperative efforts contemplated by Sections 6.5 and 7.6 hereof, and the transfer of Privileged Information between and among the Parties and their respective Subsidiaries pursuant to this Agreement shall not be deemed a waiver of any Privilege that has been or may be asserted under this Agreement or otherwise.

(e) Notwithstanding any provision to the contrary in this Section 8.7, the Audit Management Party (as defined in the Tax Matters Agreement) shall have the authority to disclose or not disclose, in its sole discretion, any and all Privileged Information to (i) any Taxing Authority (as defined in the Tax Matters Agreement) conducting a Tax Contest or (ii) to third parties in connection with the defense of a Tax Contest, including expert witnesses, accountants and other advisors, potential witnesses and other parties whose assistance is deemed, in the sole discretion of the Audit Management Party, to be necessary or beneficial to representing the interests of the Parties hereunder.

Section 8.8. Ownership of Information. Any Information owned by one Party or any of its Subsidiaries that is provided to a requesting Party pursuant to this Article VIII shall be deemed to remain the property of the providing Party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

Section 8.9. Other Agreements. The rights and obligations granted under this Article VIII are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in any Ancillary Agreement.

ARTICLE IX DISPUTE RESOLUTION

Section 9.1. Negotiation. 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 the Ancillary Agreements or otherwise arising out of, or in any way related to, this Agreement or the Ancillary Agreements or the transactions contemplated hereby, including any claim based on contract, tort, statute or constitution (collectively, “Agreement Disputes”), the general counsels of the relevant Parties (or such other individuals designated by the respective general counsels) and/or the executive officers designated by the relevant Parties, shall negotiate for a reasonable period of time to settle such Agreement Dispute; provided, that such reasonable period shall not, unless otherwise agreed by the relevant Parties in writing, exceed forty-five (45) days from the time of receipt by a Party of written notice of such Agreement Dispute (“Dispute Notice”); provided, further, that in the event of any arbitration in accordance with Section 9.3 hereof, the relevant Parties shall not assert the defenses of statute of limitations and laches arising during the period beginning after the date of receipt of the Dispute Notice, and any contractual time period or deadline under this Agreement or any Ancillary Agreement to which such Agreement Dispute relates occurring after the Dispute Notice is received shall not be deemed to have passed until such Agreement Dispute has been resolved; provided further, that the foregoing shall not apply to claims under Section 3.5, which shall be governed by such Section.

Section 9.2. Mediation. If, within forty-five (45) days after receipt by a Party of a Dispute Notice, the Parties have not succeeded in negotiating a resolution of the Agreement Dispute, the Parties agree to submit the Agreement Dispute at the earliest possible date to mediation conducted in accordance with the Mediation Procedure of the International Institute for Conflict Prevention and Resolution (“CPR”), and to bear equally the costs of the mediation; provided, however, that each Party shall bear its own attorneys fees and expenses and other costs in connection with such mediation. The parties agree to

participate in good faith in the mediation and negotiations related thereto for a period of thirty (30) days or such longer period as they may mutually agree following the initial mediation session (the "Mediation Period").

Section 9.3. Arbitration. If the Agreement Dispute has not been resolved for any reason after the Mediation Period, such Agreement Dispute shall be determined, at the request of any relevant Party, by arbitration conducted in New York City, before and in accordance with the then-existing Rules for Non-Administered Arbitration of the CPR, except as modified herein (the "Rules"). There shall be one arbitrator, which shall be appointed by the Parties within twenty (20) days of receipt by respondent of a copy of the demand for arbitration. If the arbitrator is not timely appointed by the Parties under this Section 9.3, he or she shall be appointed by the CPR in accordance with the Rules, and in any such procedure, each Party shall be given two strikes, excluding strikes for cause. Any controversy concerning whether an Agreement Dispute is an arbitrable Agreement Dispute, whether arbitration has been waived, whether an assignee of this Agreement is bound to arbitrate, or as to the interpretation, validity or enforceability of this Article IX shall be determined by the arbitrator. In resolving any Agreement Dispute, the Parties intend that the arbitrator shall apply the substantive Laws of the State of New York, without regard to any choice of law principles thereof that would mandate the application of the laws of another jurisdiction. The Parties intend that the provisions to arbitrate set forth herein be valid, enforceable and irrevocable, and any award rendered by the arbitrator shall be final and binding on the Parties. The Parties agree to comply and cause the members of their applicable Group to comply with any award made in any such arbitration proceedings and agree to enforcement of or entry of judgment upon such award, in any court of competent jurisdiction, including (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 arbitrator shall be entitled, if appropriate, to award any remedy in such proceedings, including monetary damages, specific performance and all other forms of legal and equitable relief; provided, however, the arbitrator shall not be entitled to award special, consequential, reputational, indirect or punitive damages unless in connection with indemnification for a Third Party Claim (and in such a case, only to the extent awarded in such Third Party Claim).

Section 9.4. Arbitration Period. Any arbitration proceeding shall be concluded in a maximum of six (6) months from the commencement of the arbitration or such other period as the Arbitrator together with the Parties involved in such proceeding shall deem reasonable.

Section 9.5. Treatment of Negotiations, Mediation and Arbitration. Without limiting the provisions of the Rules, unless otherwise agreed in writing by or among the relevant Parties or permitted by this Agreement, the relevant Parties shall keep, and shall cause the members of their applicable Group to keep, confidential all matters relating to and any negotiation, mediation, conference or discussion or otherwise pursuant to this Article IX, all of which shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable state rules; provided, that such matters may be disclosed (i) to the extent reasonably necessary in any proceeding ancillary to an arbitration hereunder, including to enforce the award or for entry of a judgment upon the award and (ii) to the extent otherwise required by Law or the rules of any stock exchange on which the relevant Party's securities may be listed. Nothing said or disclosed, nor any document produced, in the course of any negotiations, conferences and discussions that is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future arbitration. Nothing contained herein is intended to or shall be construed to prevent any Party from applying to any court of competent jurisdiction for interim measures or other provisional relief in connection with the subject matter of any Agreement Disputes. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate

any temporary or preliminary relief issued by such court, and to award damages for the failure of any Party to respect the arbitral tribunal's orders to that effect.

Section 9.6. Continuity of Service and Performance. Unless otherwise agreed in writing, the Parties shall continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article IX with respect to all matters not subject to such dispute resolution.

Section 9.7. Consolidation. The arbitrator may consolidate an arbitration under this Agreement with any arbitration arising under or relating to the Ancillary Agreements or any other agreement between the parties entered into pursuant hereto, as the case may be, if the subject of the Agreement Disputes thereunder arises out of or relates essentially to the same set of facts or transactions. Such consolidated arbitration shall be determined by the arbitrator appointed for the arbitration proceeding that was commenced first in time.

ARTICLE X

INSURANCE

Section 10.1. Policies and Rights Included Within Assets. (a) The ITT Retained Assets shall include any and all rights of an additional named insured under Policies where ITT is an additional named insured, subject to the terms of such Policies and any limitations or obligations of ITT contemplated by this Article X, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any party in or in connection with the conduct of the ITT Retained Business or, to the extent any claim is made against ITT or any of its Subsidiaries, the conduct of the Water Business or the Defense Business, and which claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses may arise out of an insured or insurable occurrence under one or more of such Company Policies; provided, however, that nothing in this Section 10.1 shall be deemed to constitute (or to reflect) an assignment of such Policies by ITT.

(b) The Defense Assets shall include any and all rights of an insured party under each of the Company Policies, subject to Sections 10.9 and 10.10 and to the terms of such Company Policies and any limitations or obligations of Exelis contemplated by this Article X or Schedule 10.1, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any party in or in connection with the conduct of the Defense Business or, to the extent any claim is made against Exelis or any of its Subsidiaries, the conduct of the ITT Retained Business or the Water Business, and which claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses may arise out of an insured or insurable occurrence under one or more of such Company Policies; provided, however, that nothing in this clause shall be deemed to constitute (or to reflect) an assignment of such Company Policies, or any of them, to Exelis.

(c) The Water Assets shall include any and all rights of an insured party under each of the Company Policies, subject to Sections 10.9 and 10.10 and to the terms of such Company Policies and any limitations or obligations of Xylem contemplated by this Article X or Schedule 10.1, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any party in or in connection with the conduct of the Water Business or, to the extent any claim is made against Xylem or any of its

Subsidiaries, the conduct of the ITT Retained Business or the Defense Business, and which claims, suits, actions, proceedings, injuries, losses, liabilities, damages and expenses may arise out of an insured or insurable occurrence under one or more of such Company Policies; provided, however, that nothing in this clause shall be deemed to constitute (or to reflect) an assignment of such Company Policies, or any of them, to Xylem.

Section 10.2. Post-Effective Time Claims. (a) If, subsequent to the Effective Time, any person shall assert a claim against Exelis or any of its Subsidiaries (including where Exelis or its Subsidiaries are joint defendants with other persons) with respect to any claim, suit, action, proceeding, injury, loss, liability, damage or expense incurred or claimed to have been incurred prior to the Effective Time in or in connection with the conduct of the Defense Business or, to the extent any claim is made against Exelis or any of its Subsidiaries (including where Exelis or its Subsidiaries are joint defendants with other persons), the conduct of the ITT Retained Business or the Water Business, and which claim, suit, action, proceeding, injury, loss, liability, damage or expense may arise out of an insured or insurable occurrence under one or more of the Company Policies, ITT shall, at the time such claim is asserted, be deemed to designate, without need of further documentation, Exelis as the agent and attorney-in-fact to assert and to collect any related Insurance Proceeds under such Company Policy, and shall further be deemed to confer, without need of further documentation, but subject to Section 10.10, upon Exelis any and all rights of an insured party under such Company Policy with respect to such asserted claim, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer and the right to any applicable Insurance Proceeds thereunder; provided, however, that nothing in this Section 10.2(a) shall be deemed to constitute (or to reflect) an assignment of the Company Policies, or any of them, to Exelis.

(b) If, subsequent to the Effective Time, any person shall assert a claim against Xylem or any of its Subsidiaries (including where Xylem or its Subsidiaries are joint defendants with other persons) with respect to any claim, suit, action, proceeding, injury, loss, liability, damage or expense incurred or claimed to have been incurred prior to the Effective Time in or in connection with the conduct of the Water Business or, to the extent any claim is made against Xylem or any of its Subsidiaries (including where Xylem or its Subsidiaries are joint defendants with other persons), the conduct of the ITT Retained Business or the Defense Business, and which claim, suit, action, proceeding, injury, loss, liability, damage or expense may arise out of an insured or insurable occurrence under one or more of the Company Policies, ITT shall, at the time such claim is asserted, be deemed to designate, without need of further documentation, Xylem as the agent and attorney-in-fact to assert and to collect any related Insurance Proceeds under such Company Policy, and shall further be deemed to confer, without need of further documentation, but subject to Section 10.10, upon Xylem any and all rights of an insured party under such Company Policy with respect to such asserted claim, specifically including rights of indemnity and the right to be defended by or at the expense of the insurer and the right to any applicable Insurance Proceeds thereunder; provided, however, that nothing in this Section 10.2(b) shall be deemed to constitute (or to reflect) an assignment of the Company Policies, or any of them, to Xylem.

Section 10.3. Administration; Other Matters. (a) Administration. Subject to Section 10.10, from and after the Effective Time, each Party shall be responsible for Claims Administration under Company Policies with respect to its respective Insured Claims; provided, however, that each of Exelis and Xylem shall provide prompt notice to ITT of any claims submitted by them or by their respective Subsidiaries under the Company Policies and of any Insurance Proceeds related thereto. Each Party shall administer and pay any costs relating to defending its respective Insured Claims under Company Policies to the extent such defense costs are not covered under such Policies, shall be responsible for any amounts of its respective Insured Claims under Company Policies that fall below applicable deductibles or self-insured retentions, and shall be responsible for obtaining or reviewing the appropriateness of releases upon settlement of its respective Insured Claims under Company Policies. ITT shall, with the consent of

the other Parties (not to be unreasonably withheld or delayed), have the sole right to commute or otherwise terminate any Company Policies.

(b) Liability Limitation. ITT, Exelis and Xylem shall not be liable to one another for claims not reimbursed by insurers for any reason not within the control of ITT, Exelis or Xylem, as the case may be, including coinsurance provisions, deductibles, quota share deductibles, exhaustion of aggregates, self-insured retentions, bankruptcy or insolvency of an insurance carrier, Company Policy limitations or restrictions, any coverage disputes, any failure to timely claim by ITT, Exelis or Xylem or any defect in such claim or its processing.

(c) Maximization of Insurance Proceeds. Each Party agrees to use commercially reasonable efforts to maximize available coverage under those Company Policies applicable to it, and to take all commercially reasonable steps to recover from all other responsible parties in respect of an Insured Claim, including, as may be applicable, pursuing recoveries under other insurance policies available to such Party.

(d) Nuclear Policies. ITT shall provide 90 days' written notice to Exelis and Xylem of its intention not to maintain in full force and effect the Company Policies identified as Nuclear Energy Liability Insurance on Schedule 10.1 (the "Nuclear Policies"). Within 60 days of receipt of such notice, Exelis and Xylem, either individually or collectively, may, by written notice to ITT, direct ITT to use commercially reasonable efforts to maintain the Nuclear Policies; provided, that Exelis and/or Xylem, as the case may be, shall pay the full premium for the Nuclear Policies; and, provided further, that ITT shall have no obligation to commence a litigation against one or more insurers in order to maintain the Nuclear Policies.

Section 10.4. Agreement for Waiver of Conflict and Shared Defense. In the event that Insured Claims of more than one Party exist relating to the same occurrence, the relevant Parties shall jointly defend and waive any conflict of interest to the extent necessary to the conduct of the joint defense. Nothing in this Section 10.4 shall be construed to limit or otherwise alter in any way the obligations of the Parties, including those created by this Agreement, by operation of law or otherwise.

Section 10.5. Agreement for Waiver of Conflict and Insurance Litigation and/or Recovery Efforts. In the event of any Action by any Party (or all of the Parties) to recover or obtain insurance proceeds, or to defend against any Action by an insurance carrier to deny any Policy benefits, all Parties may join in any such Action and be represented by joint counsel and all Parties shall waive any conflict of interest to the extent necessary to conduct any such Action. Nothing in this Section 10.5 shall be construed to limit or otherwise alter in any way the obligations of the Parties, including those created by this Agreement, by operation of Law, or otherwise.

Section 10.6. Directors and Officers Liability Insurance; Fiduciary Liability Insurance; Employment Practices Liability Insurance; Employed Lawyers Liability Insurance. ITT agrees that, from and after the Distribution Date to the sixth anniversary of the Effective Time, it will maintain in full force and effect the Company Policies identified as Directors & Officers Liability Insurance, Excess Directors & Officers Liability Insurance, Fiduciary Liability Insurance, Employed Practices Liability Insurance and Employed Lawyers Liability Insurance on Schedule 10.1 (or, through the purchase of extended discovery, the full benefits and coverage of such Company Policies) and shall not amend the terms of such Policies in a manner adverse to any persons covered by such insurance. The provisions of this Section 10.6 are intended for the benefit of, and shall be enforceable by, each of the persons covered by those Company Policies referenced in the preceding sentence.

Section 10.7. No Coverage for Post-Effective Occurrences. Each of Exelis and Xylem, on behalf of itself and its Subsidiaries, acknowledges and agrees that it will have no coverage under the Company Policies for acts or events that occur after the Effective Time.

Section 10.8. Cooperation. The Parties agree to use their commercially reasonable efforts to cooperate with respect to the various insurance matters contemplated by this Agreement (including in connection with Policies where ITT is an additional named insured).

Section 10.9. Excluded Policies. Each of Exelis and Xylem, on behalf of itself and its Subsidiaries, disclaims any rights that it otherwise may have under the Excluded Policies and agrees not to submit any claim or to pursue any recovery under any Excluded Policy, it being understood that the Excluded Policies are for the sole benefit of ITT.

Section 10.10. ITT as General Agent and Attorney-In-Fact. Notwithstanding anything to the contrary contained herein, ITT remains the owner and holder of all rights and claims in and to the Company Policies. Should the provisions of Sections 10.1 and 10.2 as they pertain to Exelis and/or Xylem be challenged and/or fail of their purpose, ITT shall act as agent and attorney-in-fact for Exelis and Xylem and thereby effectuate, on behalf of Exelis and Xylem, the provisions of Sections 10.2(a) and 10.2(b) of this Agreement, provided that, Exelis or Xylem, as the case may be, shall pay ITT's reasonable out of pocket costs relating thereto.

Section 10.11. Additional Premiums, Return Premiums and Pro Rata Cancellation Premium Credits. If additional premiums are payable, or return premiums are receivable, on any Company Policies after the Effective Time as a result of an insurance carrier's retrospective audit of insured exposure, each of ITT, Exelis and Xylem shall be responsible for its respective share of any such additional premiums, and shall be entitled to receive its respective share of any such return premiums, that are attributable to a change in its or its Subsidiaries' insured exposure. If cancellation premium credits are received after the Effective Time in connection with the cancellation of any Company Policies, each of ITT, Exelis and Xylem shall be entitled to receive its Applicable Percentage of such cancellation premium credits.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Complete Agreement; Construction. This Agreement, including the Exhibits and Schedules, and the Ancillary Agreements 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 (a) this Agreement and the provisions of any Specified Ancillary Agreement or Continuing Arrangement, such Specified Ancillary Agreement or Continuing Arrangement shall control and (b) this Agreement and any Ancillary Agreement which is not a Specified Ancillary Agreement, this Agreement shall control unless specifically stated otherwise in such Ancillary Agreement. Except as expressly set forth in this Agreement or any Ancillary Agreement: (i) all matters relating to Taxes and Tax Returns of the Parties and their respective Subsidiaries shall be governed exclusively by the Tax Matters Agreement; and (ii) for the avoidance of doubt, in the event of any conflict between this Agreement or any Ancillary Agreement, on the one hand, and the Tax Matters Agreement, on the other hand, with respect to such matters, the terms and conditions of the Tax Matters Agreement shall govern.

Section 11.2. 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.

Section 11.3. 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 11.4. Survival of Agreements. Except as otherwise contemplated by this Agreement or any Ancillary Agreement, all covenants and agreements of the Parties contained in this Agreement and each Ancillary Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

Section 11.5. Expenses. Except as otherwise provided (i) in this Agreement (including with respect to Specified Shared Expenses, responsibility for which is allocated pursuant to Section 5.3, or (ii) in any Ancillary Agreement, the Parties agree that all out-of-pocket fees and expenses incurred, or to be incurred and directly related to the Plan of Separation and the transactions contemplated hereby (including third party professional fees, fees and expenses incurred in connection with the execution and delivery of this Agreement and such other third party fees and expenses incurred on a non-recurring basis directly as a result of the Plan of Separation, including expenses set forth on Schedule 11.5, and excluding the costs of salaries and benefits of employees or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service with respect to the foregoing) (collectively, "Separation Expenses") shall (A) to the extent set forth on Schedule 11.5, be paid by ITT and (B) otherwise, be paid by the Party generating and/or incurring such expenses. For the avoidance of doubt, except as expressly set forth in this Agreement or any Ancillary Agreements, each Party shall be responsible for its own internal fees (and reimburse any other Party to the extent such Party has paid such costs and expenses on behalf of the responsible Party), costs and expenses (e.g., salaries of personnel working in its respective Business) incurred following the Distribution Date in connection with the Plan of Separation, including any costs and expenses relating to such Party's (or any member of its Group's) Disclosure Documents filed following the Distribution Date in connection with the Plan of Separation (including, printing, mailing and filing fees) or any costs and expenses incurred following the Distribution Date with the continued listing of such Party's common stock on the NYSE following the Distribution.

Section 11.6. Notices. All notices, requests, claims, demands and other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Ancillary Agreements 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 11.6):

To ITT:

ITT Corporation
1133 Westchester Avenue, Suite 3000
White Plains, NY 10604
Attn: General Counsel
Facsimile: (914) 696-2970

To Exelis:

Exelis Inc.
1650 Tysons Boulevard, Suite 1700
McLean, VA 22102
Attn: General Counsel
Facsimile: [•]

To Xylem:

Xylem Inc.
1133 Westchester Avenue, Suite 2000
White Plains, NY 10604
Attn: General Counsel
Facsimile: [•]

Section 11.7. 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 11.8. 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 11.9. 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 11.10. Termination and Amendment. This Agreement (including Article VII hereof) may be terminated, modified or amended and the 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 Exelis, Xylem 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, Exelis and Xylem.

Section 11.11. Payment Terms.

(a) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount to be paid or reimbursed by any Party (and/or a member of such Party's Group), on the one hand, to any other Party or Parties (and/or a member of such Party's or Parties' Group), 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.

(b) Except as expressly provided to the contrary in this Agreement or in any Ancillary 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.

Section 11.12. 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 or any Ancillary Agreement (including adversely affecting the rights or ability of any Party to successfully pursue indemnification or payment pursuant to Articles VI and VII).

Section 11.13. 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 at and after the Effective Time, to the extent such Subsidiary remains a Subsidiary of the applicable Party.

Section 11.14. Third Party Beneficiaries. Except (i) as provided in Article VII relating to Indemnitees and for the release under Section 7.1 of any Person provided therein, (ii) as provided in Section 10.6 relating to the directors, officers, employees, fiduciaries or agents provided therein and (iii) as specifically provided in any Ancillary Agreement, 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 11.15. 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 11.16. 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. Nothing in the Exhibits or Schedules constitutes an admission of any liability or obligation of any member of the Defense Group, ITT Group or Water Group or any of their respective Affiliates to any third party, nor, with respect to any third party, an admission against the interests of any member of the Defense Group, ITT Group or Water Group or any of their respective Affiliates. The inclusion of any item or liability or category of item or liability on any Exhibit or 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.

Section 11.17. 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 11.18. Consent to Jurisdiction. Subject to the provisions of Article IX 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 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 11.18. 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 11.19. 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 11.19.

Section 11.20. 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 11.21. 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 or, unless otherwise expressly provided therein, any Ancillary 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.

Section 11.22. 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 11.23. 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 (including with respect to the rights, entitlements, obligations and recoveries that may arise out of one or more of the following Sections: Section 3.5; Article VI; Section 7.2; Section 7.3; Section 7.4; and Section 7.5).

Section 11.24. Tax Treatment of Payments. Unless otherwise required by a Final Determination, this Agreement or the Tax Matters Agreement or otherwise agreed to among the Parties, for U.S. federal Tax purposes, any payment made pursuant to this Agreement (other than any payment of interest pursuant to Section 11.11) by: (i) Exelis or Xylem to ITT shall be treated for all Tax purposes as a distribution by Exelis or Xylem, as applicable, to ITT with respect to stock of Exelis or Xylem, as applicable, occurring after Exelis and Xylem, as applicable, is directly owned by ITT and immediately before the applicable Distribution; (ii) ITT to Exelis or Xylem shall be treated for all Tax purposes as a tax-free contribution by ITT to Exelis or Xylem, as applicable, with respect to its stock occurring after Exelis or Xylem, as applicable, is directly owned by ITT and immediately before the applicable Distribution; (iii) Exelis or Xylem to Xylem or Exelis, respectively, shall be treated for all Tax purposes as a distribution by the first Party to ITT with respect to stock of such Party occurring after such Party is directly owned by ITT and immediately before the applicable Distribution followed by a tax-free contribution by ITT to the second Party with respect to its stock occurring after such Party is directly owned by ITT and immediately before the applicable Distribution; and in each case, none of the Parties shall take any position inconsistent with such treatment. In the event that a Taxing Authority (as defined in the Tax Matters Agreement) 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 11.25. No Waiver. No failure to exercise and no delay in exercising, on the part of any Party, any right, remedy, power or privilege hereunder or under the other Ancillary Agreements 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.

Section 11.26. 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, Exelis and Xylem 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, Exelis or Xylem.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

ITT CORPORATION

By: _____
Name:
Title:

EXELIS INC.

By: _____
Name:
Title:

XYLEM INC.

By: _____
Name:
Title:

BENEFITS AND COMPENSATION MATTERS AGREEMENT

DATED AS OF [], 2011,

AMONG

ITT CORPORATION,

XYLEM INC.

AND

EXELIS INC.

Table of Contents

	Page
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	17
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

Exhibits

- Exhibit A: Transition Services Agreement (Infinium Payroll)
- Exhibit B: Transition Services Agreement (Infinium Accounting)
- Exhibit C: Transition Services Agreement (Active Healthcare)
- Exhibit D: Transition Services Agreement (MVP and FSS)
-

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 Exelis and (iii) the Water Business, which shall be owned and conducted, directly or indirectly, by Xylem;

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 13 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).

(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 listed on Schedule 3(b)(vii) who has accrued benefits under the ITT Salaried Retirement Plan 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 listed on Schedule 3(c)(iv) 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) Adoption of New US Non-Qualified DC Plans. Effective as of the Distribution Date, Defense shall adopt a new defined contribution plan, which shall have terms similar in all material respects to the ITT Deferred Compensation Plan identified as Item 3 on Schedule 4(a)(ii). Effective as of the Distribution Date, Water shall adopt new defined contribution plans, which shall have terms similar in all material respects to the ITT Excess Savings Plan and the ITT Deferred Compensation Plan identified, respectively, as Items 1 and 3 on Schedule 4(a)(ii). Effective as of the Distribution Date, ITT shall adopt a new defined contribution plan, which shall have terms similar in all material respects to the ITT Excess Savings Plan identified as Item 1 on Schedule 4(a)(ii).

(iii) Deferred Compensation Plan. Effective as of the Distribution Date, ITT shall remain liable for benefits accrued under the ITT Deferred Compensation Plan as identified Item 3 on Schedule 4(a)(ii) prior to the Distribution Date with respect to ITT Preexisting Employees and ITT Retirees. Effective as of the Distribution Date, Water shall adopt the Water Deferred Compensation Plan, 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 as in effect immediately prior to the Distribution Date. ITT shall cause the transfer of all benefits accrued under the ITT Deferred Compensation Plan for Defense Employees listed on Schedule 4(c)(iii) to Defense and for Water Employees 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, 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, including without limitation, such liabilities incurred prior to 1995 identified in the 1995 Employee Matters Agreement.

(iv) 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 1 on Schedule 4(a)(ii) prior to the Distribution Date with respect to ITT Preexisting Employees and ITT Retirees. Effective as of the Distribution Date, Water shall adopt a new excess savings plan. 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 as in effect immediately prior to the Distribution Date. ITT shall cause the transfer of all benefits accrued under the ITT Excess Savings Plan for Defense Employees listed on Schedule 4(c)(iv) to Defense and for Water Employees listed on Schedule 4(c)(iv) 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 8, 9, 12 and 13 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 13 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 13 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 8, 9, 12 and 13 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. 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. 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. Defense shall provide such transition services related to payroll and the HRIS system to ITT and Water as described in the Transition Services Agreement (Infinium Payroll) attached hereto as Exhibit A. Defense shall provide such transition services related to accounting processes to ITT and Water as described in the Transition Services Agreement (Infinium Accounting) attached hereto as Exhibit B. ITT shall provide such transition services related to active U.S. healthcare to Defense and Water as described in the Transition Services Agreement (Active Healthcare) attached hereto as Exhibit C. ITT shall provide such transition services related to retiree medical and financial shared services and active dental to Defense as described in the Transition Services Agreement (MVP and FSS) attached hereto as Exhibit D.

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)(iv), 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 Exhibits, 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. The Schedules shall be construed with and as an integral part of this Agreement to the same extent as if they had been set forth verbatim herein.

(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 Distribution Agreement or the Ancillary Agreements.

(c) Counterparts. This Agreement may be executed in one or more counterparts, 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 and Consents. The failure of either party to require strict performance by any other party of any provision in this Agreement shall not waive or diminish that party's right to demand strict performance thereafter of that or any other provision hereof. 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) Amendments. Subject to the terms of Section 18(k) hereof, this Agreement may not be modified or amended except by an agreement in writing signed by a duly authorized representative of each of the parties.

(i) Assignment. 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. Otherwise 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 others, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void.

(j) 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 permitted successors and permitted transferees and assigns.

(k) Certain Termination and Amendment Rights. This Agreement may be terminated, amended, modified or abandoned at any time prior to the Distribution Date 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 Distribution Date, this Agreement may not be terminated except by an agreement in writing signed by ITT, Water and Defense.

(l) Payment Terms. Except as expressly provided to the contrary in this Agreement, (i) 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 thirty (30) days after presentation of an invoice or a written demand therefore and setting forth, or accompanied by, reasonable documentation or other reasonable explanation supporting such amount, and (ii) 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 thirty (30) days of such bill, invoice or other demand) shall bear interest at a rate per annum equal to the LIBOR, 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.

(m) 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 would be reasonably expected to materially undermine the effectiveness of any of the provisions of this Agreement.

(n) 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 on and after the Distribution Date.

(o) 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.

(p) Titles 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.

(q) Specific Performance. Each of the parties hereto acknowledges that there is no adequate remedy at law for failure by such parties to comply with the provisions of this Agreement and that such failure would cause immediate harm that would not be adequately compensable in damages, and therefore agree that their agreements contained herein may be specifically enforced without the requirement of posting a bond or other security, in addition to all other remedies available to the parties hereto under this Agreement.

(r) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS, BUT NOT THE LAWS GOVERNING CONFLICTS OF LAWS, OF THE STATE OF NEW YORK.

(s) 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(s). 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.

(t) 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(T).

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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.

(z) No Admission of Liability. The allocation of assets and liabilities herein 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.

(aa) 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.

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

“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.

“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, the definition of “Change in Control” set forth in the Distribution Agreement.

“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 Plan” 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.

“Intellectual Property Agreements” means the various intellectual property and licensing agreements entered into in connection with the Distribution.

“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.

“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 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.

“Proxy Statement” means the proxy statement sent to the holders of shares of ITT Common Stock in connection with the Distribution, including any amendment or supplement thereto.

“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.

“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 Indemnites” 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.

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	19
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	20
 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	31
 ARTICLE XIII DISPUTE RESOLUTION	 31
Section 13.1 Resolution in Accordance with Distribution Agreement	31
 ARTICLE XIV MISCELLANEOUS	 32
Section 14.1 Counterparts; Facsimile Signatures	32
Section 14.2 Survival	32
Section 14.3 Notices	32
Section 14.4 Waivers	33
Section 14.5 Amendments	33
Section 14.6 Assignment	33
Section 14.7 Successors and Assigns	33

	<u>Page</u>
Section 14.8 Certain Termination and Amendment Rights	33
Section 14.9 No Circumvention	33
Section 14.10 Subsidiaries	34
Section 14.11 Third Party Beneficiaries	34
Section 14.12 Title and Headings	34
Section 14.13 Exhibits and Schedules	34
Section 14.14 Governing Law	34
Section 14.15 Consent to Jurisdiction	34
Section 14.16 Specific Performance	34
Section 14.17 Waiver of Jury Trial	35
Section 14.18 Force Majeure	35
Section 14.19 Interpretation	35
Section 14.20 Changes in Law	35
Section 14.21 Authority	35
Section 14.22 Severability	36
Section 14.23 Tax Sharing Agreements	36
Section 14.24 Exclusivity	36
Section 14.25 No Duplication; No Double Recovery	36

Schedules

Schedule 1.1(6)	List of ATOB Entities
Schedule 1.1(26)	List of Distributions
Schedule 1.1(85)	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 stockholders 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 stockholders (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 stockholders) (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 stockholders of ITT will qualify as a tax-free under Section 355(a) of the Code to such stockholders 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) “Code” has the meaning referred to in the recitals to this Agreement.
- (15) “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.
- (16) “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.
- (17) “Defense” has the meaning set forth in the recitals hereto.
- (18) “Defense Assets” has the meaning set forth in the Distribution Agreement.
- (19) “Defense Business” has the meaning set forth in the Distribution Agreement.
- (20) “Defense Common Stock” has the meaning set forth in the recitals hereto.
- (21) “Defense Group” has the meaning set forth in the Distribution Agreement.
- (22) “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.
- (23) “Defense Federal Sharing Percentage” means thirty percent (30%).
- (24) “Defense U.S. State Sharing Percentage” means twenty-nine percent (29%).

(25) “Dispute” has the meaning set forth in Section 13.1.

(26) “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(26).

(27) “Distribution Agreement” means the Distribution Agreement by and among ITT, Water, and Defense, dated as of _____, 2011.

(28) “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.

(29) “Distribution Sharing Percentages” means, with respect to ITT, [•] percent ([•]%), with respect to Water, [•] percent ([•]%), and with respect to Defense, [•] percent ([•]%).¹

(30) “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).

(31) “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.

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

(33) “Fault” has the meaning set forth in Section 5.2.

(34) “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.

(35) “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;

¹ Percentages to reflect expected market capitalization at the Distribution Date.

(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.

(36) “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.

(37) “Group” means the ITT Group, the Water Group, or the Defense Group.

(38) “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.

(39) “Income Tax Returns” mean all Tax Returns that relate to Income Taxes.

(40) “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.

(41) “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.

(42) “IRS” means the United States Internal Revenue Service or any successor thereto, including, but not limited to its agents, representatives, and attorneys.

(43) “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.

(44) “ITT” has the meaning set forth in the preamble of this Agreement.

(45) “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.

(46) “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.

(47) “ITT Common Stock” has the meaning set forth in the Distribution Agreement.

(48) “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.

(49) “ITT Federal Income Tax Audit” means any Audit of any ITT Federal Income Tax Return.

(50) “ITT Federal Income Tax Audit Amount” has the meaning set forth in Section 9.3(a).

(51) “ITT Federal Sharing Percentage” means nineteen percent (19%).

(52) “ITT Group” has the meaning set forth in the Distribution Agreement.

(53) “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.

(54) “ITT Non-U.S. Income Tax Audit” means any Audit of any ITT Non-U.S. Income Tax Return.

(55) “ITT Non-U.S. Income Tax Audit Amount” has the meaning set forth in Section 9.3(c).

(56) “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.

(57) “ITT Non-U.S. Sharing Percentage” means eighty-four percent (84%).

(58) “ITT Retained Assets” has the meaning set forth in the Distribution Agreement.

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

- (60) “ITT Retained Liabilities” has the meaning set forth in the Distribution Agreement.
- (61) “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.
- (62) “ITT U.S. State Income Tax Audit Amount” has the meaning set forth in Section 9.3(b).
- (63) “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.
- (64) “ITT U.S. State Sharing Percentage” means sixty-five percent (65%).
- (65) “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.
- (66) “LIBOR” has the meaning set forth in the Distribution Agreement.
- (67) “Losses” has the meaning assigned to the term “Indemnifiable Losses” in the Distribution Agreement.
- (68) “Majority of the Parties” means the consent of at least two of the Parties.
- (69) “New York Courts” has the meaning set forth in Section 14.15.
- (70) “Non-Income Tax Returns” mean all Tax Returns other than Income Tax Returns.
- (71) “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.
- (72) “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.
- (73) “Participating Party” has the meaning set forth in Section 9.2(c)(i).
- (74) “Party” has the meaning set forth in the preamble hereto.
- (75) “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.

(76) “Plan of Separation” has the meaning set forth in the recitals hereto.

(77) “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.

(78) “Post-Distribution Ruling” has the meaning set forth in Section 5.3.

(79) “Post-Distribution Tax Period” means a Tax period beginning and ending after the Distribution Date.

(80) “Pre-Distribution Tax Period” means a Tax period beginning and ending on or before the Distribution Date.

(81) “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.

(82) “Qualified Tax Advisor” means any Big Four Accounting Firm or any law firm of nationally recognized standing.

(83) “Requesting Party” shall have the meaning set forth in Section 5.3.

(84) “Restricted Period” means the period beginning at the Effective Time and ending on the two-year anniversary of the day after the Distribution Date.

(85) “Section 355 Entities” mean the entities listed on Schedule 1.1(85).

(86) “Simpson” means Simpson Thacher & Bartlett LLP.

(87) “Spinco Parties” mean, each individually and collectively, Water and Defense.

(88) “Straddle Tax Period” means a Tax period beginning before the Distribution Date and ending after the Distribution Date.

(89) “Stub Tax Period” means a short Tax period beginning immediately following the Distribution Date.

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

(91) “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.

(92) “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.

(93) “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.

(94) “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).

(95) “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).

(96) “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.

(97) “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.

(98) “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.

(99) “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.

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

(101) “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.

(102) “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.

(103) “U.S.” means the United States.

(104) “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.

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

(106) “Water Assets” has the meaning set forth in the Distribution Agreement.

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

(108) “Water Common Stock” has the meaning set forth in the recitals hereto.

(109) “Water Federal Sharing Percentage” means fifty-one percent (51%).

(110) “Water Group” has the meaning set forth in the Distribution Agreement.

(111) “Water Liabilities” has the meaning set forth in the Distribution Agreement.

(112) “Water Non-U.S. Sharing Percentage” means sixteen percent (16%).

(113) “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.

(114) “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, 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, 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; provided, however, that (i) any refunds of Taxes 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) 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) if such refunds are received, ITT shall make payments to the Spinco Parties in accordance with their Federal Sharing Percentages, U.S. State Sharing Percentages, or Non-U.S. Sharing Percentages, as applicable, to reflect the Spinco Parties' prior liability, if any, for additional Taxes under Section 9.3(a)(iii), (b)(iii), or (c)(iii).

(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, 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) 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) (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).

(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).
- 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 (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 (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) 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) (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).

(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).
- 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 (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 (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) 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) (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).

(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).
- 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 (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. 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.

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; Facsimile Signatures. This Agreement may be executed in one or more counterparts, 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. For purposes of this Agreement, facsimile signatures shall be deemed originals.

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 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
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. The failure of any Party to require strict performance by any other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof. 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.

Section 14.5 Amendments. Subject to the terms of Section 14.8 hereof, this Agreement may not be modified or amended except by an agreement in writing signed by a duly authorized representative of each of the Parties.

Section 14.6 Assignment. 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. Otherwise 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 others, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void.

Section 14.7 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 14.8 Certain Termination and Amendment Rights. This Agreement (including indemnification obligations hereunder) may be terminated and each Distribution may be amended, modified or abandoned at any time prior to the Distribution Date by and in the sole discretion of ITT without the approval of Water or Defense or the stockholders 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 Distribution Date, 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 14.9 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 14.10 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 Distribution Date.

Section 14.11 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 14.12 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 14.13 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 14.14 Governing Law. This Agreement shall be governed by and construed in accordance with the internal Laws, and 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.

Section 14.15 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, and (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 there under. 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 14.15. 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 14.16 Specific Performance. The Parties agree that irreparable damage would occur in the event that the provisions of this Agreement 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.

Section 14.17 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 14.17.

Section 14.18 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 14.19 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 14.20 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 14.21 Authority. Each of the Parties hereto represents to each of the other Parties that (a) it has the corporate power (corporate or otherwise) and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid, and binding obligation, enforceable against it in accordance with its terms subject to applicable

bankruptcy, insolvency, reorganization, moratorium, or other similar Laws affecting creditors' rights generally and general equity principles.

Section 14.22 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 14.23 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 14.24 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 14.25 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:

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: _____

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: _____



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

Xylem Inc.2011 OMNIBUS INCENTIVE REPLACEMENT PLAN
ESTABLISHMENT, PURPOSE, AND DURATION**Article 1.**

1.1 Establishment. Xylem Inc., an Indiana corporation (hereinafter referred to as the “Company”), establishes an incentive compensation plan to be known as the 2011 Omnibus Incentive Replacement Plan (hereinafter referred to as the “Plan”), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights (SARs), Restricted Stock, Restricted Stock Units and Other Awards.

The Plan first became effective [], 2011 (the “Effective Date”) following the spin-off of Xylem Inc. from ITT Corporation (the “Predecessor Corporation”) on [], 2011. The Predecessor Corporation maintained a similar plan prior to the spin-off (the “Predecessor Plan”), and the Plan was created to govern the awards under the Predecessor Plan, as revised to reflect the spin-off from the Predecessor Corporation. The Plan shall remain in effect as provided in Section 1.3 hereof, and Participants shall receive full credit for their service and participation with the Predecessor Corporation as provided in Section 5.3 hereof.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the long-term interests of the Company and its shareholders by strengthening the Company’s ability to attract and retain Employees of the Company and its Affiliates and members of the Board of Directors upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend, and to provide an additional incentive for such individuals through share ownership and other rights that promote and recognize the financial success and growth of the Company and create value for shareholders.

1.3 Duration of the Plan. The Plan shall commence as of the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Compensation and Personnel Committee of the Board, (the “Committee”) to amend or terminate the Plan at any time pursuant to Article 14 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan’s provisions.

Article 2. DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 “Acceleration Event” shall be deemed to have occurred as of 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;

(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 Shares (or securities convertible into Shares) 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 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.

2.2 “Affiliate” means any Subsidiary and any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

2.3 “Award” means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units, Converted Awards and Other Awards.

2.4 “Award Agreement” means either (i) an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to Awards granted under this Plan, or (ii) a statement issued by the Company to a Participant describing the terms and conditions of such Award.

2.5 “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 “Benefits and Compensation Matters Agreement” means the Benefits and Compensation Matters Agreement by and among the Company, the Predecessor Corporation and Exelis Inc.

2.7 “Board” or “*Board of Directors*” means the Board of Directors of the Company.

2.8 “Code” means the U.S. Internal Revenue Code of 1986, as amended from time to time.

2.9 “Committee” means the Compensation and Personnel Committee of the Board.

2.10 “Company” means Xylem Inc., an Indiana corporation, and any successor thereto as provided in Article 16 herein; provided, however, that for purposes of grants made under the Predecessor Plan, Company shall mean the Predecessor Corporation as the original grantor.

2.11 “Converted Award”

2.12 *means Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Restricted Stock Units and Other Awards denominated in Shares that were originally granted to a Participant under any of the Predecessor Corporation Equity Plans, as adjusted pursuant to the terms of the Benefits and Compensation Matters Agreement.*

2.13 “Covered Employee” means a Participant who is a “Covered Employee,” as defined in Code Section 162(m) and the regulations promulgated under Code Section 162(m), or any successor statute.

2.14 “Director” means any individual who is a member of the Board of Directors.

2.15 “Employee” means any employee of the Company or its Affiliates.

2.16 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.17 “Fair Market Value” means a price that is based on the opening, closing, actual, high, low, or average selling prices of a Share on the New York Stock Exchange (“NYSE”) or other established stock exchange (or exchanges) on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee in its discretion.

Such definition of Fair Market Value may differ depending on whether Fair Market Value is in reference to the grant, exercise, vesting, or settlement or payout of an Award. If, however, the accounting standards used to account for equity awards granted to Participants are substantially modified subsequent to the Effective Date of the Plan, the Committee shall have the ability to determine an Award’s Fair Market Value based on the relevant facts and circumstances. If Shares are not traded on an established stock exchange, Fair Market Value shall be determined by the Committee based on objective criteria.

2.18 “Freestanding SAR” means a SAR that is granted independently of any Options, as described in Article 7 herein.

2.19 “Full Value Award” means an Award other than an Option granted with an Option Price equal to at least Fair Market Value on the date of grant or a SAR with a Grant Price equal to at least Fair Market Value on the date of grant.

2.20 “Grant Price” means the amount to which the Fair Market Value of a Share is compared pursuant to Section 7.6 to determine the amount of payment that should be made upon exercise of a SAR.

2.21 “Incentive Stock Option” or “*ISO*” means an Option that meets the requirements of Code Section 422, or any successor provision, and that is not designated as a Nonqualified Stock Option.

2.22 “Insider” means an individual who is, on the relevant date, an officer, Director, or more than ten percent (10%) Beneficial Owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board or the Committee in accordance with Section 16 of the Exchange Act.

2.23 “Nonqualified Stock Option” or “*NQSO*” means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.24 “Option” means an Incentive Stock Option or a Nonqualified Stock Option to purchase Shares, as described in Article 6 herein.

2.25 “Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.26 “Other Award” means an Award granted to a Participant pursuant to Article 9 herein.

2.27 “Participant” means an Employee or Director who has been selected to receive an Award or who has an outstanding Award granted under the Plan.

2.28 “Performance-Based Compensation” means an Award that is qualified as Performance-Based Compensation under Code Section 162(m).

2.29 “Performance Measures” means measures as described in Article 10, the attainment of which may determine the amount of payout and/or vesting with respect to Awards.

2.30 “Performance Period” means the period of time during which the performance goals must be met in order to determine the amount of payout and/or vesting with respect to an Award.

2.31 “Period of Restriction” means the period when Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion) and transfer restrictions, as provided in Article 8 herein.

2.32 “Person” shall have the meaning given in Section 3(a) (9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof.

2.33 “Plan Year” means the fiscal year of the Company.

2.34 “Plan” means the 2011 Equity Incentive Replacement Plan; provided, however, that for purposes of grants made under the Predecessor Plan, Plan shall mean the Predecessor Plan as it existed on the date of such grant.

2.35 “Predecessor Corporation Equity Plan” means any of the plans maintained by the Predecessor Corporation under which equity or equity-based awards were granted, including the ITT 2003 Equity Incentive Plan, ITT Corporation 1997 Long-Term Incentive Plan, 1994 ITT Incentive Stock Plan, ITT 1996 Restricted Stock Plan for Non-Employee Directors, and 2002 ITT Stock Option Plan for Non-Employee Directors.

2.36 “Restricted Stock” means an Award granted to a Participant pursuant to Article 8 herein.

2.37 “Restricted Stock Unit” means an Award granted to a Participant pursuant to Article 8 herein.

2.38 “Share” means a share of common stock of the Company, \$1.00 par value per share.

2.39 “Stock Appreciation Right” or “SAR” means an Award granted to a Participant pursuant to Article 7 herein.

2.40 “Subsidiary” means any corporation, partnership, joint venture, limited liability company, or other entity (other than the Company) in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain owns at least fifty percent (50%) of the total combined voting power in one of the other entities in such chain.

2.41 “Tandem SAR” means a SAR that is granted in connection with a related Option pursuant to Article 7.

Article 3. ADMINISTRATION

3.1 General. The Committee shall be responsible for administering the Plan. The Committee may employ attorneys, consultants, accountants, and other persons, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested persons.

3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of the Plan and to determine eligibility for Awards and to adopt such rules, regulations, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions and, subject to Article 14, adopting modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries in which the Company and its Affiliates operate.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more agents or advisors such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following: (a) designate Employees and Directors to be recipients of Awards; and (b) determine the size of the Award; provided, however, the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee that is considered an elected officer of the Company, or to the extent it would unintentionally cause Performance-Based Compensation to lose its status as such.

Article 4. SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

4.1 Number of Shares Available for Awards. Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance to Participants under the Plan shall be [nine million two hundred thousand (9,200,000)]. For purposes of the prior sentence, Shares subject to outstanding awards under the Prior Plan shall not be

considered available for issuance under the Prior Plan. Any Shares related to Awards under the Plan or awards under the Prior Plan that terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission for Awards not involving Shares, shall be available again for grant under the Plan. Notwithstanding the foregoing, (a) upon the exercise of a stock-settled Stock Appreciation Right or net-settled Option, the number of Shares subject to the Award (or portion of the Award) that is then being exercised shall be counted against the maximum aggregate number of Shares that may be issued under the Plan as provided above, on the basis of one Share for every Share subject thereto, regardless of the actual number of Shares issued upon exercise and (b) any Shares withheld with respect to an Award (or, with respect to Restricted Stock, returned) in satisfaction of tax withholding obligations shall be counted as Shares issued.

Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance under the Plan for Full Value Awards (other than Converted Awards) shall not exceed [four million six hundred thousand (4,600,000)]. In addition, any Shares related to Full Value Awards under the Plan or the Prior Plan that terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee's permission for Awards not involving Shares, shall be available again for grant of Full Value Awards under the Plan.

All of the reserved Shares may be used as ISOs.

The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares.

The following limits ("Award Limits") shall apply to Awards (other than Converted Awards), dividends and dividend equivalent intended to qualify as Performance-Based Compensation:

(a) *Options*: The maximum aggregate number of Shares that may be granted in the form of Options, pursuant to any Award granted in any one Plan Year to any one Participant shall be [three million five hundred thousand (3,500,000)].

(b) *SARs*: The maximum number of Shares that may be granted in the form of Stock Appreciation Rights, pursuant to any Award granted in any one Plan Year to any one Participant shall be [three million five hundred thousand (3,500,000)].

(c) *Restricted Stock or Restricted Stock Units*: The maximum aggregate grant with respect to Awards of Restricted Stock or Restricted Stock Units granted in any one Plan Year to any one Participant shall be [seven hundred thousand (700,000)].

(d) *Other Awards*: The maximum aggregate number of Shares with respect to which Other Awards may be granted in any one Plan Year to any one

Participant shall be [seven hundred thousand (700,000)] and the maximum aggregate cash that may be payable with respect to Other Awards granted in any one Plan Year to any one Participant shall be [fifteen million (\$15,000,000)] dollars.

(e) *Dividends and Dividend Equivalents*: The maximum aggregate value of cash dividends (other than large, nonrecurring cash dividends) or dividend equivalents that any one Participant may receive pursuant to Awards in any one Plan Year shall not exceed [six million (\$6,000,000)] dollars.

4.2 Adjustments in Authorized Shares . In the event of any equity restructuring (within the meaning of FASB Accounting Standards Codification (ASC) 718 (formerly FAS 123R) that causes the per share value of Shares to change, such as a stock dividend, stock split, spin off, rights offering, or recapitalization through a large, nonrecurring cash dividend, the Committee shall cause there to be made an equitable adjustment to: (a) the number and, if applicable, kind of shares that may be issued under the Plan or pursuant to any type of Award under the Plan, (b) the Award Limits, (c) the number and, if applicable, kind of shares subject to outstanding Awards and (d) as applicable, the Option Price or Grant Price of any then outstanding Awards. In the event of any other change in corporate structure or capitalization, such as a merger, consolidation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Company, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall cause there to be made such equitable adjustments described in the foregoing sentence. Any fractional shares resulting from adjustments made pursuant to this Section 4.2 shall be eliminated. Any adjustment made pursuant to this Section 4.2 shall be conclusive and binding for all purposes of the Plan.

Except to the extent it would unintentionally cause Performance Based Compensation to fail to qualify for the performance based exception to Code Section 162(m), appropriate adjustments may also be made by the Committee in the terms of any Awards under the Plan to reflect such changes or distributions and to modify any other terms of outstanding Awards on an equitable basis, including modifications of performance goals and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

Subject to the provisions of Article 13, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, share exchange, amalgamation, reorganization or similar transaction upon such terms and conditions as it may deem appropriate; provided, however, that no such issuance or assumption shall be made without affecting the number of Shares reserved or available hereunder if it would prevent the granting of ISOs under the Plan.

Article 5. ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Individuals eligible to participate in this Plan include all Employees and Directors.

5.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible individuals, those to whom Awards shall be granted and shall determine the form and amount of each Award.

5.3 Prior Participation. Notwithstanding any other provision of the Plan to the contrary, all prior service and participation by a Participant with the Predecessor Corporation shall be credited in full towards a Participant's service and participation with the Corporation.

Article 6. STOCK OPTIONS

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

ISOs may not be granted following the ten-year (10) anniversary of the date the Plan was last approved by shareholders in a manner that satisfies the shareholder approval requirements applicable to ISOs. ISOs may be granted only to Employees.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or an NQSO.

6.3 Option Price. The Option Price for each grant of an Option under this Plan shall be as determined by the Committee; provided, however, the Option Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

6.4 Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the tenth (10th) anniversary of its grant.

6.5 Exercise of Options. Options granted under this Article 6 shall be exercisable at such times and be subject to such terms and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

6.6 Payment. Options granted under this Article 6 shall be exercised by the delivery of notice of exercise to an agent designated by the Company or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised.

A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option may be exercised (and the Option Price may be satisfied) by (a) delivering cash or its equivalent, (b) tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price, (c) broker-assisted cashless exercise, (d) net exercise, (e) a combination of the foregoing or (f) by any other method approved by the Committee in its sole discretion. The Committee shall determine acceptable methods for tendering Shares as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Shares to exercise an Option as it deems appropriate.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares, or upon the Participant's request, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all payments under the methods indicated above shall be paid in United States dollars.

6.7 Restrictions on Share Transferability. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 Termination of Employment or Service as a Director. The impact of a termination of a Participant's employment on an Option's vesting and exercise period shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Option grants or Participants. The impact of a termination on a Participant's service as a Director on an Option's vesting and exercise period shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Option grants or Participants.

6.9 Transferability of Options. During his or her lifetime, only the Participant shall have the right to exercise the Options. After the Participant's death, the Participant's estate or beneficiary shall have the right to exercise such Options.

(a) *Incentive Stock Options*. No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

(b) *Nonqualified Stock Options*. Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other

than by will or by the laws of descent and distribution. Under no circumstances may an NQSO be transferable for value or consideration.

6.10 Notification of Disqualifying Disposition . If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

Article 7. STOCK APPRECIATION RIGHTS

7.1 Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The SAR Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. The SAR Grant Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the SAR is granted. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

7.2 SAR Agreement. Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.3 Term of SAR. The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, provided that, no SAR shall be exercisable later than the tenth (10th) anniversary of its grant.

7.4 Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them; provided, however, such terms and conditions shall be subject to Section 7.1 as to grant price and Section 7.3 as to the term of the SAR.

7.5 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to

the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.6 Payment of SAR Amount.

(a) Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

The difference between the Fair Market Value of a Share on the date of exercise over the Grant Price; by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon a SAR exercise may be in cash, in Shares of equivalent value, in some combination thereof, or in any other manner approved by the Committee at its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

7.7 Termination of Employment or Service as a Director. The impact of a termination on a Participant's employment on a SAR's vesting and exercise period shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among SAR grants or Participants. The impact of a termination on a Participant's service as a Director on a SAR's vesting and exercise period shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among SAR grants or Participants.

7.8 Nontransferability of SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Under no circumstances may a SAR be transferable for value or consideration. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

7.9 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares received upon exercise of a SAR granted pursuant to the Plan as it may deem advisable. This includes, but is not limited to, requiring the Participant to hold the Shares received upon exercise of a SAR for a specified period of time.

Article 8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

8.1 Grant of Restricted Stock or Restricted Stock Units . Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts

as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant.

8.2 Restricted Stock or Restricted Stock Unit Agreement . Each Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

8.3 Transferability. Except as provided in this Article 8, the Shares of Restricted Stock and/or Restricted Stock Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement (and in the case of Restricted Stock Units until the date of delivery or other payment), or upon earlier satisfaction of any other conditions, as specified by the Committee, in its sole discretion, and set forth in the Award Agreement.

8.4 Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable federal or state securities laws.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.5 Voting Rights. To the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

8.6 Dividends and Other Distributions . During the Period of Restriction, Participants holding Shares of Restricted Stock or Restricted Stock Units granted hereunder may, if the Committee so determines, be credited with dividends paid with

respect to the underlying Shares or dividend equivalents while they are so held in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the time and form of payment of dividends or dividend equivalents, including cash, Shares, Restricted Stock, or Restricted Stock Units; provided, however, that if dividends or dividend equivalents are granted with respect to any Shares of Restricted Stock or Restricted Share Units that are subject to performance goals, the dividends or dividend equivalents shall be accumulated or reinvested and paid following the time such performance goals are met, as set forth by the Committee in the applicable Award Agreement.

8.7 Termination of Employment or Service as a Director. The impact of a termination on a Participant's employment of a Restricted Stock or Restricted Stock Unit's vesting and settlement shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Restricted Stock or Restricted Stock Unit grants or Participants. The impact of a termination on a Participant's service as a Director of a Restricted Stock or Restricted Stock Unit's vesting and settlement shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Restricted Stock or Restricted Stock Unit grants or Participants.

8.8 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

Article 9. OTHER AWARDS

The Committee may grant Other Awards, which may include, without limitation, unrestricted Shares, the payment of Shares in lieu of cash, the payment of cash based on attainment of Performance Goals, service conditions or other goals established by the Committee and the payment of Shares in lieu of cash under other Company incentive or bonus programs. Payment under or settlement of any such Other Awards shall be made in such manner, at such times and subject to such terms and conditions as the Committee may determine.

Article 10. PERFORMANCE MEASURES

Unless and until the Committee proposes for shareholder vote and the shareholders approve a change in the general Performance Measures set forth in this Article 10, the performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to one or more of the following Performance Measures:

- (a) Net earnings;
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- (b) Earnings per share;
- (c) Net sales growth;
- (d) Net income (before or after taxes);
- (e) Net operating profit;
- (f) Return measures (including, but not limited to, return on assets, capital, equity, or sales);
- (g) Cash flow (including, but not limited to, operating cash flow and free cash flow);
- (h) Cash flow return on capital;
- (i) Earnings before or after taxes, interest, depreciation, and/or amortization;
- (j) Gross or operating margins;
- (k) Productivity ratios;
- (l) Share price (including, but not limited to, growth measures and total shareholder return);
- (m) Expense targets;
- (n) Margins;
- (o) Operating efficiency;
- (p) Customer satisfaction;
- (q) Employee satisfaction metrics;
- (r) Human resources metrics;
- (s) Working capital targets; and
- (t) EVA®.

Any Performance Measure(s) may be used to measure the performance of the Company or an Affiliate as a whole or any business unit of the Company or an Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select Performance Measure (l) above as compared to various stock market indices. The Committee also has the authority to provide for

accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 10.

The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (a) asset write—downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management’s discussion and analysis of financial condition and results of operations appearing in the Company’s annual report to shareholders for the applicable year, (f) acquisitions or divestitures, and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

Awards that are designed to qualify as Performance-Based Compensation, and that are held by Covered Employees, may not be adjusted upward. The Committee shall retain the discretion to adjust such Awards downward.

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

Article 11. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant’s death shall be paid to the Participant’s estate.

Article 12. RIGHTS OF PARTICIPANTS

12.1 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company and/or its Affiliates to terminate any Participant’s employment or of the Board of Directors to terminate service as a Director at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his or her employment or service as a Director for any specified period of time.

Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company and, accordingly, subject to Article 3 and Section 14.1, this

Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates, and/or its Subsidiaries.

12.2 Participation. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

12.3 Rights as a Shareholder. Except as otherwise provided in Section 8 of the Plan or in an Award Agreement, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

Article 13. ACCELERATION EVENT

The Compensation Committee shall specify in each Participant's Award Agreement the treatment of outstanding Awards upon an Acceleration Event; provided that any Converted Award will continue to apply the definition of "change in control" or "acceleration event" as provided in the Predecessor Corporation Equity Plan under which such Converted Award was originally granted, as adjusted pursuant to the terms of the Benefits and Compensation Matters Agreement.

Article 14. AMENDMENT, MODIFICATION, SUSPENSION, AND TERMINATION

14.1 Amendment, Modification, Suspension, and Termination. Subject to Section 14.3, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, except for a change or adjustment made pursuant to Section 4.2, no Option Price of an outstanding Option or Grant Price of an outstanding SAR shall be reduced (whether through amendment, cancellation or replacement of Awards with other Awards or other payments of cash or property) without shareholder approval.

14.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events . The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan.

14.3 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously

granted under the Plan, without the written consent of the Participant holding such Award.

Article 15. WITHHOLDING

15.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

15.2 Share Withholding. With respect to withholding required upon the exercise of Options, or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or any other taxable event arising as a result of Awards granted hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction. All such elections shall be irrevocable, made in writing, and signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Article 16. SUCCESSORS

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 17. GENERAL PROVISIONS

17.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company and/or Affiliate policies, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

17.2 Legend. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

17.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

17.4 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of

the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

17.5 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

17.6 Securities Law Compliance. With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

17.7 Registration and Listing. The Company may use reasonable endeavors to register Shares allotted pursuant to the exercise of an Award with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification, and listing requirements of any national securities laws, stock exchange, or automated quotation system.

17.8 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

- (a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
- (b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

17.9 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

17.10 Employees or Directors Based Outside of the United States. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Affiliates operate or have Employees or Directors, the Committee, in its sole discretion, shall have the power and authority to:

- (a) Determine which Affiliates shall be covered by the Plan;
 - (b) Determine which Employees and/or Directors outside the United States are eligible to participate in the Plan;
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(c) Modify the administrative terms and conditions of any Award granted to Employees and/or Directors outside the United States to comply with applicable foreign laws;

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 17.10 by the Committee shall be attached to this Plan document as appendices; and

(e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law, or governing statute or any other applicable law.

17.11 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

17.12 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not subject to ERISA.

17.13 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

17.14 Retirement and Welfare Plans. The value of compensation paid under this Plan will not be included as “compensation” for purposes of computing the benefits payable to any participant under the Company’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant’s benefit.

17.15 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of New York, excluding any conflicts or choice of law rule or principle

that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of New York, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.