

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2004

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-5672

ITT INDUSTRIES, INC.

INCORPORATED IN THE STATE OF INDIANA

13-5158950
(I.R.S. Employer
Identification Number)

4 WEST RED OAK LANE, WHITE PLAINS, NY 10604
(Principal Executive Office)

TELEPHONE NUMBER: (914) 641-2000

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months and (2) has been subject to such filing
requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2004, there were outstanding 92,319,013 shares of common
stock (\$1 par value per share) of the registrant.

ITT INDUSTRIES, INC.

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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted within the United States have been condensed or omitted pursuant to such SEC rules. The Company believes that the disclosures herein are adequate to make the information presented not misleading. Certain amounts in the prior periods' consolidated condensed financial statements have been reclassified to conform to the current period presentation. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2003 Annual Report on Form 10-K.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED INCOME STATEMENTS
(IN MILLIONS, EXCEPT PER SHARE)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,	NINE MONTHS ENDED SEPTEMBER 30,	SEPTEMBER 30,	SEPTEMBER 30,
	2004	2003	2004	2003
-----	-----	-----	-----	-----
--- 2004 2003 2004 2003				
-----	-----	-----	-----	-----
----- Sales and				
revenues.....	\$1,667.7	\$1,375.2	\$4,836.1	\$4,109.8
-----	-----	-----	-----	-----
----- Costs of sales and				
revenues.....	3,187.0	2,699.7	1,100.9	903.7
-----	-----	-----	-----	-----
----- Selling, general, and				
administrative expenses.....	594.8	244.6	195.9	712.4
-----	-----	-----	-----	-----
----- Research, development, and engineering				
expenses.....	150.4	137.2	462.0	409.4
-----	-----	-----	-----	-----
----- Restructuring and asset impairment				
charges.....	5.7	1.6	24.7	17.9
-----	-----	-----	-----	-----
----- Total costs and				
expenses.....	1,238.4	4,386.1	3,721.8	1,501.6
-----	-----	-----	-----	-----
----- Operating				
income.....	166.1	136.8	450.0	388.0
-----	-----	-----	-----	-----
----- Interest expense (income),				
net.....	8.6	(5.3)	15.1	(14.6)
-----	-----	-----	-----	-----
----- Miscellaneous expense,				
net.....	4.1	2.0	10.8	4.8
-----	-----	-----	-----	-----
----- Income from				
continuing operations before income				
taxes.....	153.4	140.1	424.1	397.8
-----	-----	-----	-----	-----
----- Income tax				
expense.....	43.9	37.6	113.8	116.5
-----	-----	-----	-----	-----
-- Income from continuing				
operations.....	109.5	102.5	310.3	281.3
-----	-----	-----	-----	-----
----- Discontinued operations: Income (loss) from				
discontinued operations, including tax income				
(expense) of \$(0.1), \$6.3, \$(0.2) and				
\$6.1.....	0.3	6.7	0.4	14.5
-----	-----	-----	-----	-----
----- Net				
income.....	\$ 109.8	\$ 109.2	\$ 310.7	\$ 295.8
-----	-----	-----	-----	-----
=====	=====	=====	=====	=====
=====	=====	=====	=====	=====

THREE MONTHS ENDED	NINE MONTHS ENDED	SEPTEMBER 30,		
SEPTEMBER 30,	-----			
---	2004	2003	2004	2003

----- EARNINGS PER SHARE: Income from				
continuing operations:				
Basic.....	\$ 1.19	\$ 1.11	\$ 3.36	\$ 3.06
Diluted.....	\$ 1.16	\$ 1.09	\$ 3.29	\$ 2.99
Discontinued operations:				
Basic.....	\$ --	\$ 0.07	\$ --	\$ 0.15
Diluted.....	\$ --	\$ 0.07	\$ --	\$ 0.15
Net income:				
Basic.....	\$ 1.19	\$ 1.18	\$ 3.36	\$ 3.21
Diluted.....	\$ 1.16	\$ 1.16	\$ 3.29	\$ 3.14
Cash dividends declared per common share.....				
	\$ 0.17	\$ 0.16	\$ 0.51	\$ 0.48
Average Common Shares --				
Basic.....	92.3	92.3	92.3	92.1
Average Common Shares --				
Diluted.....	94.3	94.3	94.4	94.0

The accompanying notes to consolidated condensed financial statements are an integral part of the above income statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(IN MILLIONS, EXCEPT FOR SHARES AND PER SHARE)
(UNAUDITED)

SEPTEMBER 30, DECEMBER 31, 2004	2003	-----	--
----- ASSETS			
Current Assets: Cash and cash equivalents.....	\$ 253.9		
\$ 414.2 Receivables,			
net.....	1,249.0		
974.6 Inventories,			
net.....	654.1		
578.5 Deferred income			
taxes.....	71.9	68.2	
Other current			
assets.....	84.2		
70.0 -----			
----- Total current			
assets.....	2,313.1	2,105.5	
----- Plant, property and equipment,			
net.....	923.5	893.3	
Deferred income taxes.....			
366.2 373.3 Goodwill,			
net.....			
2,438.0 1,629.1 Other intangible assets,			
net.....	264.6	74.8	
Other assets.....			
930.0 861.6 -----			
----- Total non-current			
assets.....	4,922.3	3,832.1	---
----- Total			
assets.....			
\$7,235.4 \$5,937.6 =====			
===== LIABILITIES AND			
SHAREHOLDERS' EQUITY			
Current Liabilities: Accounts payable.....	\$		
713.4 \$ 635.3 Accrued			
expenses.....			
698.7 653.4 Accrued			
taxes.....			
294.1 251.9 Notes payable and current maturities of			
long-term debt....	1,019.5	141.5	
Other current liabilities.....	3.1	4.5	
----- Total current			
liabilities.....	2,728.8	1,686.6	
----- Pension			
benefits.....			
1,205.1 1,187.6 Postretirement benefits other than			
pensions.....	319.3	216.2	
Long-term debt.....			
442.9 460.9 Other			
liabilities.....			
502.1 538.6 -----			
----- Total non-current			
liabilities.....	2,469.4	2,403.3	---
----- Total			
liabilities.....	5,198.2		
4,089.9 Shareholders' Equity: Cumulative Preferred			
stock: Authorized 50,000,000 shares, No par value,			
none issued.....	--	--	
Common stock: Authorized 200,000,000 shares, \$1 par			
value per share Outstanding: 92,277,513 shares and			
92,271,319			
shares.....			
92.3 92.3 Retained			
earnings.....			
2,492.1 2,277.1 Accumulated other comprehensive loss:			
Unrealized loss on investment securities and cash			
flow			
hedges.....			
(0.7) (0.6) Unrealized loss on minimum pension			
liability.....	(602.2)	(602.2)	
Cumulative translation adjustments.....	55.7		
81.1 -----			
----- Total accumulated other			
comprehensive loss.....	(547.2)	(521.7)	-----
----- Total shareholders'			
equity.....	2,037.2	1,847.7	-----
----- Total liabilities and shareholders'			
equity.....	\$7,235.4	\$5,937.6	=====

- -----
The accompanying notes to consolidated condensed financial statements are an integral part of the above balance sheets.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(IN MILLIONS)
(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, -----	2004		
2003 -----			
OPERATING ACTIVITIES			
Net income.....			
\$ 310.7	\$ 295.8	Income from discontinued	
operations.....	(0.4)	(14.5)	-----
-----	Income from continuing		
operations.....	310.3	281.3	
Adjustments to income from continuing operations:			
Depreciation and			
amortization.....	146.0	138.7	
Restructuring and asset impairment			
charges.....	24.7	17.9	Payments for
restructuring.....	(24.3)		
(14.9) Change in			
receivables.....	(142.4)		
(147.6) Change in			
inventories.....	(51.5)		
(14.6) Change in accounts payable and accrued			
expenses.....	56.2	26.6	Change in accrued and
deferred taxes.....	59.8	172.1	Change in
other current and non-current assets.....	(94.3)		
(191.6) Change in non-current			
liabilities.....	(44.3)	(7.0)	Other,
net.....	9.4		
8.3 -----	Net cash -- operating		
activities.....	249.6	269.2	-----
-----	INVESTING ACTIVITIES		
Additions to plant,			
property, and equipment.....	(100.2)	(97.0)	
Acquisitions, net of cash			
acquired.....	(994.6)	(44.1)	
Proceeds from sale of assets and			
businesses.....	5.1	9.3	Sale of
investments.....	--		
43.5 Other,			
net.....	0.2		
0.1 -----	Net cash -- investing		
activities.....	(1,089.5)	(88.2)	---
-----	FINANCING ACTIVITIES		
Short-term debt,			
net.....	855.5	(12.0)	
Long-term debt			
repaid.....	(52.1)		
(40.3) Long-term debt			
issued.....	1.1	0.3	
Repurchase of common			
stock.....	(131.5)	(32.2)	
Proceeds from issuance of common			
stock.....	61.5	27.9	Dividends
paid.....	(46.1)		
(43.2) Other,			
net.....	--		
0.2 -----	Net cash -- financing		
activities.....	688.4	(99.3)	-----
-----	EXCHANGE RATE EFFECTS ON CASH AND CASH		
EQUIVALENTS.....	(3.6)	12.3	NET CASH -- DISCONTINUED
OPERATIONS.....	(5.2)	16.1	-----
-----	Net change in cash and cash		
equivalents.....	(160.3)	110.1	Cash and
cash equivalents -- beginning of period.....	414.2		
202.2 -----	CASH AND CASH EQUIVALENTS -- END		
OF PERIOD.....	\$ 253.9	\$ 312.3	=====
=====	SUPPLEMENTAL DISCLOSURES OF CASH FLOW		
INFORMATION: Cash paid during the period for:			
Interest.....			
\$ 28.9	\$ 29.8	=====	=====
Income taxes (net of			
refunds received).....	\$ 54.0	\$ (55.6)	
=====	=====		

The accompanying notes to consolidated condensed financial statements are an integral part of the above cash flow statements.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

1) RECEIVABLES, NET

Net receivables consist of the following:

SEPTEMBER 30, DECEMBER 31, 2004	2003	-----	-----
		----	----
Trade.....		\$1,187.1	\$936.3
Other.....		92.2	67.4
Less: allowance for doubtful accounts and cash discounts....	(30.3) (29.1)	-----	-----
		\$1,249.0	\$974.6
		=====	=====

2) INVENTORIES, NET

Net inventories consist of the following:

SEPTEMBER 30, DECEMBER 31, 2004	2003	-----	-----
		-----	-----
		Finished	
goods.....		\$165.6	\$159.4
process.....		265.9	182.4
materials.....		322.5	312.8
Less: progress payments.....	(99.9) (76.1)	-----	-----
		\$654.1	\$578.5
		=====	=====

3) PLANT, PROPERTY AND EQUIPMENT, NET

Net plant, property and equipment consist of the following:

SEPTEMBER 30, DECEMBER 31, 2004	2003	-----	-----
		-----	-----
		Land and	
improvements.....		\$ 62.7	
		\$ 60.5	
improvements.....		493.3	465.2
		Machinery and	
equipment.....		1,618.1	1,656.2
		Furniture, fixtures and office	
equipment.....		249.5	250.1
in progress.....		86.3	68.2
Other.....		55.7	45.1
Less: accumulated depreciation and amortization.....		-----	-----
		\$ 923.5	\$ 893.3
		=====	=====

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

4) SALES AND REVENUES AND COSTS OF SALES AND REVENUES

Sales and revenues and costs of sales and revenues consist of the following:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2004		SEPTEMBER 30, 2004	
	2003	2004	2003	2004

	----- 2004			
	2003	2004	2003	2004

	----- Product			
sales.....	\$1,355.2	\$1,147.5	\$3,981.9	\$3,460.4

	----- Service			
revenues.....	312.5	227.7	854.2	649.4

	----- Total sales			
and revenues.....	\$1,667.7	\$1,375.2	\$4,836.1	\$4,109.8
	=====			
	----- Costs of product			
sales.....	\$ 748.5	\$2,577.7	\$2,255.3	\$ 877.0

	----- Costs of			
service revenues.....	223.9	155.2	609.3	444.4

	----- Total costs			
of sales and revenues.....	\$1,100.9	\$ 903.7	\$3,187.0	\$2,699.7
	=====			

The Defense Electronics & Services segment comprises \$284.3 and \$768.7 of total service revenues for the three and nine months ended September 30, 2004, respectively, and \$199.0 and \$530.7 of total costs of service revenues, respectively, during the same period. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

The Defense Electronics & Services segment comprises \$207.3 and \$587.1 of total service revenues for the three and nine months ended September 30, 2003, respectively, and \$136.6 and \$386.9 of total costs of service revenues, respectively, during the same period. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

5) COMPREHENSIVE INCOME

	PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)	
	BENEFIT AMOUNT ----- Three	
	Months Ended September 30, 2004 Net	
income.....	\$109.8	\$17.9

	----- Other comprehensive income (loss): Foreign	
currency translation adjustments.....	\$17.8	\$ -- 17.8

	----- Unrealized gain (loss) on investment	
securities and cash flow		
hedges.....	0.1	0.1

	----- Other comprehensive income	
(loss).....	\$17.9	\$ -- 17.9

	----- Comprehensive	
income.....	\$127.7	\$127.7
	=====	

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT ----- Three
Months Ended September 30, 2003 Net

income.....
\$109.2 Other comprehensive income (loss): Foreign
currency translation adjustments..... \$9.5
\$ -- 9.5 Unrealized gain (loss) on investment
securities and cash flow

hedges..... 0.4
(0.1) 0.3 ----- Other comprehensive income
(loss)..... \$9.9 \$(0.1) 9.8 -----
Comprehensive

income..... \$119.0
=====

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT ----- Nine
Months Ended September 30, 2004 Net

income.....
\$310.7 Other comprehensive income (loss): Foreign
currency translation adjustments.....
\$(25.4) \$ -- (25.4) Unrealized gain (loss) on
investment securities and cash flow

hedges.....
(0.2) 0.1 (0.1) ----- Other comprehensive
income (loss)..... \$(25.6) \$0.1 (25.5)
----- Comprehensive

income..... \$285.2
=====

PRETAX TAX INCOME (EXPENSE) NET-OF-TAX (EXPENSE)
BENEFIT AMOUNT ----- Nine
Months Ended September 30, 2003 Net

income.....
\$295.8 Other comprehensive income (loss): Foreign
currency translation adjustments.....
\$86.7 \$ -- 86.7 Unrealized gain (loss) on investment
securities and cash flow

hedges..... 1.5
(0.5) 1.0 ----- Other comprehensive income
(loss)..... \$88.2 \$(0.5) 87.7 -----
Comprehensive

income..... \$383.5
=====

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

6) EARNINGS PER SHARE

The following is a reconciliation of the shares used in the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2004 and 2003:

	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2004
Weighted average shares of common stock outstanding used in the computation of basic earnings per share.....	92.3	92.3	92.3
92.1 Common stock equivalents.....	2.0	2.0	
2.1 1.9 ----- Shares used in the computation of diluted earnings per share.....	94.3	94.3	94.4
	94.0	94.0	94.0

The amounts of outstanding antidilutive common stock options excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2004 were 0.1 and 0.0, respectively. The amount of antidilutive restricted common stock excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2004 was 0.1.

The amounts of outstanding antidilutive common stock options excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2003 were 0.0 and 1.7, respectively.

7) STOCK-BASED EMPLOYEE COMPENSATION

At September 30, 2004, the Company has one stock-based employee compensation plan for issuing new stock options and restricted shares. The Company also has one stock-based employee compensation plan and two stock-based non-employee directors compensation plans that have stock options and restricted shares outstanding; however no new awards will be granted under these plans. These plans are described more fully in Note 20, "Shareholders' Equity," within the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Had compensation expense for these plans been determined based on the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation-

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

tion," the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	THREE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2004	
Net income as reported.....	\$109.8	\$109.2	\$310.7	\$295.8	
Deduct: Total stock-based employee compensation expense determined under the fair value based method for awards not reflected in net income -- net of tax.....	(20.1)	(4.2)	(2.0)	(1.7)	
Pro forma net income.....	\$107.8	\$107.5	\$290.6	\$291.6	
Basic earnings per share As reported.....	\$ 1.19	\$ 1.18	\$ 3.36	\$ 3.21	Pro
Pro forma.....	\$ 1.17	\$ 1.16	\$ 3.15	\$ 3.17	Diluted earnings per share As reported.....
Pro forma.....	\$ 1.16	\$ 1.16	\$ 3.29	\$ 3.14	Pro
Pro forma.....	\$ 1.15	\$ 1.14	\$ 3.09	\$ 3.10	

The pro forma diluted earnings per share calculations for the three months and nine months ended September 30, 2004 were computed using diluted average common shares of 94.0 and 94.1, respectively. The pro forma diluted earnings per share calculations for the three months and nine months ended September 30, 2003 were computed using diluted average common shares of 94.3 and 94.0, respectively.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions for grants in the three months and nine months ended September 30, 2004 and 2003:

	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2003	
Dividend yield.....	1.33%	1.46%	1.39%	1.57%	Expected
Volatility.....	25.14%	26.85%	25.80%	28.74%	Expected
Risk-free rates.....	6 years	6 years	6 years	6 years	Risk-free
	4.33%	3.34%	3.71%	3.37%	

The value of stock-based compensation that was recognized in selling, general and administrative expenses within the Consolidated Condensed Income Statements during the three month and nine month periods ended September 30, 2004 and 2003 was:

THREE MONTHS ENDED SEPTEMBER 30, 2004

NINE MONTHS ENDED SEPTEMBER 30, 2003

2004
2003
2004
2003 - -

\$0.6
\$0.2
\$0.9
\$0.6 ---

8) RESTRUCTURING AND ASSET IMPAIRMENT CHARGES

2004 RESTRUCTURING ACTIVITIES

During the third quarter of 2004, the Company recognized a \$5.7 charge, primarily for the planned severance of 76 employees, idle facility costs and movement of production. The actions by segment are as follows:

- The Fluid Technology segment recorded \$3.3 for the planned termination of 36 employees, including nine factory workers, 23 office workers and four management employees. Other costs totaling \$0.2 were also recognized during the quarter.

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

- The Motion & Flow Control segment recognized \$0.5 for the planned termination of 30 employees, including 23 factory workers and seven office workers. The segment also recorded \$0.6 for relocation and moving costs.
- The Electronic Components segment recorded \$0.4 for the planned termination of ten employees. The terminations include eight office workers and two management employees. The segment also recorded a \$0.7 charge primarily for costs associated with moving two product lines from Weinstadt, Germany to Shenzhen, China and one product line from Santa Ana, CA to Nogales, Mexico and idle facility costs.

In addition to the restructuring actions announced during the third quarter, the Motion & Flow Control segment recognized \$0.1 of severance and employee benefit costs related to actions announced during the first quarter of 2003 and \$0.1 of previous restructuring charges were reversed.

During the second quarter of 2004, the Company recognized a \$13.9 charge, primarily for the planned severance of 430 employees and the recognition of lease cancellation fees. The actions by segment are as follows:

- The Electronic Components segment recorded \$4.5 of the charge for the recognition of lease cancellation costs. Severance of \$1.2 was recorded for the planned reduction of 340 employees. The terminations include 273 factory workers, 64 office workers and three management employees. The segment also recorded a \$1.1 charge for the disposal of machinery and equipment.
- The Fluid Technology segment recorded \$2.4 for the planned termination of 45 employees, including eight factory workers and 37 office workers. Lease commitments totaling \$0.7 were recognized related to the closure of two facilities (one in Sweden and one in Florida). Asset write-offs and other costs totaling \$0.2 and \$0.1, respectively, were also recognized during the quarter.
- The Motion & Flow Control segment recognized \$2.1 for the planned termination of 44 employees, including seven factory workers, 32 office workers and five management employees.
- Corporate headquarters recorded \$1.6 for the severance of one management employee.

In addition to the restructuring actions announced during the second quarter, the Motion & Flow Control segment recognized \$0.3 of severance and employee benefit costs related to actions announced during the first quarter of 2003 and the Electronic Components segment recognized \$0.3 of severance and employee benefit costs related to actions announced during the first quarter of 2004 and \$0.1 of outplacement related to actions announced in 2003.

During the first quarter of 2004, the Company recognized a \$5.3 charge, primarily for the planned severance of 103 employees. The actions by segment are as follows:

- The Fluid Technology segment recorded \$2.7 for the planned termination of 50 employees, including 15 factory workers and 35 office workers. Asset write-offs and other costs totaling \$0.4 and \$0.1, respectively, were also recognized during the quarter.
- The Electronic Components segment recorded \$1.7 of the charge primarily for the planned reduction of 35 employees, including 23 factory workers, 11 office workers and one management employee.
- The Motion & Flow Control segment recognized \$0.2 for the planned termination of 16 employees, including three factory workers and 13 office workers.
- Corporate headquarters recorded \$0.2 for the planned severance of one office worker and one management employee.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

2003 RESTRUCTURING ACTIVITIES

During the fourth quarter of 2003 the Company announced actions to reduce operating costs primarily through the reduction of headcount. The \$15.4 restructuring charge primarily reflects the planned severance of 301 employees. The actions by segment are as follows:

- The Electronic Components segment recorded \$1.5 of the charge for the planned termination of 132 employees, including 113 factory workers, 14 office workers and five management employees.
- The Fluid Technology segment recognized \$12.4 of the charge for the planned severance of 134 employees, including 39 factory workers, 90 office workers and five management employees. Lease and other costs represent \$0.3 of the charge. The segment also recorded a \$0.2 charge associated with the disposal of machinery and equipment.
- The Defense Electronics & Services segment recorded a \$1.0 charge for the planned severance of 35 employees, including seven factory workers, 19 office workers and nine management employees.

In addition to the restructuring actions announced during the fourth quarter, the Motion & Flow Control segment recognized \$0.5 of severance and employee benefit costs related to actions announced during the first quarter and the Electronic Components segment recognized \$0.2 of outplacement related to actions announced earlier in 2003.

During the third quarter of 2003 the Company announced actions to reduce operating costs primarily through the reduction of headcount. The \$2.6 restructuring charge primarily reflects the planned severance of 72 employees. The actions by segment are as follows:

- The Electronic Components segment recorded \$1.2 of the charge for the planned termination of 40 employees, including 15 factory workers and 25 office workers. The segment also recorded a \$0.1 charge associated with the disposal of machinery and equipment.
- The Fluid Technology segment recognized a \$0.5 charge for the planned severance of 13 factory workers and 14 office workers. Lease and other costs represent \$0.4 of the charge.
- The Motion & Flow Control segment recorded a \$0.4 charge for the planned severance of one management employee and four office workers.

In addition to the restructuring actions announced during the third quarter, the Motion & Flow Control segment recognized \$0.2 of severance and employee benefit costs related to actions announced during the first quarter.

During the second quarter of 2003 the Company continued its program to reduce structural costs and increase profitability. Restructuring actions totaling \$4.7 were announced during the period. The charge primarily reflected the planned severance of 148 employees and the cancellation of an operating lease. The actions by segment are as follows:

- The Electronic Components segment comprises \$2.7 of the charge and the actions taken at this segment include the planned termination of six management employees, 19 factory workers and 71 office workers.
- The Motion & Flow Control segment recognized \$1.0 for the planned severance of 50 employees, including six management employees, 31 factory workers and 13 office workers. Lease termination fees of \$0.7 and asset disposal costs of \$0.1 were also reflected in the charge.
- At Corporate Headquarters, a charge of \$0.2 was recorded for the planned termination of one management employee and one office worker.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
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In addition to the restructuring actions announced during the second quarter, the Motion & Flow Control segment recognized \$1.2 of severance and employee benefit costs related to actions announced during the first quarter.

During the first quarter of 2003 the Company recorded a \$9.0 restructuring charge primarily for the planned severance of 465 persons. Severance of \$8.3 represents the majority of the charge. The actions by segment are as follows:

- The Electronic Components segment recorded \$6.8 of the charge for the planned termination of 226 persons, comprised of 101 office workers, 116 factory workers and nine management employees. Idle facility costs of \$0.3 and asset disposal costs of \$0.4 were also reflected in the charge. The actions were prompted by management's projections of continued weakness in certain businesses.
- Corporate Headquarters recorded \$1.1 of the charge for the consolidation of administrative tasks, including the planned termination of two management employees.
- The Motion & Flow Control segment recorded \$0.4 of the charge for the planned termination of 237 employees, comprised of 21 office workers and 216 factory workers. The charge relates to the closure of a manufacturing facility in Arkansas. The actions will be completed during 2003 and 2004 and the total estimated charge of approximately \$2.7 will be recognized ratably over the restructuring period as the terminations become effective. Management deemed the restructuring actions necessary to address the anticipated loss of certain platforms during the second half of 2003.

2003 OTHER ASSET IMPAIRMENTS

During 2003, the Company recorded a \$1.4 asset impairment charge primarily for a technology license that will not be utilized based on management's projections of future market conditions. The applicable assets were written down to their fair values based on management's comparison of projected future discounted cash flows generated by each asset to the applicable asset's carrying value. These impairments were unrelated to the Company's restructuring activities.

The following is a rollforward of the accrued cash restructuring balances for all restructuring plans.

DEFENSE MOTION			
FLUID			
ELECTRONICS &			
FLOW ELECTRONIC			
CORPORATE			
TECHNOLOGY &			
SERVICES			
CONTROL			
COMPONENTS AND			
OTHER TOTAL ---			

Balance			
December 31,			
2003.....	\$11.3	\$ 0.8	\$
	3.7	\$ 3.5	\$ 0.8
		\$ 20.1	
Additional			
restructuring			
charges for			
prior year			
plans.....	--	-- 0.4	0.1 -
	-	- 0.5	Payments
			for prior
			charges.....
	(8.9)	(0.6)	
	(2.6)	(1.7)	
	(0.5)	(14.3)	

```

Reversal of
prior
charges.....
(0.4) -- --
(0.5) -- (0.9)
2004
restructuring
charges.....
9.5 -- 3.4 8.8
1.8 23.5
Payments for
2004
charges.....
(4.8) -- (1.6)
(3.3) (0.3)
(10.0) Reversal
of 2004
charges.....
-----
(0.1) (0.1)
Other,
including
translation.....
(0.3) (0.1) --
-- -- (0.4) ---
-----
--- Balance
September 30,
2004..... $
6.4 $ 0.1 $ 3.3
$ 6.9 $ 1.7 $
18.4 =====
=====
=====
=====
=====

```

During the third quarter of 2004, \$0.1 of restructuring accruals related to a 2004 restructuring action was reversed into income.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
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During the second quarter of 2004, \$0.1 and \$0.2 of restructuring accruals related to 2003 and 2002 restructuring actions, respectively, were reversed into income. The reversals related to the 2003 actions primarily reflect lower than anticipated severance costs on completed actions at the Electronic Components segment. The reversals related to the 2002 actions represent lower than anticipated severance costs on completed actions at the Fluid Technology segment.

During the first quarter of 2004, \$0.2 and \$0.4 of restructuring accruals related to 2003 and 2001 restructuring actions, respectively, were reversed into income. The reversals related to the 2003 actions primarily reflect lower than anticipated severance costs on completed actions due to favorable employee attrition at the Electronic Components segment. The reversals associated with the 2001 actions represent lower than anticipated closed facility costs.

At December 31, 2003, the accrual balance for restructuring activities was \$20.1. Cash payments of \$24.3 and additional cash charges of \$24.0 were recorded in the first nine months of 2004. The accrual balance related to cash charges at September 30, 2004 is \$18.4, which includes \$11.7 for severance and \$6.7 for facility carrying costs and other.

As of December 31, 2003, remaining actions under restructuring activities announced in 2003, 2002 and 2001 were to close one facility and reduce headcount by 208. During the first nine months of 2004, the Company reduced headcount by 765 persons related to all plans and experienced employee attrition, leaving a balance of 47 planned reductions. Actions announced during the third quarter of 2004 will be substantially completed by the end of 2004. Actions announced during the second quarter of 2004 will be substantially completed by the end of the first quarter of 2005. Actions announced during the first quarter of 2004 are substantially completed. Actions announced during 2003 will be substantially completed by the end of 2004. All of the actions contemplated under the 2002 and 2001 plans were substantially completed in 2003. Closed facility expenditures and severance run-off related to the 2001 plan will continue to be incurred in 2004.

9) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The nature of the Company's business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates, currency exchange rates, and commodity prices. As discussed more completely in Notes 1, "Accounting Policies", and 18, "Financial Instruments," within the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K, the Company uses derivative financial instruments to mitigate or eliminate certain of those risks.

At September 30, 2004 and December 31, 2003, the values of the Company's interest rate swaps were \$89.5 and \$81.6, including \$7.5 and \$4.0 of accrued interest, respectively.

A reconciliation of current period changes contained in the accumulated other comprehensive loss component of shareholders' equity is not required as no material activity occurred during the first nine months of 2004 and 2003. Additional disclosures required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are presented below.

HEDGES OF FUTURE CASH FLOWS

At September 30, 2004 the Company had four foreign currency cash flow hedges outstanding that had no change in value during 2004. At December 31, 2003 the Company had no foreign currency cash flow hedges outstanding. There were no changes in the forecasted transactions during 2004 regarding their probability of occurring that would require amounts to be reclassified to earnings.

The notional amount of the foreign currency forward contracts utilized to hedge cash flow exposures was \$1.0 at September 30, 2004. The applicable fair value of these contracts at September 30, 2004 was

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approximately zero. There were no ineffective portions of changes in fair values of cash flow hedge positions reported in earnings for the nine months ended September 30, 2004 and 2003, and no amounts were excluded from the measure of effectiveness reported in earnings during these periods.

HEDGES OF RECOGNIZED ASSETS, LIABILITIES AND FIRM COMMITMENTS

At September 30, 2004 and December 31, 2003, the Company had foreign currency forward contracts with notional amounts of \$76.1 and \$81.1, respectively, to hedge the value of recognized assets, liabilities and firm commitments. The fair value of the 2004 and 2003 contracts were approximately zero and \$0.2 at September 30, 2004 and December 31, 2003, respectively. The ineffective portion of changes in fair values of such hedge positions reported in operating income during the first nine months of 2004 and 2003 amounted to \$(0.3) and \$(0.2), respectively. There were no amounts excluded from the measure of effectiveness.

The fair values associated with the foreign currency contracts have been valued using the net position of the contracts and the applicable spot rates and forward rates as of the reporting date.

10) GOODWILL AND OTHER INTANGIBLE ASSETS

The Company follows the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and indefinite-lived intangible assets be tested for impairment on an annual basis, or more frequently if circumstances warrant. Annual goodwill impairment tests were completed in the first quarters of 2004 and 2003 (as of the beginning of the year) and it was determined that no impairment exists.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2004, by business segment, are as follows:

DEFENSE MOTION FLUID ELECTRONICS & FLOW ELECTRONIC CORPORATE TECHNOLOGY & SERVICES CONTROL COMPONENTS AND OTHER TOTAL ----- -----					
-- -----	Balance as of December 31, 2003.....	\$809.4			
	\$303.7	\$181.6	\$329.4	\$5.0	
	\$1,629.1	Goodwill acquired during the			
period.....	196.0	621.1	-- -- -- 817.1	Other, including foreign currency translation.....	
	(9.5)	-- (0.3)	1.6 -- (8.2)	-----	
	---	Balance as of September 30, 2004....	\$995.9	\$924.8	\$181.3
	\$331.0	\$5.0	\$2,438.0	=====	
	=====	=====	=====	=====	

Information regarding the Company's other intangible assets follows:

SEPTEMBER 30, DECEMBER 31, 2004 2003 ----- -- -----	Finite-lived intangibles -- Customer relationships, patents and other.....	\$205.5	\$34.1	Accumulated amortization.....	(13.2)
(8.4)	Indefinite-lived intangibles -- Brands and trademarks.....	40.9			
	17.7 Pension related.....				
	31.4 31.4 ----- -----	Net			
intangibles.....	\$264.6	\$74.8	=====	=====	

During the first quarter of 2004, the Company completed the acquisition of Wedeco AG Water Technology ("Wedeco"). The acquisition of Wedeco resulted in the

recognition of \$194.8 of goodwill, \$23.1

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of intangibles for trade names and \$46.0 for patents and customer relationships. During the third quarter of 2004, the Company completed the acquisition of Remote Sensing Systems. This acquisition preliminarily resulted in the recognition of \$616.1 of goodwill, \$120.0 of intangible assets related to customer relationships and \$4.9 of other intangible assets.

Amortization expense related to intangible assets for the nine month periods ended September 30, 2004 and 2003 was \$4.8 and \$2.0, respectively. Estimated amortization expense for each of the five succeeding years is as follows:

2005
2006
2007
2008
2009
- - - -
- - - -
- - - -
- - - -
- - - -
- - - -
- - - -
\$19.4
\$20.5
\$18.6
\$16.0
\$14.3

11) DISCONTINUED OPERATIONS

In September of 1998, the Company completed the sales of its automotive Electrical Systems business to Valeo SA for approximately \$1,700 and its Brake and Chassis unit to Continental AG of Germany for approximately \$1,930. These dispositions were treated as discontinued operations. In 1998, the Company received notifications of claims from the buyers of the automotive business requesting post-closing adjustments to the purchase prices under the provisions of the sales agreements. In 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

At September 30, 2004, the Company had automotive discontinued operations accruals of \$186.0 that are primarily related to taxes (\$154.1), product recalls (\$7.8), environmental obligations (\$14.2) and employee benefits (\$9.9). In 2004, the Company made immaterial payments of its automotive discontinued operations liabilities. The Company expects that it will cash settle \$154.1 of tax obligations in late 2004 or 2005.

12) PENSION AND POSTRETIREMENT MEDICAL BENEFIT EXPENSES

The components of net periodic pension cost consisted of the following:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2004	2003	2004	2003
	----- Components			
of net periodic pension cost: Service				
cost.....	\$ 20.8	\$ 18.3	\$ 62.4	\$ 54.9
Interest				
cost.....	66.0	64.1	198.2	192.3
Expected return on				
plan assets.....	(81.8)	(251.1)	(245.4)	(83.7)
Amortization of				
transition assets.....	--	0.1	--	0.1
Amortization of prior service				
cost.....	1.6	1.6	5.0	4.8
Recognized actuarial				
loss.....	12.7	6.0		
Net	38.1	18.0		
periodic pension				
cost.....	\$ 17.4	\$		
	8.3	\$ 52.6	\$ 24.9	=====
				=====

Net periodic pension cost increased in the first nine months of 2004 as a result of the lower discount rate adopted at year-end 2003, higher average foreign exchange rates, lower expected returns on assets as a result of the operation of the asset smoothing method reflecting adverse financial experience in 2002 and 2001 and a higher amortization of actuarial losses.

The Company contributed approximately \$16.7 to its various plans during the third quarter of 2004 and \$123.1 for the first nine months of 2004. Additional contributions totaling between \$2.0 and \$5.0 are expected over the balance of 2004.

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The components of net periodic postretirement cost consisted of the following:

	THREE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2003	THREE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2004
Components of net periodic postretirement cost: Service cost.....	\$ 1.8	\$ 1.7	\$ 5.4	\$ 5.1
Interest cost.....	9.8	9.7	29.4	29.1
Expected return on plan assets.....	(14.1)	(11.7)	(4.7)	(3.9)
Amortization of prior service benefit.....	(3.0)	(3.0)	(1.0)	(1.0)
Recognized actuarial loss.....	10.5	11.7	3.5	3.9
Net periodic postretirement cost.....	\$ 31.2	=====	\$ 9.4	\$10.4
			\$ 28.2	=====

Net periodic postretirement cost decreased in the first nine months of 2004 as a result of the higher than expected return on invested assets and lower than expected benefit payments during 2003.

In January 2004, FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-1") was issued. Subsequently, FSP No. 106-2 was issued, which amends FSP No. 106-1 and discusses the recognition of the effects for the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) in the accounting for postretirement health care plans under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and in providing disclosures related to the plan required by SFAS No. 132. The Company adopted this pronouncement effective July 1, 2004, but is unable to conclude whether benefits of its plans are actuarially equivalent and shall measure any effects of the Act at the next measurement date for plan assets and obligations. See Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K for discussion of postretirement benefits.

13) COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries from time to time are involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities, intellectual property matters, copyright infringement, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. The Company will continue to vigorously defend itself against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including the Company's assessment of the merits of the particular claim, as well as its current reserves and insurance coverage, the Company does not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of the Company on a consolidated basis in the foreseeable future.

ENVIRONMENTAL

The Company has accrued for environmental remediation costs associated with identified sites consistent with the policy set forth in Note 1, "Accounting Policies" in the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K. In management's opinion, the total amount accrued and related receivables are appropriate based on existing facts and circumstances. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the

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Company's share, if any, of liability for such conditions, the selection of alternative remedies, and changes in clean-up standards. In the event that future remediation expenditures are in excess of amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position, results of operations or cash flows.

In the ordinary course of business, and similar to other industrial companies, the Company is subject to extensive and changing federal, state, local, and foreign environmental laws and regulations. The Company has received notice that it is considered a potentially responsible party ("PRP") at a limited number of sites by the United States Environmental Protection Agency ("EPA") and/or a similar state agency under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") or its state equivalent. As of September 30, 2004, the Company is responsible, or is alleged to be responsible, for approximately 100 environmental investigation and remediation sites in various countries. In many of these proceedings, the Company's liability is considered de minimis. At September 30, 2004, the Company calculated a best estimate of \$101.6, which approximates its accrual, related to the cleanup of soil and ground water. The low range estimate for its environmental liabilities is \$77.2 and the high range estimate for those liabilities is \$165.1. On an annual basis the Company spends between \$8.0 and \$11.0 on its environmental remediation liabilities. These estimates, and related accruals, are reviewed periodically and updated for progress of remediation efforts and changes in facts and legal circumstances. Liabilities for environmental expenditures are recorded on an undiscounted basis.

The Company is involved in an environmental proceeding in Glendale, California relating to the San Fernando Valley aquifer. The Company is one of numerous PRPs who are alleged by the EPA to have contributed to the contamination of the aquifer. In January 1999, the EPA filed a complaint in the United States District Court for the Central District of California against the Company and Lockheed Martin Corporation, United States v. ITT Industries, Inc. and Lockheed Martin Corp. CV99-00552 SVW AIJX, to recover costs it incurred in connection with the foregoing. In May 1999, the EPA and the PRPs, including the Company and Lockheed Martin, reached a settlement, embodied in a consent decree, requiring the PRPs to perform additional remedial activities. Pursuant to the settlement, the PRPs, including the Company, have constructed and are operating a water treatment system. The operation of the water treatment system is expected to continue until 2013. ITT and the other PRPs continue to pay their respective allocated costs of the operation of the water treatment system and the Company does not anticipate a default by any of the PRPs which would increase its allocated share of the liability. As of September 30, 2004, the Company's accrual for this liability was \$10.4 representing its best estimate; its low estimate for the liability is \$7.0 and its high estimate is \$15.9.

ITT Corporation operated a facility in Madison County, Florida from 1968 until 1991. In 1995, elevated levels of contaminants were detected at the site. Since then, ITT has completed the investigation of the site in coordination with state and federal environmental authorities and is in the process of evaluating various remedies. A remedy for the site has not yet been selected. Currently, the estimated range for the remediation is between \$5.8 and \$19.7. The Company has accrued \$8.3 for this matter, which approximates its best estimate.

The Company is involved with a number of PRPs regarding property in the City of Bronson, Michigan operated by a former subsidiary of ITT Corporation, Higbie Manufacturing, prior to the time ITT acquired Higbie. The Company and other PRPs are investigating and remediating discharges of industrial waste which occurred in the 1930's. The Company's current estimates for its exposure are between \$6.2 and \$13.9. It has an accrual for this matter of \$9.5 which represents its best estimate of its current liabilities. The Company does not anticipate a default on the part of the other PRPs.

In a suit filed in 1991 by the Company, in the California Superior Court, Los Angeles County, ITT Corporation, et al. v. Pacific Indemnity Corporation et al., against its insurers, the Company is seeking

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recovery of costs it incurred in connection with its environmental liabilities including the three listed above. Discovery, procedural matters, changes in California law, and various appeals have prolonged this case. Currently, the matter is before the California Court of Appeals from a decision by the California Superior Court dismissing certain claims of the Company. The dismissed claims were claims where the costs incurred were solely due to administrative (versus judicial) actions. A hearing is expected in 2005. In the event the appeal is successful, the Company will pursue the administrative claims against its excess insurers. During the course of the litigation the Company has negotiated settlements with certain defendant insurance companies and is prepared to pursue its legal remedies where reasonable negotiations are not productive. A portion of the recoveries from the insurance settlements have been placed in a trust and are used to reimburse the Company for its environmental costs.

PRODUCT LIABILITY

The Company and its subsidiary Goulds Pumps, Inc. ("Goulds") have been joined as defendants with numerous other industrial companies in product liability lawsuits alleging injury due to asbestos. These actions against the Company have been managed by our historic product liability insurance carriers. These claims stem primarily from products sold prior to 1985 that contained a part manufactured by a third party, e.g., a gasket, which allegedly contained asbestos. The asbestos was encapsulated in the gasket (or other) material and was non-friable. In certain other cases, it is alleged that former ITT companies were distributors for other manufacturers' products that may have contained asbestos.

Frequently, the plaintiffs are unable to demonstrate any injury or do not identify any ITT or Goulds product as a source of asbestos exposure. During 2003, ITT and Goulds resolved approximately 2,000 claims through settlement or dismissal. The average amount of settlement per plaintiff has been nominal and substantially all defense and settlement costs have been covered by insurance. Based upon past claims experience, available insurance coverage, and after consultation with counsel, management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company is involved in a matter, Cannon Electric, Inc. et al. v. Ace Property & Casualty Company et al., Superior Court, County of Los Angeles, CA., Case No. BC 290354. A related suit filed in New York, Pacific Employers Insurance Company et al. v. ITT Industries, Inc. et al., Supreme Court, County of New York, N.Y., Case No. 03600463 has been stayed in deference to the California suit. The parties in both cases are seeking an appropriate allocation of responsibility for the Company's historic asbestos liability exposure among its insurers. The California action is filed in the same venue where the Company's environmental insurance recovery litigation has been pending since 1991. In April 2004, the Company and Ace Property & Casualty Company entered into an agreement resolving both cases as they relate to Ace Property & Casualty Company. The Company will pursue similar agreements with several of its other insurers. In addition, Utica National, Goulds' historic insurer, filed an action in Oneida County, New York (Utica Mutual Insurance Co. v. Goulds Pumps, Inc., Oneida County, New York, Case No. 00272103), to allocate the Goulds asbestos liabilities between insurance policies issued by Utica and those issued by others. The venue for this matter has been changed to the County of Los Angeles and consolidated with the above matter. The parties are currently considering a settlement agreement similar to the Ace agreement. The Company is continuing to receive the benefit of insurance payments during the pendency of these proceedings. The Company believes that these actions will not materially affect the availability of its insurance coverage and will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is one of several defendants in a suit filed in El Paso, Texas, Bund zur Unterstutzung Radargeschadigter et al. v. ITT Industries, Inc. et al., Sup. Ct., El Paso, Texas, C.A. No. 2002-4730. This Complaint, filed by both U.S. and German citizens, alleges that ITT and four other major companies failed to

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warn the plaintiffs of the dangers associated with exposure to x-ray radiation from radar devices. The Complaint also seeks the certification of a class of similarly injured persons. On October 5, 2004, the Company filed an action, ITT Industries, Inc. et al. v. Fireman's Fund Insurance Company et al., Superior Court, County of Los Angeles, BC 322546, against various insurers who issued historic aircraft products coverage to the Company seeking a declaration that each is liable for the costs of defense of the El Paso matter. Management believes that this matter will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is involved in a product liability suit filed in Superior Court of New York, Danis v. Rule Industries et al., Sup. Ct. N.Y., C.A. No. 115975-02, seeking damages for injuries sustained in a boat explosion. In October 2004, the Company favorably resolved this matter.

The Company has received demands from U.S. Silica for partial indemnity regarding personal injury actions alleging injury due to silica. In 1985, the Company sold the stock of its subsidiary Pennsylvania Glass Sand to U.S. Silica. As part of that transaction, the Company provided an indemnity to U.S. Silica for silica personal injury suits. That indemnity expires in September 2005. Costs incurred in these matters related to the defense, settlements or judicial awards are allocated between U.S. Silica and the Company. The Company's allocated portion is paid in part by its historic product liability carriers and then shared pursuant to the Distribution Agreement. See "Company History and Certain Relationships" within Part I, Item 1 of the 2003 Annual Report on Form 10-K for a description of the Distribution Agreement. Management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

OTHER

The Company is involved in an arbitration with Rayonier, Inc., a former subsidiary of the Company's predecessor ITT Corporation. The arbitration involves a claim by Rayonier stemming from the 1994 Distribution Agreement for the spinoff of Rayonier by ITT Corporation. Rayonier seeks a portion of the proceeds from certain settlements in connection with the Company's environmental insurance recovery litigation. The Company believes the claim is grossly overstated and will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

14) GUARANTEES, INDEMNITIES AND WARRANTIES

GUARANTEES & INDEMNITIES

In September of 1998, the Company completed the sale of its automotive electrical systems business to Valeo SA for approximately \$1,700. As part of the sale, the Company provided Valeo SA with representations and warranties with respect to the operations of the Business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Valeo SA for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Valeo SA may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Valeo SA on an undiscounted basis is \$680. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at September 30, 2004 the Company has an accrual of \$7.8 which is its best estimate of the potential exposure.

In September of 1998, the Company completed the sale of its brake and chassis unit to Continental AG for approximately \$1,930. As part of the sale, the Company provided Continental AG with representations and warranties with respect to the operations of that Business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Continental AG for losses related to a misrepresentation or breach of the representations and

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(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

warranties. With a few limited exceptions, the indemnity periods within which Continental AG may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Continental AG on an undiscounted basis is \$950. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at September 30, 2004 the Company has an accrual of \$14.2 which is its best estimate of the potential exposure.

Since its incorporation in 1920, the Company has acquired and disposed of numerous entities. The related acquisition and disposition agreements contain various representation and warranty clauses and may provide indemnities for a misrepresentation or breach of the representations and warranties by either party. The indemnities address a variety of subjects; the term and monetary amounts of each such indemnity are defined in the specific agreements and may be affected by various conditions and external factors. Many of the indemnities have expired either by operation of law or as a result of the terms of the agreement. The Company does not have a liability recorded for the historic indemnifications and is not aware of any claims or other information that would give rise to material payments under such indemnities. The Company has separately discussed material indemnities provided within the last eight years.

The Company provided three guarantees with respect to its real estate development activities in Flagler County, Florida. Two of these guarantee bonds were issued by the Dunes Community Development District (the District). The bond issuances were used primarily for the construction of infrastructure, such as water and sewage utilities and a bridge. The Company has been released from its obligation to perform under both of these guarantees in the third quarter of 2004. The third guarantee is a performance bond in the amount of \$10.0 in favor of Flagler County, Florida. The Company would be required to perform under this guarantee if certain parties did not satisfy all aspects of the development order, the most significant aspect being the expansion of a bridge. The maximum amount of the undiscounted future payments on the third guarantee equals \$10.0. At September 30, 2004, the Company has an accrual related to the expansion of a bridge in the amount of \$10.0.

In December of 2002, the Company entered into a sales-type lease agreement for its corporate aircraft and then leased the aircraft back under an operating lease agreement. The Company has provided, under the agreement, a residual value guarantee to the counterparty in the amount of \$44.8, which is the maximum amount of undiscounted future payments. The Company would have to make payments under the residual value guarantee only if the fair value of the aircraft was less than the residual value guarantee upon termination of the agreement. At September 30, 2004, the Company does not believe that a loss contingency is probable and therefore does not have an accrual recorded in its financial statements.

PRODUCT WARRANTIES

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency, and average cost of warranty claims. The Company warrants numerous products, the terms of which vary widely. In general, the Company warrants its products against defect and specific nonperformance. In the automotive businesses, liability for product defects could extend beyond the selling price of the product and could be significant if the defect shuts down production or results in a recall. At September 30, 2004, the Company has a product warranty accrual in the amount of \$33.7.

PRODUCT WARRANTY LIABILITIES

ACCRUALS
FOR
PRODUCT
CHANGES IN
PRE-
EXISTING
BEGINNING
BALANCE
WARRANTIES
ISSUED
WARRANTIES
INCLUDING
ENDING
BALANCE
JANUARY 1,

The excess of the purchase price over the fair value of net assets acquired of \$201.0 was recorded as goodwill, of which \$196.0 and \$5.0 are reflected in the Fluid Technology and Defense Electronics & Services segments, respectively.

PRO FORMA RESULTS

The following unaudited pro forma financial information presents the combined results of operations of the Company and RSS as if RSS was acquired on January 1, 2004 and 2003. The pro forma results presented below for the three and nine months ended September 30, 2004 combine the results of the Company for the three and nine months ended September 30, 2004 and the historical results of RSS from July 1, 2004 to August 12, 2004 and from January 1, 2004 to August 12, 2004, respectively. The pro forma results presented below for the three and nine months ended September 30, 2003 combine the results of the Company for the three and nine months ended September 30, 2003 and the historical results of RSS for the three and nine months ended September 30, 2003. The unaudited pro forma financial information is not intended to represent or be indicative of the Company's consolidated results of operations that would have been reported had RSS been acquired as of the beginning of the periods presented and should not be taken as indicative of the

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

Company's future consolidated results of operations. Pro forma adjustments are tax effected at the Company's effective tax rate.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	-----		-----	
	2004		2003	
	2004	2003	2004	2003
----- Sales and				
Revenues.....	\$1,724.8	\$1,476.7	\$5,147.6	\$4,404.1
----- Net				
Income.....	\$ 107.9	\$ 110.2	\$ 318.0	\$ 298.4
----- Diluted				
earnings per share.....	\$ 1.14	\$ 1.17	\$ 3.37	\$ 3.17

2003 ACQUISITIONS

During the first nine months of 2003, the Company spent \$44.1 primarily for the acquisition of the following:

- The VEAM/TEC division of the Northrop Grumman Corporation ("VEAM"). VEAM is a designer and manufacturer of cylinder, filter and fiber optic connectors for the military/aerospace, industrial, transit, entertainment and nuclear markets.
- Uniservice Wellpoint Srl., a manufacturer of high quality diesel and electric powered, vacuum primed centrifugal pumps, along with spear or well point dewatering systems for the rental market and sale.

The excess of the purchase price over the fair value of net assets acquired of \$27.6 was recorded as goodwill, of which \$23.0 and \$4.6 were recorded in the Electronic Components and Fluid Technology segments, respectively.

16) BUSINESS SEGMENT INFORMATION

Financial information of the Company's business segments for the three and nine months ended September 30, 2004 and 2003 were as follows:

DEFENSE MOTION & CORPORATE, THREE MONTHS ENDED FLUID ELECTRONICS & FLOW ELECTRONIC ELIMINATIONS & SEPTEMBER 30, 2004 TECHNOLOGY SERVICES CONTROL COMPONENTS OTHER TOTAL -	-----	-----	-----	-----
----- Sales and revenues.....	\$			
619.2	\$ 630.2	\$242.8		
\$178.1	\$ (2.6)	\$1,667.7		

Costs of sales and revenues.....				
405.0	395.0	177.5	127.0	
(3.6)	1,100.9	Selling, general, and administrative expenses.....		
122.8	43.7	21.6	33.5	
23.0	244.6	Research, development, and engineering expenses.....	10.9	119.7
10.5	9.3	--	150.4	
Restructuring and asset impairment				

charges.....	3.5	--		
1.2 1.1 --	5.8	Reversal		
of restructuring				
charge.....				
-- -- -- --	(0.1)	(0.1)		

Total costs and				
expenses...	542.2	558.4		
210.8 170.9 19.3	1,501.6			

Operating income				
(expense).....				
\$ 77.0 \$ 71.8 \$ 32.0 \$				
7.2 \$ (21.9) \$ 166.1				
=====	=====	=====		
=====	=====	=====		
Total				
assets.....				
\$2,432.9 \$1,807.2 \$723.6				
\$776.1 \$1,495.6 \$7,235.4				

ITT INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS -- (CONTINUED)
(IN MILLIONS, EXCEPT PER SHARE, UNLESS OTHERWISE STATED)

DEFENSE MOTION &
CORPORATE, THREE MONTHS
ENDED FLUID ELECTRONICS
& FLOW ELECTRONIC
ELIMINATIONS & SEPTEMBER
30, 2003 TECHNOLOGY
SERVICES CONTROL
COMPONENTS OTHER TOTAL -

----- Sales
and revenues..... \$
564.1 \$445.9 \$223.0
\$143.8 \$ (1.6) \$1,375.2

Costs of sales and
revenues.....
375.7 259.5 164.1 106.8
(2.4) 903.7 Selling,
general, and
administrative
expenses.....
102.1 28.9 20.9 27.4
16.6 195.9 Research,
development, and
engineering
expenses..... 11.1 109.4
8.7 8.0 -- 137.2
Restructuring and asset
impairment
charges..... 0.9 --
0.6 1.3 -- 2.8 Reversal
of restructuring
charge.....
-- -- -- (1.2) -- (1.2)

Total costs and
expenses... 489.8 397.8
194.3 142.3 14.2 1,238.4

Operating income
(expense).....
\$ 74.3 \$ 48.1 \$ 28.7 \$
1.5 \$ (15.8) \$ 136.8
=====

Total
assets.....
\$2,001.4 \$899.4 \$698.9
\$764.8 \$1,474.9 \$5,839.4

DEFENSE MOTION &
CORPORATE, NINE MONTHS
ENDED FLUID ELECTRONICS
& FLOW ELECTRONIC
ELIMINATIONS & SEPTEMBER
30, 2004 TECHNOLOGY
SERVICES CONTROL
COMPONENTS OTHER TOTAL -

----- Sales
and revenues.....
\$1,845.0 \$1,667.4 \$798.1
\$531.3 \$ (5.7) \$4,836.1

Costs of sales and

revenues.....				
1,215.5	1,024.3	577.5		
374.7	(5.0)	3,187.0		
Selling, general, and				
administrative				
expenses.....				
374.3	104.4	72.8	102.6	
58.3	712.4	Research,		
development, and		engineering		
expenses.....	39.9	362.4		
31.6	28.1	--	462.0	
Restructuring and asset				
impairment				
charges.....	10.1	--		
3.8	10.0	1.8	25.7	
Reversal of				
restructuring				
charge.....				
(0.4)	--	--	(0.5)	(0.1)
(1.0)	-----	-----	-----	-----

-----	Total costs and			
expenses... 1,639.4				
1,491.1	685.7	514.9	55.0	
4,386.1	-----	-----	-----	
-	-----	-----	-----	

-----	Operating			
income				
(expense).....				
\$ 205.6	\$ 176.3	\$112.4	\$	
16.4	\$ (60.7)	\$ 450.0		
=====	=====	=====	=====	
=====	=====	=====	=====	

-----	Total			
assets.....				
\$2,432.9	\$1,807.2	\$723.6		
\$776.1	\$1,495.6	\$7,235.4		

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

THREE MONTHS

The Company produced strong operating results in the third quarter of 2004. Revenues grew 21.3% from the comparable prior year quarter. Acquisitions and foreign currency contributed growth of 8.9% and higher volume in all segments produced an increase of 12.4%. We believe these results reflect the strength of the Company's portfolio of businesses and the introduction of new products.

Operating income in the third quarter of 2004 was 21.4% higher than the third quarter of 2003. The increase was led by the Defense Electronics & Services segment, which was up 49.3%, and reflects higher volume at all of the operating segments.

Diluted earnings per share were \$1.16 for the third quarter and include the impact of favorable tax rulings of \$0.04 and restructuring charges of \$(0.04). Diluted earnings per share for the comparable prior year quarter were \$1.16 and include the impact of restructuring of \$(0.01), discontinued operations of \$0.07 and tax settlements and other special items of \$0.14.

NINE MONTHS

The Company's revenues grew 17.7% from the comparable prior year period. Higher volume in all segments contributed 10.9% and the remaining increase of 6.8% was due to acquisitions and foreign currency. These results reflect the strength of the Company's portfolio of businesses and the introduction of new products. Based on these results and current/projected market conditions, the Company projects full year 2004 revenue to be between \$6,600 million and \$6,655 million.

Operating income in the first nine months of 2004 was 16.0% higher than the first nine months of 2003. The increase reflects higher volume, partially offset by acquisition integration and start up costs primarily attributable to the acquisition of WEDECO AG Water Technology. Management projects full year 2004 segment operating margin to be between 11.1% and 11.2%.

Diluted earnings per share were \$3.29 for the first nine months and include the impact of favorable tax settlements/rulings of \$0.20 and restructuring charges of \$(0.18). Diluted earnings per share for the comparable prior year period were \$3.14 and include the impact of favorable tax settlements and related interest of \$0.31, restructuring of \$(0.13) and the impact of discontinued operations of \$0.15. Full year 2004 diluted earnings per share are projected to be between \$4.45 and \$4.50.

THREE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED WITH THREE MONTHS ENDED
SEPTEMBER 30, 2003

Sales and revenues for the third quarter of 2004 were \$1,667.7 million, an increase of \$292.5 million, or 21.3%, from the same period in 2003. Costs of sales and revenues of \$1,100.9 million for the third quarter of 2004 increased \$197.2 million, or 21.8%, from the comparable 2003 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in the Defense Electronics & Services, Electronic Components and Motion & Flow Control segments, contributions from acquisitions made by the Fluid Technology and Defense Electronics & Services' segments and the impact of foreign currency translation.

Selling, general and administrative ("SG&A") expenses for the third quarter of 2004 were \$244.6 million, an increase of \$48.7 million, or 24.9%, from the third quarter of 2003. The increase in SG&A expenses was primarily due to the impact of foreign currency translation, increased marketing expense in all segments, including expenses from two first quarter acquisitions and higher general and administrative expenses. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives, and increased other administrative expenses.

Research, development and engineering ("RD&E") expenses for the third quarter of 2004 increased \$13.2 million, or 9.6%, compared to the third quarter of 2003. The increase is attributable to increased spending in most segments.

During the third quarter of 2004, the Company recorded a \$5.8 million restructuring charge to streamline its operating structure. The charge primarily reflected the planned reduction of 76 persons. During the third quarter of 2003, the Company recorded a \$2.8 million restructuring charge for actions to reduce operating costs and streamline its structure. The 2003 charge primarily reflected the planned reduction of 72 persons. Additionally, management reviewed the Company's remaining restructuring actions and determined that certain 2003 and 2001 actions would be completed for \$1.2 million less than planned at the Electronic Components segment. Accordingly, restructuring accruals totaling \$1.2 million were reversed into income during the third quarter of 2003. Refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

Operating income for the third quarter of 2004 was \$166.1 million, an increase of \$29.3 million, or 21.4%, over the third quarter of 2003. The increase is primarily due to improved sales and revenues at each of the segments offset by increased SG&A and RD&E expenses. Segment operating margin for the third quarter of 2004 was 11.3%, which was flat with the comparable 2003 period.

Interest expense was \$8.6 million (net of interest income of \$1.2 million) for the third quarter of 2004. Interest income was \$5.3 million (net of interest expense of \$6.0 million) for the third quarter of 2003. The \$13.9 million increase in expense from the comparable prior year period is primarily due to interest income received from the sale of a cost based investment during 2003 that management previously believed would not be received. Upon collection, the Company reversed the related valuation allowance into income. Additionally, higher average debt balances during 2004 attributable to two acquisitions made during 2004, as well as higher interest rates also contributed to the increase.

Income tax expense was \$43.9 million in the third quarter of 2004, an increase of \$6.3 million from the comparable prior year period. The increase is primarily attributable to higher taxable income.

Income from continuing operations was \$109.5 million, or \$1.16 per diluted share compared to \$102.5 million or \$1.09 per diluted share for the third quarter of 2003. The increase reflects the results discussed above.

During the third quarter of 2004, the Company recognized \$0.3 million of income from discontinued operations. During the third quarter of 2003, the Company recognized \$6.7 million of income from discontinued operations. The 2003 income primarily related to the receipt of a tax refund pertaining to the Company's discontinued businesses.

Fluid Technology's sales and revenues and costs of sales and revenues increased \$55.1 million, or 9.8%, and \$29.3 million, or 7.8%, respectively, in the third quarter of 2004 compared to the third quarter of 2003. Higher organic sales in the water/wastewater markets and fluid handling division, acquisition revenue from the water treatment business and the impact of foreign currency translation were the primary factors for the increases. These items were partially offset by lower sales in the engineered process solutions business. SG&A expenses for the third quarter of 2004 increased \$20.7 million, or 20.3%, compared to the third quarter of 2003, mainly due to the impact of foreign currency translation, increased advertising costs, sales commissions and administrative costs in most businesses, and costs attributable to 2004 acquisitions. During the third quarter of 2004 and the comparable prior year quarter, the segment recorded \$3.5 million and \$0.9 million of restructuring charges, respectively, mainly related to planned reductions in headcount (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the third quarter of 2004 increased \$2.7 million, or 3.6%, compared to the third quarter of 2003, due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the third quarter of 2004 increased \$184.3 million, or 41.3%, and \$135.5 million, or 52.2%, respectively, from the comparable prior

year period. The increases are primarily due to higher volume in the night vision, advanced engineering systems and services businesses and acquisition revenue from the space systems division. A change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses increased \$14.8 million, or 51.2%, primarily due to increased employee benefit and administrative costs, higher marketing costs and costs attributable to the third quarter 2004 acquisition. RD&E expenses increased \$10.3 million, or 9.4%, due to increased spending in most businesses and the impact of the third quarter 2004 acquisition. Operating income for the third quarter of 2004 was \$71.8 million, an increase of \$23.7 million, or 49.3%, compared to the same quarter in 2003. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of \$242.8 million and \$177.5 million, respectively, during the third quarter of 2004, reflecting increases of \$19.8 million, or 8.9%, and \$13.4 million, or 8.2%, from the third quarter of 2003. The increases were mainly due to higher volume in the friction material, aerospace and spa/whirlpool businesses and the impact of foreign currency translation. SG&A expenses increased \$0.7 million, or 3.3%, reflecting the impact of foreign currency translation and higher administrative expenses. RD&E costs increased \$1.8 million, or 20.7%, due to increased spending in all businesses. During the third quarters of 2004 and 2003, the segment recorded \$1.2 million and \$0.6 million of restructuring charges, respectively, mainly related to planned reductions in headcount (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income of \$32.0 million was \$3.3 million, or 11.5%, higher in the third quarter of 2004, compared to the third quarter of 2003, primarily due to the items mentioned above.

Electronic Components' sales and revenues of \$178.1 million and costs of sales and revenues of \$127.0 million in the third quarter of 2004, increased \$34.3 million, or 23.9%, and \$20.2 million, or 18.9%, respectively, from the comparable prior year period. The increases reflect higher growth in the communication, transportation and military/aerospace businesses and the impact of foreign currency translation. SG&A expenses increased \$6.1 million, or 22.3%, due to the impact of foreign currency translation, increased marketing, employee benefit and administrative expenses. During the third quarter of 2004, the segment recorded a \$1.1 million restructuring charge primarily relating to planned headcount reductions and moving costs. During the third quarter of 2003, the segment recorded a \$1.3 million charge primarily for headcount reductions and also reversed \$1.2 million of restructuring accruals deemed unnecessary for the completion of previously announced actions (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the third quarter of 2004 increased \$5.7 million from the third quarter of 2003. The increase was due to the factors discussed above.

Corporate expenses increased \$6.1 million in the third quarter of 2004, primarily due to increased costs for process improvements and other administrative costs.

NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2003

Sales and revenues for the first nine months of 2004 were \$4,836.1 million, an increase of \$726.3 million, or 17.7%, from the same period in 2003. Costs of sales and revenues of \$3,187.0 million for the first nine months of 2004 increased \$487.3 million, or 18.1%, from the comparable 2003 period. The increases in sales and revenues and costs of sales and revenues are primarily attributable to higher volume in all segments, contributions from acquisitions made by the Fluid Technology and Defense Electronics & Services' segments and the impact of foreign currency translation. Additionally, costs of sales and revenues increased due to a change in product mix.

SG&A expenses for the first nine months of 2004 were \$712.4 million, an increase of \$117.6 million, or 19.8%, from the first nine months of 2003. The increase in SG&A expenses was primarily due to the impact of foreign currency translation, increased marketing expense in all segments, including expenses from two first quarter acquisitions, and higher general and administrative expenses. Higher general and administrative costs reflect additional employee benefit costs, the cost of process improvement initiatives, administrative expenses related to the two first quarter acquisitions and increased other administrative expenses.

RD&E expenses for the first nine months of 2004 increased \$52.6 million, or 12.8%, compared to the first nine months of 2003. The increase is attributable to increased spending in all segments.

During the first nine months of 2004, the Company recorded a \$25.7 million restructuring charge to streamline its operating structure. The charge primarily reflected the planned reduction of 609 persons, the closure of two facilities and lease cancellation costs. Additionally, \$1.0 million of restructuring accruals related to 2004, 2003, 2002 and 2001 restructuring actions were reversed into income, as management determined that certain cash expenditures would not be incurred. During the first nine months of 2003, the Company recorded a \$17.7 million restructuring charge to reduce operating costs and streamline its operating structure. The charge primarily reflected the planned reduction of 685 persons. Additionally, in 2003, the Company recorded an asset impairment charge of \$1.4 million primarily to write-off a technology license that will not be utilized in the foreseeable future due to projected market conditions. Refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information. Also, during the nine months ended September 30, 2003, the Company reversed \$1.2 million of restructuring accruals into income as it was determined that certain 2003 and 2001 actions would be completed for less than planned.

Operating income for the first nine months of 2004 was \$450.0 million, an increase of \$62.0 million, or 16.0%, over the first nine months of 2003. The increase is primarily due to improved sales and revenues at each of the segments offset by increased SG&A and RD&E expenses. Segment operating margin for the first nine months of 2004 was 10.6%, which was flat with the segment operating margin for the comparable 2003 period.

Interest expense was \$15.1 million (net of interest income of \$7.3 million) for the first nine months of 2004. The Company recognized \$14.6 million of interest income during the first nine months of 2003. The variance between periods is primarily due to interest income of \$22.1 million, related to a 2003 first quarter tax refund, and higher average debt balances in 2004, reflecting the impact of two 2004 acquisitions.

Income tax expense was \$113.8 million in the first nine months of 2004, a decrease of \$2.7 million from the comparable prior year period. The decrease is primarily attributable to the impact of a favorable tax rulings in 2004, offset by higher pretax income.

Income from continuing operations was \$310.3 million, or \$3.29 per diluted share in the first nine months of 2004, compared to \$281.3 million or \$2.99 per diluted share for the first nine months of 2003. The increase reflects the results discussed above.

During the first nine months of 2004, the Company recognized \$0.4 million of income from discontinued operations. During the first nine months of 2003, the Company recognized \$14.5 million of income from discontinued operations. The 2003 income related to the collection of a disputed receivable related to the Company's automotive businesses and the receipt of two favorable tax settlements, also pertaining to the Company's discontinued businesses. Upon collection, the Company reversed the related valuation allowances, which had been previously established for the assets, resulting in the above mentioned income.

Fluid Technology's sales and revenues and costs of sales and revenues increased \$206.7 million, or 12.6%, and \$127.4 million, or 11.7%, respectively, in the first nine months of 2004 compared to the first nine months of 2003. Higher organic sales in the water/wastewater markets and industrial products businesses, acquisition revenue from the water treatment business and the impact of foreign currency translation were the primary factors for the increases. These items were partially offset by lower volume in the engineered process solutions business. SG&A expenses for the first nine months of 2004 increased \$65.2 million, or 21.1%, compared to 2003, mainly due to the impact of foreign currency translation, increased advertising costs, sales commissions and administrative costs in most businesses, and costs attributable to 2004 acquisitions. During the first nine months of 2004, the segment recorded a \$10.1 million restructuring charge mainly related to a planned reduction in headcount and the closure of two facilities. During the nine months ended September 30, 2003, the Company recorded a \$0.9 million restructuring charge primarily for the planned reduction in headcount (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring

and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the first nine months of 2004 increased \$0.9 million, or 0.4%, compared to the first nine months of 2003, due to the activities discussed above.

Defense Electronics & Services' sales and revenues and costs of sales and revenues for the first nine months of 2004 increased \$377.7 million, or 29.3%, and \$264.2 million, or 34.8%, respectively, from the comparable prior year period. The increases are primarily due to higher volume in all businesses and acquisition revenue from the space systems division. Additionally, a change in product mix also contributed to the increase in costs of sales and revenues. SG&A expenses increased \$26.8 million, or 34.5%, from the comparable prior year period, primarily due to increased employee benefit and administrative costs, higher marketing costs and costs attributable to the third quarter 2004 acquisition. RD&E expenses increased \$39.6 million, or 12.3%, from the comparable prior year period, due to increased spending in most businesses and the impact of the third quarter 2004 acquisition. Operating income for the first nine months of 2004 was \$176.3 million, an increase of \$47.1 million, or 36.5%, compared to the same period in 2003. The increase reflects the results discussed above.

Motion & Flow Control recorded sales and revenues and costs of sales and revenues of \$798.1 million and \$577.5 million, respectively, during the first nine months of 2004, reflecting increases of \$54.3 million, or 7.3%, and \$35.5 million, or 6.5%, from the first nine months of 2003. The increases were mainly due to higher volume in the friction materials and leisure marine businesses and the impact of foreign currency translation, partially offset by scheduled platform rollofts in the fluid handling business. SG&A expenses increased \$5.6 million, or 8.3%, from the comparable prior year period, reflecting the impact of foreign currency translation and higher marketing costs and administrative expenses in most businesses. During the first nine months of 2004 and 2003, the segment recorded \$3.8 million and \$4.0 million of restructuring charges, respectively, mainly related to planned reductions in headcount (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income of \$112.4 million was \$8.6 million, or 8.3%, higher in the first nine months of 2004, compared to the first nine months of 2003, primarily due to the items mentioned above.

Electronic Components' sales and revenues of \$531.3 million and costs of sales and revenues of \$374.7 million in the first nine months of 2004, increased \$89.0 million, or 20.1%, and \$59.5 million, or 18.9%, respectively, from the comparable prior year period. The increases reflect higher volume in all businesses and the impact of foreign currency translation. SG&A expenses increased \$15.1 million, or 17.3%, from the comparable prior year period, due to the impact of foreign currency translation and increased marketing, employee benefit and administrative expenses. During the first nine months of 2004, the segment recorded a \$10.0 million restructuring charge primarily relating to planned headcount reductions and lease cancellation costs. During the first nine months of 2003, the segment recorded an \$11.5 million restructuring charge primarily relating to planned headcount reductions and reversed \$1.2 million of restructuring accruals into income as management deemed certain 2003 and 2001 actions would be completed for less than originally planned. Additionally, the segment recorded a \$1.4 million asset impairment charge mainly to write-off a license agreement for technology, which will not be utilized in the foreseeable future due to projected market conditions (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information). Operating income for the first nine months of 2004 increased \$12.8 million from the first nine months of 2003. The increase was due to the factors discussed above.

Corporate expenses increased \$7.4 million in the first nine months of 2004, primarily due to costs associated with process improvements and an increase in other administrative costs. Additionally, during the first nine months of 2004 and 2003, \$1.8 million and \$1.3 million of restructuring costs, respectively, were recognized primarily for headcount reductions (refer to the section entitled "Status of Restructuring and Asset Impairments" and Note 8, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information).

STATUS OF RESTRUCTURING AND ASSET IMPAIRMENTS

2004 RESTRUCTURING ACTIVITIES

During the third quarter of 2004, the Company recognized a \$5.7 million charge, primarily for the planned severance of 76 employees, idle facility costs and movement of production. The actions by segment are as follows:

- The Fluid Technology segment recorded \$3.3 million for the planned termination of 36 employees, including nine factory workers, 23 office workers and four management employees. Other costs totaling \$0.2 million were also recognized during the quarter.
- The Motion & Flow Control segment recognized \$0.5 million for the planned termination of 30 employees, including 23 factory workers and seven office workers. The segment also recorded \$0.6 million for relocation and moving costs.
- The Electronic Components segment recorded \$0.4 million for the planned termination of ten employees. The terminations include eight office workers and two management employees. The segment also recorded a \$0.7 million charge primarily for costs associated with moving two product lines from Weinstadt, Germany to Shenzhen, China and one product line from Santa Ana, CA to Nogales, Mexico and idle facility costs.

As of September 30, 2004, the Company had made \$2.0 million of payments attributable to the 2004 third quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

The projected future cash savings from the restructuring actions announced during the third quarter of 2004 are approximately \$2 million during 2004 and approximately \$24 million between 2005 and 2009. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

In addition to the restructuring actions announced during the third quarter, the Motion & Flow Control segment recognized \$0.1 million of severance and employee benefit costs related to actions announced during the first quarter of 2003 and \$0.1 million of previous restructuring charges were reversed.

During the second quarter of 2004, the Company recognized a \$13.9 million charge, primarily for the planned severance of 430 employees and the recognition of lease cancellation costs. The actions by segment are as follows:

- The Electronic Components segment recorded \$4.5 million of the charge for the recognition of lease cancellation costs. Severance of \$1.2 million was recorded for the reduction of 340 employees. The terminations include 273 factory workers, 64 office workers and three management employees. The segment also recorded a \$1.1 million charge for the disposal of machinery and equipment.
- The Fluid Technology segment recorded \$2.4 million for the termination of 45 employees, including eight factory workers and 37 office workers. Lease commitments totaling \$0.7 million were recognized related to the closure of two facilities (one in Sweden and one in Florida). Asset write-offs and other costs totaling \$0.2 million and \$0.1 million, respectively, were also recognized during the quarter.
- The Motion & Flow Control segment recognized \$2.1 million for the termination of 44 employees, including seven factory workers, 32 office workers and five management employees.
- Corporate headquarters recorded \$1.6 million for the severance of one management employee.

As of September 30, 2004, the Company had made \$3.1 million of payments attributable to the 2004 second quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

The projected future savings from the restructuring actions announced during the second quarter of 2004 are approximately \$4 million during 2004, including \$0.1 million of non-cash savings, and approximately

\$38 million between 2005 and 2009, including \$0.9 million of non-cash savings. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

In addition to the restructuring actions announced during the second quarter, the Motion & Flow Control segment recognized \$0.3 million of severance and employee benefit costs related to actions announced during the first quarter of 2003 and the Electronic Components segment recognized \$0.3 million of severance and employee benefit costs related to actions announced during the first quarter of 2004 and \$0.1 million of outplacement related to actions announced in 2003.

During the first quarter of 2004, the Company recognized a \$5.3 million charge, primarily for the planned severance of 103 employees. The actions by segment are as follows:

- The Fluid Technology segment recorded \$2.7 million for the planned termination of 50 employees, including 15 factory workers and 35 office workers. Asset write-offs and other costs totaling \$0.4 million and \$0.1 million, respectively, were also recognized during the quarter.
- The Electronic Components segment recorded \$1.7 million of the charge primarily for the planned reduction of 35 employees, including 23 factory workers, 11 office workers and one management employee.
- The Motion & Flow Control segment recognized \$0.2 million for the planned termination of 16 employees, including three factory workers and 13 office workers.
- Corporate headquarters recorded \$0.2 million for the planned severance of one office worker and one management employee.

As of September 30, 2004, the Company had made \$4.9 million of payments attributable to the 2004 first quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

The projected future savings from the restructuring actions announced during the first quarter of 2004 are approximately \$5 million during 2004 and \$27 million between 2005 and 2009, including \$0.5 million in non-cash savings. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

The following table displays a rollforward of the restructuring accruals for the 2004 restructuring programs (in millions):

CASH CHARGES	-----				
LEASE SEVERANCE COMMITMENTS	-----				
	-----	Establishment of 2004			
Plans.....		\$16.6	\$ 5.2	\$ 1.7	\$
		23.5			
Payments.....		(8.5)	(0.4)	(1.1)	(10.0)
Reversals.....		(0.1)	--	(0.1)	-----
					Balance
September 30, 2004.....		\$ 4.8	\$ 0.6	\$ 13.4	=====

2003 RESTRUCTURING ACTIVITIES

During the fourth quarter of 2003 the Company announced actions to reduce operating costs primarily through the reduction of headcount. The \$15.4 million restructuring charge primarily reflects the planned severance of 301 employees. The actions by segment are as follows:

- The Electronic Components segment recorded \$1.5 million of the charge for the planned termination of 132 employees, including 113 factory workers, 14 office workers and five management employees.
- The Fluid Technology segment recognized \$12.4 million of the charge for the planned severance of 134 employees, including 39 factory workers, 90 office workers and five management employees. Lease and

other costs represent \$0.3 million of the charge. The segment also recorded a \$0.2 million charge associated with the disposal of machinery and equipment.

- The Defense Electronics & Services segment recorded a \$1.0 million charge for the planned severance of 35 employees, including seven factory workers, 19 office workers and nine management employees.

The projected future cash savings from the restructuring actions announced during the fourth quarter of 2003 are approximately \$12 million during 2004 and \$53 million between 2005 and 2008. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses".

During the first nine months of 2004, the Company had made \$9.3 million of payments attributable to the 2003 fourth quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

In addition to the restructuring actions announced during the fourth quarter of 2003, the Motion & Flow Control segment recognized \$0.5 million of severance and employee benefit costs related to actions announced during the first quarter and the Electronic Components segment recognized \$0.2 million of outplacement related to actions announced earlier in 2003.

During the third quarter of 2003 the Company announced additional actions to reduce operating costs primarily through the reduction of headcount. The \$2.6 million restructuring charge primarily reflects the planned severance of 72 employees. The actions by segment are as follows:

- The Electronic Components segment recorded \$1.2 million of the charge for the planned termination of 40 employees, including 15 factory workers and 25 office workers. The segment also recorded a \$0.1 million charge associated with the disposal of machinery and equipment.
- The Fluid Technology segment recognized a \$0.5 million charge for the planned severance of 13 factory workers and 14 office workers. Lease and other costs represent \$0.4 million of the charge.
- The Motion & Flow Control segment recorded a \$0.4 million charge for the planned severance of one management employee and four office workers.

The projected future cash savings from the restructuring actions announced during the third quarter of 2003 are approximately \$4 million during 2004 and \$15 million between 2005 and 2008. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

During the first nine months of 2004, the Company made \$0.5 million of payments attributable to the 2003 third quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

In addition to the restructuring actions announced during the third quarter of 2003, the Motion & Flow Control segment recognized \$0.2 million of severance and employee benefit costs related to actions announced during the first quarter of 2003.

During the second quarter of 2003 the Company continued its program to reduce structural costs and increase profitability. Restructuring actions totaling \$4.7 million were announced during the period. The charge primarily reflected the planned severance of 148 employees and the cancellation of an operating lease. The actions by segment are as follows:

- The Electronic Components segment comprises \$2.7 million of the charge and the actions taken at this segment include the planned termination of six management employees, 19 factory workers and 71 office workers.
- The Motion & Flow Control segment recognized \$1.0 million for the planned severance of 50 employees, including six management employees, 31 factory workers and 13 office workers. Lease termination fees of \$0.7 million and asset disposal costs of \$0.1 million were also reflected in the charge.

- At Corporate Headquarters, a charge of \$0.2 million was recorded for the planned termination of one management employee and one office worker.

The projected future cash savings from the restructuring actions announced during the second quarter of 2003 are approximately \$8 million during 2004 and \$31 million between 2005 and 2008. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

During the first nine months of 2004, the Company made \$0.6 million of payments attributable to the 2003 second quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

In addition to the restructuring actions announced during the second quarter, the Motion & Flow Control segment recognized \$1.2 million of severance and employee benefit costs related to actions announced during the first quarter of 2003.

During the first quarter of 2003 the Company recorded a \$9.0 million restructuring charge primarily for the planned severance of 465 persons. Severance of \$8.3 million represents the majority of the charge. The actions by segment are as follows:

- The Electronic Components segment recorded \$6.8 million of the charge for the planned termination of 226 persons, comprised of 101 office workers, 116 factory workers and nine management employees. Idle facility costs of \$0.3 million and asset disposal costs of \$0.4 million were also reflected in the charge. The actions were prompted by management's projections of continued weakness in certain businesses.
- Corporate Headquarters recorded \$1.1 million of the charge for the consolidation of administrative tasks, including the planned termination of two management employees.
- The Motion & Flow Control segment recorded \$0.4 million of the charge for the planned termination of 237 employees, comprised of 21 office workers and 216 factory workers. The charge relates to the closure of a manufacturing facility in Arkansas. The actions will be completed during 2003 and 2004 and the total estimated charge of approximately \$2.7 million will be recognized ratably over the restructuring period as the terminations become effective. Management deemed the restructuring actions necessary to address the anticipated loss of certain platforms during the second half of 2003.

The projected future cash savings from the restructuring actions announced during the first quarter of 2003 are approximately \$8 million during 2004 and \$38 million between 2005 and 2008. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

During the first nine months of 2004, the Company made \$1.9 million of payments attributable to the 2003 first quarter restructuring actions. Future restructuring expenditures will be funded with cash from operations, supplemented, as required, with commercial paper borrowings.

The following table displays a rollforward of the restructuring accruals for the 2003 restructuring programs (in millions):

CASH CHARGES -----					
LEASE SEVERANCE COMMITMENTS OTHER TOTAL -----					
	----- Establishment of 2003				
Plans.....	\$ 30.6	\$ 1.2	\$ 1.2	\$	
	33.0				
Payments.....	(12.5)	-- (0.9)	(13.4)		
Reversals.....	(3.5)	-- --	(3.5)		
Translation.....	0.2	-- --	0.2	-----	----- Balance
December 31, 2003.....	\$ 14.8				
	\$ 1.2	\$ 0.3	\$ 16.3	=====	=====
Payments.....	(12.0)	(0.2)	(0.1)	(12.3)	
Reversals.....	(0.3)	-- --	(0.3)	Recognition of additional	
charges.....	0.5	-- --	0.5		
Translation.....	(0.4)	-- --	(0.4)	-----	----- Balance
September 30, 2004.....	\$ 2.6				
	\$ 1.0	\$ 0.2	\$ 3.8	=====	=====

During the first nine months of 2004, \$0.3 million of restructuring accruals related to 2003 restructuring actions were reversed into income. The reversals primarily reflect lower than anticipated severance costs on completed actions due to favorable employee attrition at the Electronic Components segment.

During the second half of 2003, \$3.5 million of restructuring accruals related to current year programs were reversed into income as a result of quarterly reviews of the Company's remaining restructuring actions. The reversals primarily reflect lower than anticipated severance costs on completed actions due to favorable employee attrition at the Electronic Components segment. Additionally, certain actions were not completed as they were no longer deemed feasible. The Company also reversed other non-cash charges totaling \$0.2 million.

During the first nine months of 2004 headcount was reduced by 172 persons and the Company experienced employee attrition, leaving a balance of 17 planned reductions related to the 2003 restructuring plans. In addition, one facility remains to be closed related to the 2003 restructuring plans. Actions announced during 2003 will be substantially completed by the end of 2004.

2003 OTHER ASSET IMPAIRMENTS

During 2003, the Company recorded a \$1.4 million asset impairment charge primarily for the write-off of a technology license that will not be utilized based on management's projections of future market conditions. The applicable assets were written down to their fair values based on management's comparison of projected future discounted cash flows generated by each asset to the applicable asset's carrying value. These impairments were unrelated to the Company's restructuring activities.

DISCONTINUED OPERATIONS

In September of 1998, the Company completed the sales of its automotive Electrical Systems business to Valeo SA for approximately \$1,700 million and its Brake and Chassis unit to Continental AG of Germany for approximately \$1,930 million. These dispositions were treated as discontinued operations. In connection with the sale of these businesses, the Company established accruals for taxes of \$972.7 million, representation and warranty and contract purchase price adjustments of \$148.8 million, direct costs and other accruals of \$102.0 million and environmental obligations of \$16.1 million.

In 1998 and 1999, the Company received notifications of claims from the buyers of the automotive businesses requesting post-closing adjustments to the purchase prices under the provisions of the sales agreements. During 1999, those claims were submitted to arbitration. In 2001 and early in 2002, both claims were favorably resolved.

At September 30, 2004, the Company has automotive discontinued operations accruals of \$186.0 million that primarily relate to the following: taxes \$154.1 million -- which are related to the original transaction and are recorded in Accrued Taxes; product recalls \$7.8 million -- related to nine potential product recall issues which are recorded in Accrued Expenses; environmental obligations \$14.2 million -- for the remediation and investigation of groundwater and soil contamination at thirteen sites which are recorded in Other Liabilities; employee benefits \$9.9 million -- for workers compensation issues which are recorded in Accrued Expenses. In 2004, the Company made immaterial payments for matters attributable to the automotive discontinued operations. The Company expects that it will cash settle \$154.1 million of tax obligations in late 2004 or 2005. The Company projects that it will spend between \$0.5 million and \$1.0 million in 2004 related to its remaining automotive obligations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW OVERVIEW

The Company provided \$249.6 million of cash from operating activities during the first nine months of 2004. Net income generated from continuing operations of \$310.3 million, which includes \$146.0 million of depreciation and amortization, and increases in accrued and deferred taxes and accounts payable and accrued

expenses of \$59.8 million and \$56.2 million, respectively, were the primary factors for this performance. Increases in accounts receivable and inventory of \$142.4 million and \$51.5 million, respectively, reflecting increased sales volume, partially offset the cash generated from operations. Additionally, a \$100.0 million prepaid pension contribution also partially offset the cash provided from operations.

During the first nine months of 2004, the Company also spent \$994.6 million on acquisitions, \$131.5 million on the repurchase of common stock, \$100.2 million on capital expenditures, \$46.1 million on dividend payments and \$52.1 million on the repayment of long-term debt. These actions were financed primarily with short term debt, cash from operating activities, and cash received from exercised stock options.

The Company projects cash from operating activities to be between \$485.0 million and \$535.0 million for the twelve months ended December 31, 2004.

Cash Flows: Cash provided by operating activities during the first nine months of 2004 was \$249.6 million, or a \$19.6 million decrease over the first nine months of 2003. The decrease is primarily attributable to tax payments of \$54.0 million in 2004 (versus \$55.6 million of tax receipts in 2003) and increased inventory levels. A \$100.0 million prepaid pension contribution in 2004 compared to a \$200.0 million prepaid pension contribution in the first nine months of 2003 partially offset these declines in cash provided from operations.

Status of Restructuring Activities: Restructuring payments during the first nine months of 2004 totaled \$24.3 million and were comprised of \$10.0 million of expenditures for the 2004 plans and \$14.3 million of expenditures for the 2003, 2002 and 2001 restructuring plans. All future payments are projected to be paid with future cash from operating activities supplemented, as required, by commercial paper borrowings.

Additions to Plant, Property and Equipment: Capital expenditures during the first nine months of 2004 were \$100.2 million, an increase of \$3.2 million from the first nine months of 2003. The increase was seen across several operating segments.

Acquisitions: On August 13, 2004 the Company purchased all of the Remote Sensing Systems ("RSS") business from Eastman Kodak Company for \$728.8 million in cash. The RSS business is a leading supplier of high resolution satellite imaging systems and information services. Management believes that the acquisition of RSS will enhance the Company's competitive position in the space payload and service product offering industry and create a full spectrum provider with the latest visible and infrared satellite imaging technology in the remote sensing market.

The excess of the purchase price of RSS over the fair value of net assets acquired of \$616.1 million was recorded as goodwill and is reflected in the Defense Electronics & Services segment. The value of a significant portion of assets and liabilities has been determined; however, the allocation is subject to further refinement.

The Company also spent \$265.8 million primarily for the following acquisitions completed in 2004:

- WEDECO AG Water Technology ("WEDECO"), the world's largest manufacturer of UV disinfection and ozone oxidation systems, which are alternatives to chlorine treatment.
- Allen Osborne Associates, a leader in the development of global positioning system receivers for both portable and fixed sites.
- Shanghai Hengtong Purified Water Development Co. Ltd. and Shanghai Hengtong Water Treatment Engineering Co. Ltd. ("Hengtong"), a Shanghai-based producer of reverse-osmosis, membrane and other water treatment systems for the power, pharmaceutical, chemical and manufacturing markets in China.

The excess of the purchase price over the fair value of net assets acquired of \$201.0 million was recorded as goodwill, of which \$196.0 million and \$5.0 million are reflected in the Fluid Technology and Defense Electronics and Services segments, respectively.

During the first nine months of 2003, the Company spent \$44.1 million primarily for the acquisition of the following:

- The VEAM/TEC division of the Northrop Grumman Corporation ("VEAM"). VEAM is a designer and manufacturer of cylinder, filter and fiber optic connectors for the military/aerospace, industrial, transit, entertainment and nuclear markets.
- Uniservice Wellpoint Srl., a manufacturer of high quality diesel and electric powered, vacuum primed centrifugal pumps, along with spear or well point dewatering systems for the rental market and sale.

The excess of the purchase price over the fair value of net assets acquired of \$27.6 million was recorded as goodwill, of which \$23.0 million and \$4.6 million were recorded in the Electronic Components and Fluid Technology segments, respectively.

Sale of Investment: During the third quarter of 2003, the Company sold its investment in a defense related business for \$43.5 million.

Divestitures: During the first nine months of 2004, the Company generated \$5.1 million of cash proceeds primarily from the sale of two properties. In the first nine months of 2003, the Company generated \$9.3 million of cash proceeds primarily from the sale of plant, property and equipment. This is primarily due to the sale of land for \$7.3 million at Defense Electronics & Services.

Financing Activities: Debt at September 30, 2004 was \$1,462.4 million, compared with \$602.4 million at December 31, 2003. Cash and cash equivalents were \$253.9 million at September 30, 2004, compared to \$414.2 million at December 31, 2003. The change in debt and cash levels primarily reflects borrowings to finance the acquisition of RSS and WEDECO, and the \$100 million prepaid pension contribution made during the first quarter of 2004. In March 2004, the Company arranged an additional revolving credit agreement of \$0.4 billion to accommodate additional acquisitions. As a result, the maximum amount of borrowing available under the Company's revolving credit agreements, which provide back-up for the Company's commercial paper program, at September 30, 2004, was \$1.4 billion. Borrowing through commercial paper and under the revolving credit agreements may not exceed \$1.4 billion in the aggregate outstanding at any time.

Status of Automotive Discontinued Operations: In 2004, the Company made immaterial payments for matters attributable to its automotive discontinued operations. Tax obligations of \$154.1 million are expected to be resolved in late 2004 or 2005. In addition, the Company projects between \$1.0 million and \$4.0 million of annual spending related to its remaining automotive obligations. All payments are forecast to be paid with future cash from operations, supplemented as required, with commercial paper borrowings.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported value of assets and liabilities and the disclosure of contingent assets and liabilities.

The Company has identified three accounting policies where estimates are used that require assumptions or factors that are of an uncertain nature, or where a different estimate could have been reasonably utilized or changes in the estimate are reasonably likely to occur from period to period.

ENVIRONMENTAL: Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Company calculates the liability by utilizing a cost estimating and weighting matrix that separates costs into recurring and non-recurring categories. The Company then uses internal and external experts to assign confidence levels based on the site's development stage, type of contaminant found, applicable laws, existing technologies and the identification of other potentially responsible parties. This methodology produces a range of estimates, including a best estimate. At September 30, 2004, the Company's best estimate is \$101.6 million, which approximates the accrual related to the remediation of ground water and soil. The low range estimate for environmental liabilities is \$77.2 million and the high range estimate is \$165.1 million. On an annual basis the Company spends between \$8.0 million and \$11.0 million on its environmental remediation liabilities. These estimates, and related accruals, are reviewed periodically and updated for progress of remediation efforts and

changes in facts and legal circumstances. Liabilities for environmental expenditures are recorded on an undiscounted basis.

The Company is currently involved in the environmental investigation and remediation of approximately 100 sites, including certain instances where it is considered to be a potentially responsible party by the United States Environmental Protection Agency ("EPA") or similar state agency.

At present, the Company is involved in litigation against its insurers for reimbursement of environmental response costs. Recoveries from insurance companies or other third parties are recognized in the financial statements when it is probable that they will be realized.

In the event that future remediation expenditures are in excess of the amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

For additional details on environmental matters see Note 13, "Commitments and Contingencies," in the Notes to the Consolidated Condensed Financial Statements.

EMPLOYEE BENEFIT PLANS: The Company sponsors numerous employee pension and welfare benefit plans. These plans utilize various assumptions in the determination of projected benefit obligations and expense recognition related to pension and other postretirement obligations. These assumptions include: discount rates, expected rates of return on plan assets, rate of future compensation increases, mortality, termination, and health care inflation trend rates, some of which are disclosed in Note 19, "Employee Benefit Plans," within the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K.

KEY PENSION ASSUMPTIONS

The Company determines its expected return on plan assets assumption by evaluating both historical returns and estimates of future returns. Specifically, the Company analyzes the Plan's actual historical annual return on assets over the past 10, 15, 20 and 25 years; makes estimates of future returns using a Capital Asset Pricing Model; and evaluates historical broad market returns over the past 75 years based on the Company's strategic asset allocation, which is detailed in Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K.

Based on the approach described above, the Company estimates the long-term annual rate of return on assets for domestic pension plans at 9.0%. For reference, the Company's actual geometric average annual return on plan assets for domestic pension plans stood at 10.1%, 11.2%, 11.8%, and 12.6%, for the past 10, 15, 20, and 25 year periods, respectively. The Company's weighted average expected return on plan assets for all pension plans, including foreign affiliate plans, at December 31, 2003, is 8.86%.

The Company utilizes the assistance of its plan actuaries in determining the discount rate assumption. As a service to its clients, the plan actuaries have developed and published an interest rate yield curve to enable companies to make judgments pursuant to EITF Topic No. D-36, "Selection of Discount Rates Used for Measuring Defined Benefit Pension Obligations and Obligations of Post Retirement Benefit Plans Other Than Pensions." The yield curve is comprised of AAA/AA bonds with maturities between zero and thirty years. The plan actuaries then discount the annual benefit cash flows of the Company's pension plan using this yield curve and develop a single-point discount rate matching the plan's characteristics.

At December 31, 2003, the Company lowered the discount rate on all of its domestic pension plans, which represent about 90% of the Company's total pension obligations, from 6.50% to 6.25%. The Company's weighted average discount rate for all pension plans, including foreign affiliate plans, at December 31, 2003, is 6.18%.

U.S. Salaried Pension Plan has a considerable impact on the overall funded status of the Company's pension plans.

During 2003, the Company's U.S. Salaried Pension Plan assets grew by \$647.0 million to \$2,989.2 million at the end of 2003. This increase primarily reflected return on assets of \$659.0 million, and Company contributions of \$200.0 million, offset by payments to plan beneficiaries of \$206.8 million.

Also during 2003, the projected benefit obligation for the U.S. Salaried Pension Plan increased by \$152.0 million to \$3,448.8 million. The increase included the \$104.3 million impact of a 25 basis point decline in the discount rate at year-end. This was partially offset by the \$(28.3) million impact of a 50 basis point decrease in the expected rate of future compensation increases. As a result, the funded status for the Company's U.S. Salaried Plan improved by \$495.4 million to \$(459.6) million at the end of 2003. Funded status for the Company's total pension obligations, including foreign and affiliate plans, improved by \$452.6 million to \$(871.3) million at the end of 2003.

Funded status at the end of 2004 will depend primarily on the actual return on assets during the year and the discount rate at the end of the year. The Company estimates that every 25 basis points change in the discount rate impacts the funded status of the U.S. Salaried Pension Plan, which represents about 80% of the Company's pension obligations, by approximately \$104 million. Similarly, every five percentage point change in the actual 2004 rate of return on assets impacts the same plan by approximately \$150 million.

MINIMUM PENSION LIABILITY

SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS No. 87"), requires that a minimum pension liability be recorded if a plan's market value of assets falls below the plan's accumulated benefit obligation.

In 2002, the combination of a decline in the discount rate and a decline in assets caused several of the Company's plans to be in a deficit position. Accordingly, during 2002, the Company recorded a total after-tax reduction of \$765.5 million to its total shareholders' equity. It is important to note that these actions did not cause a default in any of the Company's debt covenants. As a result of the improved financial markets in 2003, the Company recorded a total after-tax increase of \$182.5 million to its shareholders' equity at year-end 2003.

Future recognition of additional minimum pension liabilities will depend primarily on the rate of return on assets and the prevailing discount rate.

PENSION EXPENSE

The Company uses the market-related value of assets method, as described in paragraph 30 of SFAS No. 87, for the calculation of pension expense. This method recognizes investment gains or losses over a five-year period from the year in which they occur. In addition, in accordance with paragraph 32 of SFAS No. 87, a portion of the Company's unrecognized net actuarial loss is amortized and this cost is included in the net periodic benefit cost.

The Company recorded \$33.0 million of net periodic pension cost (\$35.4 million after considering the effects of curtailment losses) into its Consolidated Income Statement in 2003, compared with pension income of \$10.4 million in 2002. The 2003 net periodic pension cost reflected benefit service cost of \$73.3 million and interest cost on accrued benefits of \$256.5 million, offset by the expected return on plan assets of \$327.0 million. In addition, the 2003 pension expense included \$23.5 million of amortization of past losses, up from \$3.2 million in 2002. The primary drivers behind the increase in the net periodic pension cost were the effect of the change in the discount rate, the effect of the lowered assumption as to expected return on assets and the increase in amortization of past losses in 2003.

In 2004, the Company expects to incur approximately \$70 million of pension expense that will be recorded into its Consolidated Income Statement. The increase in pension expense is primarily due to the effect of the change in discount rate and higher amortization of past losses. See Note 12, "Pension and

Postretirement Medical Benefit Expenses," in the Notes to Consolidated Condensed Financial Statements for additional details, including pension expense incurred during the first nine months of 2004.

REVENUE RECOGNITION: The Company recognizes revenue as services are rendered and when title transfers for products, subject to any special terms and conditions of specific contracts. For the majority of the Company's sales, title transfers when products are shipped. Under certain circumstances, title passes when products are delivered. In the Defense Electronics & Services segment, certain contracts require the delivery, installation, testing, certification and customer acceptance before revenue can be recorded. Further, some sales are recognized when the customer picks up the product.

The Defense Electronics & Services segment typically recognizes revenue and anticipated profits under long-term, fixed-price contracts based on units of delivery or the completion of scheduled performance milestones. Estimated contract costs and resulting margins are recorded in proportion to recorded sales. During the performance of such contracts, estimated final contract prices and costs (design, manufacturing, and engineering and development costs) are periodically reviewed and revisions are made when necessary. The effect of these revisions to estimates is included in earnings in the period in which revisions are made. There were no material revisions to estimates in the covered periods.

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency and average cost of warranty claims and estimates of future costs. Management believes the warranty accruals are adequate; however, actual warranty expenses could differ from estimated amounts. The accrual for product warranties at September 30, 2004 and 2003 was \$33.7 million and \$41.5 million, respectively. See Note 14, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Condensed Financial Statements for additional details.

ACCOUNTING PRONOUNCEMENTS

In December 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 132 (revised December 2003), "Employers' Disclosures About Pensions and Other Post Retirement Benefits." This revised SFAS retains the disclosure requirements of SFAS No. 132. Additionally, the pronouncement requires additional disclosures regarding the types of plan assets, investment strategy, measurement dates, plan obligations, cash flows and components of net periodic benefit cost recognized during interim periods for defined benefit pension plans and other defined benefit post retirement plans. The Company adopted this pronouncement effective December 31, 2003. Adoption did not have a material impact on the financial statements of the Company.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative as discussed in SFAS No. 133. In addition, SFAS No. 149 clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. The provisions of SFAS No. 150 were effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The Company did not have any financial instruments that met the provisions of SFAS No. 150; therefore, the adoption of this standard did not have a material effect on the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks and rewards of ownership among their owners and other parties involved. The provisions of FIN 46 are applicable to all variable interest entities created after January 31, 2003 and variable interest entities in which an enterprise obtains an interest after that date. For variable interest entities created before January 31, 2003, the provisions were effective December 31, 2003. The Company did not create or obtain any variable interest entities during 2003. The Company elected early adoption of the provisions of FIN 46 related to variable interest entities created prior to January 31, 2003 as of July 1, 2003. The adoption of this interpretation did not have a material effect on the Company's financial statements. In December 2003, the FASB issued a revision to Interpretation No. 46; however, it had no impact on ITT's adoption.

In January 2004, FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-1") was issued. Subsequently, FSP No. 106-2 was issued, which amends FSP No. 106-1 and discusses the recognition of the effects for the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) in the accounting for postretirement health care plans under SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and in providing disclosures related to the plan required by SFAS No. 132. The Company adopted this pronouncement effective July 1, 2004, but is unable to conclude whether benefits of its plans are actuarially equivalent and shall measure any effects of the Act at the next measurement date for plan assets and obligations. See Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K for discussion of postretirement benefits.

RISKS AND UNCERTAINTIES

ENVIRONMENTAL MATTERS

The Company is subject to stringent environmental laws and regulations that affect its operating facilities and impose liability for the cleanup of past discharges of hazardous substances. In the United States, these laws include the Federal Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Management believes that the Company is in substantial compliance with these and all other applicable environmental requirements. Environmental compliance costs are accounted for as normal operating expenses.

In estimating the costs of environmental investigation and remediation, the Company considers, among other things, regulatory standards, its prior experience in remediating contaminated sites, and the professional judgment of environmental experts. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such problems, the selection of alternative remedies, and changes in cleanup standards. When it is possible to create reasonable estimates of liability with respect to environmental matters, the Company establishes accruals in accordance with accounting principles generally accepted within the United States. Insurance recoveries are included in other assets when it is probable that a claim will be realized. Although the outcome of the Company's various remediation efforts presently cannot be predicted with a high level of certainty, management does not expect that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. For disclosure of the Company's commitments and contingencies, see Note 21, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements of the 2003 Annual Report on Form 10-K.

FORWARD-LOOKING STATEMENTS

Certain material presented herein consists of forward-looking statements which involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in or implied from such forward-looking statements. Such factors include general

economic and worldwide political conditions, foreign currency exchange rates, competition and other factors all as more thoroughly set forth in Item 1. Business and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward-Looking Statements in the ITT Industries, Inc. Form 10-K Annual Report for the fiscal year ended December 31, 2003 and other of its filings with the Securities and Exchange Commission, to which reference is hereby made.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by Item 3 is provided in Note 9, "Derivative Instruments and Hedging Activities" in the Notes to Consolidated Condensed Financial Statements herein. There has been no material change in the information concerning market risk as stated in the Company's 2003 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

(a) The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report the Company's disclosure controls and procedures are effective in identifying, on a timely basis, material information required to be disclosed in our reports filed or submitted under the Exchange Act.

(b) There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following should be read in conjunction with Note 13 to the unaudited interim consolidated condensed financial statements in Part I of this Report, as well as Part I Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2003.

The Company and its subsidiaries from time to time are involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities, intellectual property matters, copyright infringement, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. The Company will continue to vigorously defend itself against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including the Company's assessment of the merits of the particular claim, as well as its current reserves and insurance coverage, the Company does not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of the Company on a consolidated basis in the foreseeable future.

The Company voluntarily disclosed to the United States Department of State a number of violations of the licensing provisions of the Arms Export Control Act and its implementing regulations and cooperated fully with the Department of State in reviewing all of these violations. None of the violations appear to have been the result of willful conduct by any ITT employee to intentionally circumvent U.S. laws and regulations. The Company has signed a Consent Agreement settling all disclosed violations which became effective upon the signing of an Order by the Assistant Secretary of State for Political-Military Affairs on November 1, 2004. The Consent Agreement provides for a \$3.0 million cash civil penalty payable to the Department of State. The Consent Agreement also includes an additional civil penalty of \$5.0 million to be spent by ITT Industries for internal remedial export compliance improvements over the five-year term of the Consent Agreement. Management believes that this matter will not have a material adverse impact on the Company's consolidated financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

ISSUER PURCHASES OF EQUITY SECURITIES

TOTAL NUMBER OF AVERAGE PRICE PAID PERIOD
SHARES PURCHASED(1) PER SHARE(2) - -----

7/1/04 -

7/31/04.....
27,411 \$80.69 8/1/04 -

8/31/04.....
38,208 \$79.50 9/1/04 -

9/30/04.....
72,822 \$80.11

- -----

(1) All share repurchases were made in open-market transactions. None of these transactions were made pursuant to a publicly announced repurchase plan.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

No share repurchases were made pursuant to a publicly announced plan or program. The Company's strategy for cash flow utilization is to pay dividends first and then repurchase Company common stock to cover option exercises made pursuant to the Company's stock option programs. The remaining cash is then available for strategic acquisitions and discretionary repurchases of the Company's common stock.

ITEM 6. EXHIBITS

(a) See the Exhibit Index for a list of exhibits filed herewith.

SIGNATURE

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

ITT Industries, Inc.

(Registrant)

By /s/ ROBERT J. PAGANO, JR.

Robert J. Pagano, Jr.
Vice President and Corporate
Controller
(Principal accounting officer)

November 5, 2004

EXHIBIT INDEX

EXHIBIT NO DESCRIPTION LOCATION - ----- (2)
 Plan of acquisition, reorganization, arrangement, liquidation or
 succession.....
 None (3.1) ITT Industries, Inc. Restated Articles of
 Incorporation..... Incorporated by reference to Exhibit
 3(i) of ITT Industries' Form 10-Q for the quarter ended June 30,
 1997 (CIK No. 216228, File No. 1-5627) (3.2) ITT Industries, Inc.
 By-laws, as amended June 25, 2004..... Incorporated by
 reference to Exhibit 3.2 of ITT Industries' Form 10-Q for the
 quarter ended June 30, 2004 (CIK No. 216228, File No. 1-5627) (4)
 Instruments defining the rights of security holders, including
 indentures.....
 Not required to be filed. The Registrant hereby agrees to file
 with the Commission a copy of any instrument defining the rights
 of holders of long-term debt of the Registrant and its
 consolidated subsidiaries upon request of the Commission. (CIK No.
 216228, File No. 1-5627). (10.1)
 reserved.....
 (10.2) Employment Agreement dated as of June 28, 2004 between ITT
 Industries, Inc. and Steven R.
 Loranger..... Incorporated by reference to
 Exhibit 10.2 of ITT Industries' Form 10-Q for the quarter ended
 June 30, 2004 (CIK No. 216228, File No. 1-5672) (10.3) Form of
 Non-Qualified Stock Option Award Agreement.....
 Attached (10.4) ITT Industries, Inc. 2003 Equity Incentive Plan
 (amended and restated as of July 13,
 2004)..... Attached (10.5) ITT
 Industries, Inc. 1997 Long -- Term Incentive Plan (amended and
 restated as of July 13,
 2004)..... Attached (10.6) ITT
 Industries, Inc. 1997 Annual Incentive Plan for Executive Officers
 (amended and restated as of July 13, 2004).....
 Attached (10.7) 1994 ITT Industries Incentive Stock Plan (amended
 and restated as of July 13,
 2004)..... Attached
 (10.8) ITT Industries Special Senior Executive Severance Pay Plan
 (amended and restated as of July 13,
 2004)..... Attached (10.9) ITT
 Industries 1996 Restricted Stock Plan for Non-Employee Directors
 (amended and restated as of July 13, 2004)..... Attached
 (10.10) ITT Industries Enhanced Severance Pay Plan (amended and
 restated as of July 13,
 2004)..... Attached
 (10.11) ITT Industries Deferred Compensation Plan (Effective as of
 January 1, 1995 including amendments through July 13,
 2004)..... Attached (10.12) ITT Industries 1997 Annual
 Incentive Plan (amended and restated as of July 13,
 2004)..... Attached
 (10.13) ITT Industries Excess Pension Plan
 IA..... Attached

EXHIBIT NO	DESCRIPTION	LOCATION
	(10.14) ITT Industries Excess Pension Plan	
IB.....	Attached (10.15) ITT Industries Excess Pension Plan II (as amended and restated as of July 13, 2004).....	Attached
	(10.16) ITT Industries Excess Savings Plan (as amended and restated as of July 13, 2004).....	Attached
	Attached (10.17) ITT Industries Excess Benefit Trust.....	Attached (11)
	computation of per share earnings.....	See Note 6 of the Notes to Consolidated Condensed Financial Statements (15)
	Letter re unaudited interim financial information.....	None (18)
	Letter re change in accounting principles.....	None (19)
	Report furnished to security holders.....	None (22)
	Published report regarding matters submitted to vote of security holders.....	None (23)
	Consents of experts and counsel.....	None (24)
	Power of attorney.....	None
(31.1)	Certification of Steven R. Loranger Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.....	Attached (31.2)
	Certification of Edward W. Williams Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.....	Attached (32.1)
	Certification Pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.....	Attached. This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference. (32.2)
	Certification Pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.....	Attached. This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference.

ITT INDUSTRIES, INC.
2003 EQUITY INCENTIVE PLAN

FORM OF NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

THIS AGREEMENT (the "Agreement"), effective as of the _____ day of _____, 200 , by and between ITT Industries, Inc. (the "Company") and (the "Optionee"), WITNESSETH:

WHEREAS, the Optionee is now employed by the Company or an Affiliate (as defined in the Plan) as an employee, and in recognition of the Optionee's valued services, the Company, through the Compensation and Personnel Committee of its Board of Directors (the "Committee"), desires to provide an opportunity for the Optionee to acquire or enlarge stock ownership in the Company pursuant to the provisions of the Company's 2003 Equity Incentive Plan (the "Plan");

NOW, THEREFORE, in consideration of the terms and conditions set forth in this Agreement and pursuant to the provisions of the Plan, a copy of which is attached hereto and incorporated herein as part of this Agreement, and any administrative rules and regulations related to the Plan as may be adopted by the Committee, the parties hereto hereby agree as follows:

1. GRANT OF OPTIONS. In accordance with, and subject to, the terms and conditions of the Plan and this Agreement, the Company hereby confirms the grant on _____ to the Optionee of the option to purchase from the Company all or any part of an aggregate of XXXX shares of common stock of the Company (the "Option"), at the purchase price of \$ _____ per share (the "Option Price" or "Exercise Price"). The Option shall be a Nonqualified Stock Option.

2. TERMS AND CONDITIONS. It is understood and agreed that the Option is subject to the following terms and conditions:

(a) EXPIRATION DATE. The Option shall expire on _____, or, if the Optionee's employment terminates before that date, on the date specified in subsection (e) below.

(b) EXERCISE OF OPTION. The Option may not be exercised until it has become vested.

(c) VESTING. Subject to subsections 2(a) and 2(e), the Option shall vest in full upon the first to occur of the following events:

(i) when the closing price of Company common stock on the New York Stock Exchange Composite Transactions has remained at or above \$ _____ (125% of the Exercise Price) per share for ten (10) consecutive trading days;

(ii) [Date];

(iii) termination of the Optionee's employment due to death; or

(iv) an Acceleration Event (as defined in the Plan).

(d) PAYMENT OF EXERCISE PRICE AND TAX WITHHOLDING. Permissible methods for payment of the Exercise Price and for satisfaction of tax withholding obligations upon exercise of the Option shall be as described in Sections 6.6 and Article 14 of the Plan, or, if the Plan is amended, successor provisions. In addition to the methods of exercise permitted by Section 6.6 of the Plan, the Optionee may exercise the Option by way of a broker-assisted cashless exercise in a manner consistent with the Federal Reserve Board's Regulation T, unless the Committee determines that such exercise method is prohibited by law.

(e) EFFECT OF TERMINATION OF EMPLOYMENT.

If the Optionee's employment terminates before _____, 200 the Option shall expire on the date set forth below, as applicable:

Death. If the Optionee's employment is terminated as a result of the Optionee's death, the Option shall expire on the earlier of _____, 200 or the date three years after the termination of the Optionee's employment due to death.

Retirement or Disability. If the Optionee's employment is terminated as a result of the Optionee's Retirement (as defined below) or Disability (as defined below), the Option shall expire on , 200 , and, if not vested at the time of such Retirement or Disability, shall remain subject to the original vesting provisions of the grant as contained in Section 2(c) hereof until such expiration date.

Voluntary Termination; Cause. If the Optionee's employment is terminated by the Optionee for any reason other than Retirement (as defined below), Disability (as defined below), or death, or by the Company (or an Affiliate, as the case may be) for cause (as determined by the Committee), the vested and unvested portions of the Option shall expire on the date of the termination of the Optionee's employment.

Other Termination by the Company. If the Option is vested and the Optionee's employment is terminated by the Company (or an Affiliate, as the case may be) for other than cause (as determined by the Committee), and not because of the Optionee's Retirement (as defined below), Disability (as defined below), or death, the Option shall expire on the earlier of , 200 or the date three months after the termination of the Optionee's employment (for purposes of this Section 2(e)(iv), employment shall include any period in which severance is paid in the form of salary continuation). If the Option is not vested on the date the Optionee's employment terminates, the Option shall be forfeited immediately in full on the date of termination of employment, and the Option shall not thereafter be exercisable.

Notwithstanding the foregoing, if an Optionee's employment is terminated on or after an Acceleration Event (A) by the Company (or an Affiliate, as the case may be) for other than cause (as defined by the Committee), and not because of the Optionee's Retirement (as defined below), Disability (as defined below), or death, or (B) by the Optionee because the Optionee in good faith believed that as a result of such Acceleration Event he or she was unable effectively to discharge his or her present duties or the duties of the position the Optionee occupied just prior to the occurrence of such Acceleration Event, the Option shall in no event expire before the earlier of the date that is 7 months after the Acceleration Event or , 200 .

RETIREMENT. For purposes of this Agreement, the term "Retirement" shall mean the termination of the Optionee's employment if, at the time of such termination, the Optionee is eligible to commence receipt of retirement benefits under a traditional formula defined benefit pension plan maintained by the Company or an Affiliate (or would be eligible to receive such benefits if he or she were a participant in such a traditional formula defined benefit pension plan).

DISABILITY. For purposes of this Agreement, the term "Disability" shall mean the complete and permanent inability of the Optionee to perform all of his or her duties under the terms of his or her employment, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

(f) COMPLIANCE WITH LAWS AND REGULATIONS. The Option shall not be exercised at any time when its exercise or the delivery of shares hereunder would be in violation of any law, rule, or regulation that the Company may find to be valid and applicable.

(g) OPTIONEE BOUND BY PLAN AND RULES. Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by the terms and provisions thereof. Optionee agrees to be bound by any rules and regulations for administering the Plan as may be adopted by the Committee during the life of the Option. Terms used herein and not otherwise defined shall be as defined in the Plan.

This Agreement is issued, and the Option evidenced hereby is granted, in White Plains, New York, and shall be governed and construed in accordance with the laws of the State of New York.

ITT INDUSTRIES, INC.

2003 EQUITY INCENTIVE PLAN
(AMENDED AND RESTATED AS OF JULY 13, 2004)

ARTICLE 1. ESTABLISHMENT, PURPOSE, AND DURATION

1.1 ESTABLISHMENT. ITT Industries, Inc., an Indiana corporation (hereinafter referred to as the "Company"), establishes an incentive compensation plan to be known as the 2003 Equity Incentive 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, and Restricted Stock Units.

The Plan shall become effective as of May 13, 2003 (the "Effective Date") and shall remain in effect as provided in Section 1.3 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 Committee to amend or terminate the Plan at any time pursuant to Article 13 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 (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary, is the Beneficial Owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Company (the "Stock");
 - (b) any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary, or any employee benefit plan sponsored by the

Company or a Subsidiary, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Company (or securities convertible into Stock) 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 Stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire Stock);

- (c) the stockholders of the Company shall approve
 - (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 Stock 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 merger or consolidation 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 merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the 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 stockholders 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 (within the meaning of Section 13(d) of the Exchange Act) (other than the Company or a Subsidiary or any employee benefit plan (or related trust) sponsored by the Company or a Subsidiary) becomes the Beneficial Owner of twenty percent (20%) or more of the Stock.

2.2 "AFFILIATE" shall mean 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, and Restricted Stock Units.

- 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" or "BENEFICIAL OWNERSHIP" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- 2.6 "BOARD" OR "BOARD OF DIRECTORS" means the Board of Directors of the Company.
- 2.7 "CODE" means the U.S. Internal Revenue Code of 1986, as amended from time to time.
- 2.8 "COMMITTEE" means the Compensation and Personnel Committee of the Board.
- 2.9 "COMPANY" means ITT Industries, Inc., an Indiana corporation, and any successor thereto as provided in Article 15 herein.
- 2.10 "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.
- 2.11 "DIRECTOR" means any individual who is a member of the Board of Directors.
- 2.12 "EMPLOYEE" means any employee of the Company or its Affiliates.
- 2.13 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.
- 2.14 "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 shall be specified in the Award Agreement and 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.
- 2.15 "FREESTANDING SAR" means a SAR that is granted independently of any Options, as described in Article 7 herein.

- 2.16 "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
- 2.17 "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.
- 2.18 "INSIDER" shall mean 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.
- 2.19 "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.
- 2.20 "OPTION" means an Incentive Stock Option or a Nonqualified Stock Option to purchase Shares, as described in Article 6 herein.
- 2.21 "OPTION PRICE" means the price at which a Share may be purchased by a Participant pursuant to an Option.
- 2.22 "PARTICIPANT" means an Employee or Director who has been selected to receive an Award or who has an outstanding Award granted under the Plan.
- 2.23 "PERFORMANCE-BASED COMPENSATION" means an Award that is qualified as Performance-Based Compensation under Code Section 162(m).
- 2.24 "PERFORMANCE MEASURES" means measures as described in Article 9, the attainment of which may determine the amount of payout and/or vesting with respect to Awards.
- 2.25 "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.
- 2.26 "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.
- 2.27 "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.
- 2.28 "PLAN YEAR" means the fiscal year.
- 2.29 "RESTRICTED STOCK" means an Award granted to a Participant pursuant to Article 8 herein.

- 2.30 "RESTRICTED STOCK UNIT" means an Award granted to a Participant pursuant to Article 8 herein.
- 2.31 "SHARE" means a share of common stock of the Company, \$ 1.00 par value per share.
- 2.32 "STOCK APPRECIATION RIGHT" or "SAR" means an Award granted to a Participant pursuant to Article 7 herein.
- 2.33 "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.
- 2.34 "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 13, 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 six million one hundred thousand (6,100,000).

The number of Shares that may be issued under the Plan for Awards other than Options granted with an Option Price equal to at least Fair Market Value on the date of grant or SARs with a Grant Price equal to at least Fair Market Value on the date of grant shall not exceed one million (1,000,000).

All of the reserved Shares may be used as ISOs.

Any Shares related to Awards which 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. Moreover, if the Option Price of an NQSO under the Plan or the tax withholding requirements with respect to any Award (other than an ISO) granted under the Plan are satisfied by tendering Shares to the Company (by either actual delivery or by attestation), or if a SAR is exercised, only the number of Shares issued, net of the Shares tendered, if any, will be deemed delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. The maximum number of Shares available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as additional Restricted Stock, or Restricted Stock Units. In addition, the Committee, in its discretion, may establish any other appropriate methodology for calculating the number of Shares issued pursuant to the Plan. 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:

- (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 hundred thousand (300,000).
- (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 Fiscal Year to any one Participant shall be three hundred thousand (300,000).
- (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 one hundred fifty thousand (150,000).

4.2 ADJUSTMENTS IN AUTHORIZED SHARES. In the event of any corporate event or transaction (including, but not limited to, a change in the shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or

property of the Company, combination of shares, exchange of shares, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall substitute or adjust, in an equitable manner, as applicable, the number and nature of Shares that may be issued under the Plan, the number and nature of Shares subject to outstanding Awards, the Option Price and the Grant Price applicable to outstanding Awards, the Award Limits, and other value determinations applicable to outstanding Awards.

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 12, 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.

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 Effective Date. 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. Subject to the following sentence, 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. For Options granted to Participants outside the United States, the Committee, in order to comply with local tax laws and regulations, has the authority to grant Options at a price that is less than the Fair Market Value of a Share on the date of grant.

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 Price of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, (b) by 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 (provided the Shares tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price or have been purchased on the open market), (c) by a combination of (a) and (b), or (d) 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 all of 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. The impact of a termination of a Participant's employment or 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.

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 may include (but shall not be limited to) a Grant Price based on one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant, a Grant Price that is either set at a discount or premium to the Fair Market Value of the Shares on the date of grant, or is indexed to the Fair Market Value of the Shares, with the index determined by the Committee, in its discretion. 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. Subject to the following sentence, the term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, provided that, except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary of its grant. For SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten (10) years.

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.

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

- (a) 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 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. The impact of a termination of a Participant's employment or 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. 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 form of payment of dividends or dividend equivalents, including cash, Shares, Restricted Stock, or Restricted Stock Units.

8.7 TERMINATION OF EMPLOYMENT. The impact of a termination of a Participant's employment or service as a Director on Restricted Stock or Restricted Stock Unit vesting and payment shall be determined by the Committee, in its sole discretion, in the Participant's Award Agreement, and need not be uniform among Award 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. 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 9, 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 the following Performance Measures:

- (a) Net earnings;
- (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(R).

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 (1) 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 9.

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 10. 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 11. RIGHTS OF PARTICIPANTS

11.1 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 service on the Board 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 13.1, 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.

11.2 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.

11.3 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 12. ACCELERATION EVENT

The Compensation Committee shall specify in each Participant's Award Agreement the treatment of outstanding Awards upon an Acceleration Event.

ARTICLE 13. AMENDMENT, MODIFICATION, SUSPENSION, AND TERMINATION

13.1 AMENDMENT, MODIFICATION, SUSPENSION, AND TERMINATION. Subject to Section 13.3, 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, without the prior approval of the Company's shareholders, Options issued under the Plan will not be repriced, replaced, or regranted through cancellation, or by lowering the Option Price of a previously granted Option, and no amendment of the Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule.

13.2 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.

13.3 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 14. WITHHOLDING

14.1 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.

14.2 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 15. 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 16. GENERAL PROVISIONS

16.1 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.

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

16.3 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.

16.4 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.

16.5 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.

16.6 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.

16.7 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.

16.8 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.

16.9 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.

16.10 EMPLOYEES 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;
- (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 16.10 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.

16.11 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.

16.12 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.

16.13 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.

16.14 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.

16.15 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.

16.16 PLAN APPROVAL. This Plan shall become effective upon adoption of the Plan by the Board or shareholder approval of such Plan, whichever occurs first.

ITT INDUSTRIES 1997 LONG-TERM INCENTIVE PLAN
(AMENDED AND RESTATED AS OF JULY 13, 2004)

1. ESTABLISHMENT AND PURPOSE

1.1 Establishment of the Plan. ITT Industries, Inc., an Indiana corporation, hereby establishes an incentive compensation plan to be known as the "ITT Industries 1997 Long-Term Incentive Plan" (the Plan"), as set forth in this document. The Plan shall become effective as of January 1 1997, subject to approval by the requisite shareholders of the Company. The Plan shall remain in effect until terminated by the Board.

1.2 Purposes. The purposes of the Plan are to promote the achievement of long-term objectives of the Company by tying Key Employees' long-term incentive opportunities to preestablished goals; to attract and retain Key Employees of outstanding competence, and to encourage teamwork among them; and to reward performance based on the successful achievement of the preestablished objectives. Awards will be made, at the discretion of the Committee, to Key Employees (including officers and Directors who are also employees) whose responsibilities and decisions directly affect the performance of any Participating Company. All benefits payable under the Plan to the Company's Chief Executive and the four other highest compensated executive officers whose compensation is subject to disclosure in the Company's proxy statement is intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code and, therefore, to be deductible by the Company for income tax purposes.

2. DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below:

(a) An "Acceleration Event" shall be deemed to have occurred if the conditions set forth in any one or more of the following paragraphs shall have been satisfied:

(i) 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 (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary, is the Beneficial Owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Company (the "Stock");

(ii) any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary, or any employee benefit plan sponsored by the Company or a Subsidiary, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Company (or securities convertible into Stock) 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

Stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire Stock);

(iii) the stockholders of the Company shall approve

(a) any consolidation, business combination or merger involving the Company, other than a consolidation, business combination or merger involving the Company in which holders of Stock 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 merger or consolidation 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 merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before; or

(b) 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;

(iv) 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 stockholders 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

(v) any person (within the meaning of Section 13(d) of the Exchange Act) (other than the Company or a Subsidiary or any employee benefit plan (or related trust) sponsored by the Company or a Subsidiary) becomes the Beneficial Owner of twenty percent (20%) or more of the Stock.

(b) "Award" means an award granted to a Key Employee in accordance with the provisions of the Plan and approved by the Committee.

(c) "Award Agreement" means the written agreement evidencing an Award granted to a Key Employee under the Plan and approved by the Committee.

(d) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the general rules and regulations under the Exchange Act.

(e) "Board of Directors" or "Board" means the Board of Directors of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. (All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.)

(g) "Committee" means the Compensation and Personnel Committee of the Board or such other committee as may be designated by the Board to administer the Plan, all of whose members shall be "Non-Employee Directors" under the Exchange Act and "Outside Directors" under Section 162(m) of the Code.

(h) "Company" means ITT Industries, Inc., an Indiana corporation, and its successors and assigns.

(i) "Director" means an individual who is a member of the Board.

(j) "Disability" means the complete permanent inability of a Key Employee to perform all of his or her duties under the terms of his or her employment with any Participating Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

(k) "Effective Date" means the date this Plan becomes effective, as set forth in Section 1.1 herein.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(m) "Key Employee" means an employee (including any officer or Director who is also an employee) of any Participating Company whose responsibilities and decisions, in the judgment of the Committee, directly affect the performance of the Company and its Subsidiaries.

(n) "Participating Company" means the Company or any Subsidiary or other affiliate of the Company or any corporation which at the time of award qualifies as a "subsidiary" of the Company under Section 425(f) of the Code.

(o) "Participant" means an employee of a Participating Company who is a Key Employee and who has received an Award under the Plan.

(p) "Performance Goal" means one or more Performance Measures expressed as an objective formula to be used in calculating the amount payable, if any, with respect to a designated Award and shall be established by the Committee within the first ninety (90) days of the applicable Performance Period. A Performance Goal may provide for various levels of payout depending upon the degree to which the Performance Goal has been achieved.

(q) "Performance Measure" means one or more financial or other objectives determined by the Committee as provided in Section 3.4 herein.

(r) "Performance Period" means the period determined by the Committee, which shall be in excess of one year, during which the Performance Goal shall be achieved.

(s) "Retirement" means eligibility to receive immediate retirement benefits under a Participating Company tax-qualified defined benefit pension plan.

(t) "Subsidiary" means any corporation in which the Company owns directly or indirectly through its Subsidiaries at least a majority of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company or its Subsidiaries own at least a majority of the combined equity thereof.

3. ADMINISTRATION

3.1 The Plan shall be administered by the Committee, the members of which shall serve at the pleasure of the Board.

3.2 Authority of the Committee. Subject to the provisions herein, the Committee shall have full power to select the Key Employees to whom Awards are granted; to determine the size and frequency of Awards (which need not be the same for each Participant); to determine the terms and conditions of each Award; to establish Performance Measures, Performance Goals and Performance Periods (which need not be the same for each Participant); to set forth guidelines governing the amounts of Awards; to revise the amounts of Awards and/or the Performance Measures and/or Performance Goals during a Performance Period to the extent necessary to preserve the intent thereof, and to the extent necessary to prevent dilution of Participants' rights; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, rescind, or waive rules and regulations for the Plan's administration; and, subject to the provisions of Article 9 herein, to amend, modify, and/or terminate the Plan. Further, the Committee shall have the full power to make all other determinations which may be necessary or advisable for the administration of the Plan, to the extent consistent with the provisions of the Plan.

As permitted by law, the Committee may delegate its authority and responsibilities; provided, however, that the Committee may not delegate certain of its responsibilities hereunder where such delegation may jeopardize compliance with Section 16 of the Exchange Act or Section 162(m) of the Code, and all rules and regulations thereunder.

3.3 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of the Plan shall be final, conclusive, and binding on all persons, including the Company, its shareholders, employees, Participants, and their estates and beneficiaries.

3.4 Performance Goals and Measures. Performance Goals shall be based on one or more Performance Measures as established by the Committee, which may include financial measures with respect to the Company and its Subsidiaries or with respect to a Participating Company. Performance Measures may include factors such as the attainment of certain target

levels of or changes in (i) economic value added; (ii) after-tax profits; (iii) operational cash flow; (iv) debt or other similar financial obligations; (v) earnings; (vi) revenues; (vii) net income; (viii) return on capital; (ix) shareholders' equity; (x) return on shareholders' equity; (xi) total shareholder return (measured as a change in the market price of the common stock of the Company plus dividend yield) relative to one or more indices such as the S&P 500 or the S&P Industrials; and (xii) such additional or other criteria as the Committee may determine.

4. ELIGIBILITY AND PARTICIPATION

4.1 Eligibility and Participation. Eligibility shall be limited to Key Employees. Participation shall be at the discretion of the Committee.

5. AWARDS

5.1 Award Timing and Frequency. The Committee shall have complete discretion in determining the number and frequency of Awards to each Participant. Participation in the Plan shall begin on the first day of each Performance Period. However, the Committee, at its sole discretion, may grant an Award to a Key Employee during any Performance Period. In such cases, the Participant's degree of participation for such Performance Period may be pro rated, based on whatever method the Committee shall determine.

5.2 Award Value. Each Award shall have an initial value that is established by the Committee at the time of Award. No single Award to any Participant shall be for an amount that exceeds the lesser of 200% of the Participant's annual base salary as in effect at the time of the Award or \$4,000,000.

5.3 Achieving Award Value. The Committee shall establish Performance Goals to be achieved during the Performance Period and the various percentage payouts, if any, for each Award which are dependent upon the degree to which the Performance Goals have been achieved, all as shall be referred to in the individual Award Agreement.

5.4 Certification of Performance Targets. After the end of each Performance Period, and prior to the payment for such Performance Period, the Committee must certify in writing the degree to which the Performance Goals and Performance Measures for the Performance Period were achieved. The Committee shall calculate the amount of each Participant's Award for such Performance Period based upon the Performance Measures and Performance Goals for each Participant. In establishing Performance Targets and Performance Measures and in calculating the degree of achievement thereof, the Committee may ignore extraordinary items, property transactions, changes in accounting standards and losses or gains arising from discontinued operations. The Committee shall have no authority or discretion to increase the amount of any Participant's Award as so determined, but it may reduce the amount or totally eliminate any Award if it determines in its absolute and sole discretion that such action is appropriate in order to reflect the Participant's performance or unanticipated factors during the Performance Period.

5.5 Form and Timing of Payment of Awards. Payment with respect to earned Awards shall be made as soon as practicable following the close of the applicable Performance Period. Payment shall be made, in whole or in part, in the form of cash and/or common stock of the

Company at the sole discretion of the Committee. In no event will the aggregate number of shares of common stock of the Company issued to Participants with respect to any Performance Period exceed one percent (1%) of the total of the issued and outstanding shares of such common stock, plus treasury stock, as reported in the Annual Report on Form 10-K of the Company for the fiscal year ending immediately prior to or simultaneous with such Performance Period.

5.6 Funding of Awards. Awards need not be funded during the Performance Period. Any obligation of the Company to make payments with respect to Awards shall be a general obligation of the Company with Participants to whom payment of an Award may have been earned and due being general creditors of the Company.

5.7 Award Agreements. Each Award shall be evidenced by an Award Agreement, which shall be approved by the Committee, signed by an officer of the Company and by the Participant, and contain or refer to the terms and conditions that apply to the Award, which shall include, but shall not be limited to, the amount of the Award, the Performance Measures, the Performance Goals, the levels of payout dependent upon the degree to which the Performance Goals have been achieved, and the length of the Performance Period. The terms and conditions need not be the same for each Participant, or for each Performance Period.

6. TERMINATION OF EMPLOYMENT

6.1 Termination of Employment Due to Death, Disability, or Retirement. In the event a Participant's employment is terminated by reason of death, Disability or Retirement, the Participant may be entitled to a pro rata payment with respect to Awards in accordance with such rules and regulations as the Committee shall adopt.

6.2 Termination for Reasons Other than Death, Disability, or Retirement. In the event a Participant's employment is terminated for reasons other than death, Disability, or Retirement, and other than that brought about by an Acceleration Event, all rights to any Awards shall be forfeited, unless the Committee determines otherwise.

7. ACCELERATION EVENT

7.1 Upon the occurrence of an Acceleration Event, the Performance Goals attainable under all outstanding-Awards shall be deemed to have been fully earned at the maximum achievement level and shall be paid out in cash upon the effective date of the Acceleration Event.

Subject to Article 9 herein, prior to the effective date of an Acceleration Event, the Committee shall have the authority to make any modifications to outstanding Awards as it determines to be necessary to provide Participants with an appropriate payout with respect to their Awards.

8. BENEFICIARY DESIGNATION

8.1 Designation of Beneficiary. Each Participant may file with the Participating Company a written designation of one or more persons as the beneficiary who shall be entitled to receive payout, if any, with respect to the Award upon his or her death. The Participant may from time to time revoke or change his or her beneficiary designation without the consent of any

prior beneficiary by filing a new designation with the Participating Company. The last such designation received by the Participating Company shall be controlling; provided however, that no designation, or change or revocation thereof, shall be effective unless received by the Participating Company prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

8.2 Death of Beneficiary. In the event that all the beneficiaries named by a Participant pursuant to Section 8.1 herein predecease the Participant, any amounts that would have been paid to the Participant or the Participant's beneficiaries under the Plan shall be paid to the Participant's estate.

9. AMENDMENT, MODIFICATION, AND TERMINATION

9.1 Amendment, Modification, and Termination. The Board may terminate, amend, or modify the Plan. However, no such termination, amendment or modification may change the class of employees eligible to participate in the Plan or materially increase the cost of the Plan or materially increase the benefits to Participants without whatever approval of the stockholders of the Company may be required by the Code, Section 16 of the Exchange Act, any national securities exchange or system on which the Company's shares of common stock are then listed or reported, or any regulatory body having jurisdiction with respect hereto.

9.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall in any manner adversely affect any outstanding Award, without the written consent of the Participant holding such Award.

10. MISCELLANEOUS PROVISIONS

10.1 Employment. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any of its Subsidiaries.

10.2 Nontransferability. No Award may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

10.3 Rights to Common Stock. Awards do not give Participants any right whatsoever with respect to shares of the Company's common stock prior to the time, if any, when such shares of common stock are issued to such Participant.

10.4 Costs of the Plan. All costs of the Plan including, but not limited to, payout of Awards and administrative expenses, shall be incurred as general obligations of the Company.

10.5 Tax Withholding. The Company shall have the right to require Participants to remit to the Company an amount sufficient to satisfy applicable Federal, state, foreign and local withholding tax requirements, or to deduct from all payments under the Plan amounts sufficient to satisfy all such requirements.

10.6 Successors. All obligations of the Company under the Plan with respect to payout of Awards 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 other acquisition of all or substantially all of the business or assets of the Company.

10.7 Indemnification. Each person who is or shall have been a member of the Committee or the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation, By-laws, insurance or other agreement or otherwise.

10.8 Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail to the Secretary of the Company. Notice to the Secretary of the Company, if mailed, shall be addressed to the principal executive offices of the Company. Notice mailed to a Participant shall be at such address as is given in the records of the Company. Notices shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

10.9 Severability. In the event that 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.

10.10 Requirements of Law. The granting and payout of Awards 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.

10.11 Governing Law. To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of New York.

ADMINISTRATION

The Plan is administered by a Committee of the Board of Directors of ITT Industries, presently designated as the Compensation and Personnel Committee, the members of which serve during the pleasure of the Board. The Committee is composed of directors none of whom is an officer or employee of ITT Industries and none of whom is eligible to receive any award under the Plan.

FEDERAL TAX TREATMENT

The following is a brief summary of the current United States federal income tax rules generally applicable to grants of Awards and payments with respect to Awards under the Plan. As the following discussion provides only the general rules, it is suggested that Participants consult their own tax advisors as to the specific federal, state, local and foreign tax consequences applicable to them.

A. UNITED STATES CITIZENS AND/OR UNITED STATES RESIDENTS

The grant or communication of an Award to a Participant is not a taxable event for the Participant at that time. However, when such Awards are paid out, whether taking the form of stock, cash or both, such amounts are compensation income to the Participant for federal income tax purposes. As such, the total amount to be received by the Participant, whether made in stock, cash or any combination thereof, is subject to withholding which will be calculated on the total final payment value and deducted from any cash portion of the Award. With respect to the portion of the Awards paid in stock, the amount of compensation to the Participant is the fair market value of the shares as determined at the end of the Performance Period. This amount becomes the Participant's cost basis in the shares. Upon any subsequent sale, the Participant would be subject to federal income taxation only to the extent that the proceeds of sale exceed that basis.

ITT Industries is entitled to a federal tax deduction at the same time and to the same extent that the Participant realizes compensation income.

B. FOREIGN CITIZENS WHO ARE NONRESIDENTS OF THE UNITED STATES

Since any payment with respect to Awards under the Plan is compensation income to the Participant, whether or not a foreign nonresident Participant will be subject to taxation by the United States will depend upon where the services for which the Award was granted were performed. In general, if a foreign Participant receives payment with respect to an Award for a Performance Period in which he or she did not work in the United States, the receipt of payment with respect to such Award will not be subject to taxation by the United States. However, such amount will most likely be subject to taxation in his or her country of residence. If a foreign Participant worked both within the United States and abroad for the Performance Period to which the Award relates, the amount of compensation subject to taxation by the United States would be that portion allocated based upon the number of days spent working in the United States during the Performance Period. Please be advised that most income tax treaties with the United States address compensation issues such as these and may modify the general rules discussed herein.

ITT INDUSTRIES 1997 ANNUAL INCENTIVE PLAN FOR EXECUTIVE OFFICERS
(AMENDED AND RESTATED AS OF JULY 13, 2004)

1. PURPOSE

The purpose of this ITT Industries 1997 Annual Incentive Plan for Executive Officers (the "Incentive Plan") is to provide incentive compensation in the form of a bonus to executive officers of ITT Industries, Inc. (the "Company") for achieving specific pre-established performance objectives and to continue to motivate participating executive officers to achieve their business goals, while tying a portion of their compensation to measures affecting shareholder value. The Incentive Plan seeks to enable the Company to continue to be competitive in its ability to attract and retain executive officers of the highest caliber.

All compensation payable under the Incentive Plan to the Company's Chief Executive and the four other highest compensated executive officers (collectively the "Participating Executives") whose compensation is subject to disclosure in the Company's proxy statement is intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and, therefore, to be deductible by the Company for income tax purposes.

2. PLAN ADMINISTRATION

The Compensation and Personnel Committee (the "Committee") of the Board of Directors (the "Board") of the Company, as constituted by the Board from time to time, shall be comprised completely of "outside directors" as defined under Section 162(m) of the Code.

The Committee shall have full power and authority to administer, construe and interpret the provisions of the Incentive Plan and to adopt and amend administrative rules and regulations, agreements, guidelines and instruments for the administration of the Incentive Plan and for the conduct of its business as the Committee considers appropriate.

Except with respect to matters which under Section 162(m) of the Code are required to be determined in the sole and absolute discretion of the Committee, the Committee shall have full power, to the extent permitted by law, to delegate its authority to any officer or employee of the Company to administer and interpret the procedural aspects of the Incentive Plan, subject to the terms of the Incentive Plan, including adopting and enforcing rules to decide procedural and administrative issues.

The Committee may rely on opinions, reports or statements of officers or employees of the Company and of counsel to the Company (inside or retained counsel), public accountants and other professional or expert persons.

The Board reserves the right to amend or terminate the Incentive Plan in whole or in part at any time; provided, however, that except as necessary to maintain the Incentive Plan's compliance with Section 162(m) of the Code, no amendments shall adversely affect or impair the rights of any participant that have previously accrued hereunder, without the written consent of the participant. Unless otherwise prohibited by applicable law, any amendment required to conform the Incentive Plan to the requirements of Section 162(m) of the Code may be made by the

Committee. No amendment to the Incentive Plan may be made to alter the class of individuals who are eligible to participate in the Incentive Plan, the performance criteria specified in Section 4 hereof or the maximum bonus payable to any Participating Executive without shareholder approval unless shareholder approval is not required in order for bonuses paid to Participating Executives to constitute qualified performance-based compensation under Section 162(m) of the Code.

No member of the Committee shall be liable for any action taken or omitted to be taken or for any determination made by him or her in good faith with respect to the Incentive Plan, and the Company shall indemnify and hold harmless each member of the Committee against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any act or omission in connection with the administration or interpretation of the Incentive Plan, unless arising out of such person's own fraud or bad faith.

3. ELIGIBLE EXECUTIVES

Executive officers of the Company who are senior vice presidents or above shall be eligible to participate in the Incentive plan. Prior to or at the time performance objectives are established for a Performance Period, as defined below, the Committee shall designate in writing the Participating Executives for that Performance Period.

4. PLAN YEAR, PERFORMANCE PERIODS, PERFORMANCE MEASURES AND PERFORMANCE TARGETS

Each fiscal year of the Incentive Plan (the "Plan Year") shall begin on January 1 and end on December 31. The performance period (the "Performance Period") with respect to which bonuses may be payable under the Incentive Plan shall be the Plan Year unless the Committee designates one or more different Performance Periods.

The Committee shall establish the performance measures (the "Performance Measures") to be used which may include, but shall not be limited to, net operating profit after tax, economic value added, earnings per share, return on equity, return on total capital, or such other measures as determined by the Committee. In addition, to the extent consistent with Section 162(m) of the Code, Performance Measures may be based upon other objectives such as negotiating transactions or sales and developing long-term goals. The Performance Measures shall be objectively determinable and, to the extent that they are expressed in standard accounting terms, shall be according to generally accepted accounting principles as in existence on the date on which the applicable Performance Period is established and without regard to any changes in such principles after such date. For purposes of the Plan, economic value added shall mean the amount of economic profit created in excess of the amount required to satisfy the obligations to and normal expectations of the Company's lenders and investors.

The Committee shall establish the performance targets (the "Performance Targets") to be achieved which shall be based on one or more Performance Measures relating to the Company as a whole or to the specific businesses of the Company, subsidiaries, operating companies, or operating units as determined by the Committee and shall be expressed as an objective formula to be used in calculating the amount of bonus award each Participating Executive shall be

eligible to receive. There may be a sliding scale of payment dependent upon the percentage levels of achievement of Performance Targets.

The Performance Measures and Performance Targets, which may be different with respect to each Participating Executive and each Performance Period, must be set forth in writing by the Committee within the first ninety (90) days of the applicable Performance Period.

5. CERTIFICATION OF PERFORMANCE TARGETS AND CALCULATION OF BONUS AWARDS

After the end of each Performance Period, and prior to the payment for such Performance Period, the Committee must certify in writing the degree to which the Performance Targets for the Performance Period were achieved, including the specific target objective or objectives and the satisfaction of any other material terms of the bonus award. The Committee shall calculate the amount of each Participating Executive's bonus for such Performance Period based upon the Performance Measures and Performance Targets for each Participating Executive. In establishing Performance Targets and Performance Measures and in calculating the degree of achievement thereof, the Committee may ignore extraordinary items, property transactions, changes in accounting standards and losses or gains arising from discontinued operations. The Committee shall have no authority or discretion to increase the amount of any Participating Executive's bonus as so determined, but it may reduce the amount or totally eliminate any bonus award if it determines in its absolute and sole discretion that such action is appropriate in order to reflect the Participating Executive's performance or unanticipated factors during the Performance Period.

No Participating Executive's bonus for any Performance Period shall exceed the lesser of 200% of the participant's annual base salary as in effect as of the last day of such Performance Period or \$4,000,000.

6. PAYMENT OF AWARDS

Approved bonus awards shall be payable by the Company in cash to each Participating Executive, or to the Participating Executive's estate in the event of the Participating Executive's death, as soon as practicable after the end of each Performance Period. No bonuses may be paid under the Incentive Plan until the Committee has certified in writing that the relevant Performance Targets were achieved.

If a Participating Executive is not an employee on the last day of the Performance Period, the Committee shall have sole discretion to determine what portion, if any, the Participating Executive shall be entitled to receive with respect to any award for the Performance Period. The Committee shall have the authority to adopt appropriate rules and regulations for the administration of the Incentive Plan in such termination cases.

The Company retains the right to deduct from any bonus awards paid under the Incentive Plan any Federal, state, local or foreign taxes required by law to be withheld with respect to such payment.

Notwithstanding the above, no bonus awards shall be paid under the Incentive Plan unless the Incentive Plan is approved by the requisite shareholders of the Company.

7. OTHER TERMS AND CONDITIONS

Any award made under this Incentive Plan shall be subject to the discretion of the Committee. No person shall have any legal claim to be granted an award under the Incentive Plan and the Committee shall have no obligation to treat Participating Executives uniformly. Except as may be otherwise required by law, bonus awards under the Incentive Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary. Bonuses awarded under the Incentive Plan shall be payable from the general assets of the Company, and no Participating Executive shall have any claim with respect to any specific assets of the Company.

Nothing contained in the Incentive Plan shall give any Participating Executive the right to continue in the employment of the Company or affect the right of the Company to terminate a Participating Executive.

8. ACCELERATION EVENT.

An "Acceleration Event" shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of ITT Industries (the "Stock"); (ii) any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries, or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT Industries (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT Industries (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of ITT Industries shall approve (A) any consolidation, business combination or merger involving ITT Industries, other than a consolidation, business combination or merger involving ITT Industries in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT Industries, (iv) there shall have been a change in a majority of the members of the Board of Directors of ITT Industries within a 12-month period unless the election or nomination for election by ITT Industries' stockholders 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 (v) any person (within the meaning of Section 13(d) of the Act) (other than ITT Industries or any subsidiary of ITT Industries or any employee benefit plan (or related trust) sponsored by ITT Industries or a subsidiary of ITT Industries) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

Upon the occurrence of such Acceleration Event, the Performance Measures for each Performance Period with respect to which bonuses may be payable under the Incentive Plan shall be deemed to be achieved at the greater of (i) the Performance Target established for such Performance Measures or (ii) the Company's actual achievement of such Performance Measures as of the Acceleration Event. Payment of the bonuses, for the full year, will be made to each Participating Executive, in cash, within five (5) business days following such Acceleration Event.

9. MISCELLANEOUS.

The Incentive Plan shall be effective January 1, 1997 subject to the approval of the requisite shareholders of the Company. Once approved, the Plan shall remain in effect unless/until terminated by the Board; provided, however, that if an Acceleration Event has occurred no amendment or termination shall impair the rights of any Participating Executive with respect to any prior award.

This Incentive Plan shall be construed and governed in accordance with the laws of the State of New York.

1994 ITT- INDUSTRIES INCENTIVE STOCK PLAN
(AS AMENDED AND RESTATED AS OF JULY 13, 2004)

The following is the text of the 1994 ITT Industries Incentive Stock Plan:

1. PURPOSE

The purpose of the 1994 ITT Industries Incentive Stock Plan is to motivate and reward superior performance on the part of employees of ITT Industries and its subsidiaries and to thereby attract and retain employees of superior ability. In addition, the Plan is intended to further opportunities for stock ownership by such employees in order to increase their proprietary interest in ITT Industries and, as a result, their interest in the success of the Company. Awards will be made, in the discretion of the Committee, to Key Employees (including officers and directors who are also employees) whose responsibilities and decisions directly affect the performance of any Participating Company and its subsidiaries. Such incentive awards may consist of stock options, stock appreciation rights payable in stock or cash, performance shares, restricted stock or any combination of the foregoing, as the Committee may determine.

2. DEFINITIONS

When used herein, the following terms shall have the following meanings:

"Acceleration Event" means the occurrence of an event defined in Section 9 of the Plan.

"Act" means the Securities Exchange Act of 1934.

"Award" means an award granted to any Key Employee in accordance with the provisions of the Plan in the form of Options, Rights, Performance Shares or Restricted Stock, or any combination of the foregoing.

"Award Agreement" means the written agreement evidencing each Award granted to a Key Employee under the Plan.

"Beneficiary" means the beneficiary or beneficiaries designated pursuant to Section 10 to receive the amount, if any, payable under the Plan upon the death of a Key Employee.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. (All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.)

"Committee" means the Compensation and Personnel Committee of the Board or such other committee as may be designated by the Board to administer the Plan.

"Company" means ITT Industries, Inc. and its successors and assigns.

"Fair Market Value", unless otherwise indicated in the provisions of this Plan, means, as of any date, the composite closing price for one share of Stock on the New York Stock Exchange or, if no sales of Stock have taken place on such date, the composite closing price on the most recent date on which selling prices were quoted, the determination to be made in the discretion of the Committee.

"Incentive Stock Option" means a stock option qualified under Section 422 of the Code.

"Key Employee" means an employee (including any officer or director who is also an employee) of any Participating Company whose responsibilities and decisions, in the judgment of the Committee, directly affect the performance of the Company and its subsidiaries.

"Limited Stock Appreciation Right" means a stock appreciation right which shall become exercisable automatically upon the occurrence of an Acceleration Event as described in Section 9 of the Plan.

"Option" means an option awarded under Section 5 of the Plan to purchase Stock of the Company, which option may be an Incentive Stock Option or a non-qualified stock option.

"Participating Company" means the Company or any subsidiary or other affiliate of the Company: provided, however, for Incentive Stock Options only, "Participating Company" means the Company or any corporation which at the time such Option is granted qualifies as a "subsidiary" of the Company under Section 425(f) of the Code.

"Performance Share" means a performance share awarded under Section 6 of the Plan.

Plan means the 1994 ITT Industries Incentive Stock Plan, as the same may be amended, administered or interpreted from time to time.

"Plan Year" means the calendar year.

"Retirement" means eligibility to receive immediate retirement benefits under a Participating Company pension plan.

"Restricted Stock" means Stock awarded under Section 7 of the Plan subject to such restrictions as the Committee deems appropriate or desirable.

"Right" means a stock appreciation right awarded in connection with an Option under Section 5 of the Plan.

"Stock" means the common stock (\$1 par value) of the Company.

"Total Disability" means the complete and permanent inability of a Key Employee to perform all of his or her duties under the terms of his or her employment with any Participating Company, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. SHARES SUBJECT TO THE PLAN

The aggregate number of shares of Stock which may be awarded under the Plan in any Plan Year shall be subject to an annual limit. The maximum number of shares of Stock for which Awards may be granted under the Plan in each Plan Year shall be 1.5 percent (1.5%) of the total of the issued and outstanding shares of Stock and Treasury Stock as reported in the Annual Report on Form 10-K of the Company for the fiscal year ending immediately prior to any Plan Year. Any unused portion of the annual limit for any Plan Year shall be carried forward and be made available for awards in succeeding Plan Years.

In addition to the foregoing, in no event shall more than five million (5,000,000) shares of Stock be cumulatively available for Awards of incentive stock options under the Plan, and provided further, that no more than twenty percent (20%) of the total number of shares on a cumulative basis shall be available for restricted stock and performance shares Awards. For any Plan Year, no individual employee may receive an Award of stock options for more than the lesser of (i) ten percent (10%) of the annual limit on available shares applicable to that Plan Year and (ii) 500,000 shares.

Subject to the above limitations, shares of Stock to be issued under the Plan may be made available from the authorized but unissued shares, or shares held by the Company in treasury or from shares purchased in the open market. For the purpose of computing the total number of shares of stock available for Awards under the Plan, there shall be counted against the foregoing limitations the number of shares of Stock which equal the value of performance share Awards, in each case determined as at the dates on which such Awards are granted. If any Awards under the Plan are forfeited, terminated, expire unexercised, are settled in cash in lieu of Stock or are exchanged for other Awards, the shares of Stock which were theretofore subject to such Awards shall again be available for Awards under the Plan to the extent of such forfeiture or expiration of such Awards. Further, any shares that are exchanged (either actually or constructively) by optionees as full or partial payment to the Company of the purchase price of shares being acquired through the exercise of a stock option granted under the Plan may be available for subsequent Awards, provided however: that such shares may be awarded only to those participants who are not directors or executive officers (as that term is defined in the rules and regulations under Section 16 of the Exchange Act).

4. GRANT OF AWARDS AND AWARD AGREEMENTS

(a) Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees or groups of Key Employees to whom Awards are to be granted; (ii) determine the form or forms of Award to be granted to any Key Employee; (iii) determine the amount or number of shares of Stock subject to each Award; and (iv) determine the terms and conditions of each Award.

(b) Each Award granted under the Plan shall be evidenced by a written Award Agreement. Such agreement shall be subject to and incorporate the express terms and conditions, if any, required under the Plan or required by the Committee.

5. STOCK OPTIONS AND RIGHTS

(a) With respect to Options and Rights, the Committee shall (i) authorize the granting of Incentive Stock Options, non-qualified stock options, or a combination of Incentive Stock Options and non-qualified stock options; (ii) authorize the granting of Rights which may be granted in connection with all or part of any Option granted under this Plan, either concurrently with the grant of the Option or at any time thereafter during the term of the Option; (iii) determine the number of shares of Stock subject to each Option or the number of shares of Stock that shall be used to determine the value of a Right; and (iv) determine the time or times when and the manner in which each Option or Right shall be exercisable and the duration of the exercise period.

(b) Any option issued hereunder which is intended to qualify as an Incentive Stock Option shall be subject to such limitations or requirements as may be necessary for the purposes of Section 422 of the Code or any regulations and rulings thereunder to the extent and in such form as determined by the Committee in its discretion.

(c) Rights may be granted only to Key Employees who may be considered directors or officers of the Company for purposes of Section 16 of the Act.

(d) The exercise period for a non-qualified stock option and any related Right shall not exceed ten years and two days from the date of grant, and the exercise period for an Incentive Stock Option and any related Right shall not exceed ten years from the date of grant.

(e) The Option price per share shall be determined by the Committee at the time any Option is granted and shall be not less than the Fair Market Value of one share of Stock on the date the Option is granted.

(f) No part of any Option or Right may be exercised until the Key Employee who has been granted the Award shall have remained in the employ of a Participating Company for such period after the date of grant as the Committee may specify, if any, and the Committee may further require exercisability in installments; provided, however, the period during which a Right is exercisable shall commence no earlier than six months following the date the Option or Right is granted.

(g) The purchase price of the shares as to which an Option shall be exercised shall be paid to the Company at the time of exercise either in cash or Stock already owned by the optionee having a total Fair Market Value equal to the purchase price, or a combination of cash and Stock having a total fair market value, as so determined, equal to the purchase price. The Committee shall determine acceptable methods for tendering Stock as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Stock to exercise an Option as it deems appropriate.

(h) Unless Section 9 shall provide otherwise, Rights granted to a director or officer shall terminate when such person ceases to be considered a director or officer of the Company subject to Section 16 of the Act.

(i) In case of termination of employment, the following provisions shall apply:

(A) If a Key Employee who has been granted an Option shall die before such Option has expired, his or her Option may be exercised in full by the person or persons to whom the Key Employee's rights under the Option pass by will, or if no such person has such right, by his or her executors or administrators, at any time, or from time to time, within five years after the date of the Key Employee's death or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above.

(B) Except as provided below, if the Key Employee's employment by any Participating Company terminates because of his or her Retirement or Total Disability, he or she may exercise his or her Options in full at any time, or from time to time, within five years after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions, as the Committee may specify, but not later than the expiration date specified in Section 5(d) above. Any such Options that are not fully exercisable immediately prior to such optionee's Retirement or Total Disability shall become fully exercisable upon such Retirement or Total Disability; however, in the event that the Key Employees employment by any Participating Company terminates because of his or her voluntary Retirement under circumstances which do not involve a severance or termination arrangement as determined by the Company, all Options awarded to such Key Employee within the twelve month period prior to such termination shall be forfeited and shall no longer be exercisable. The Committee may, however, in unusual circumstances and in its sole discretion, determine otherwise with respect to any matter covered by this Section 5(i)(B).

(C) Except as provided in Section 9, if the Key Employee shall voluntarily resign before eligibility for Retirement or he or she is terminated for cause as determined by the Committee, the Options or Rights shall be cancelled coincident with the effective date of the termination of employment.

(D) If the Key Employee's employment terminates for any other reason, he or she may exercise his or her Options, to the extent that he or she shall have been entitled to do so at the date of the termination of his or her employment, at any time, or from time to time, within three months after the date of the termination of his or her employment or within such other period, and subject to such terms and conditions as the Committee may specify, but not later than the expiration date specified in Section 5(d) above.

(j) No Option or Right granted under the Plan shall be transferable other than by will or by the laws of descent and distribution. During the lifetime of the optionee, an Option or Right shall be exercisable only by the Key Employee to whom the Option or Right is granted.

(k) With respect to an Incentive Stock Option, the Committee shall specify such terms and provisions as the Committee may determine to be necessary or desirable in order to qualify such Option as an "incentive stock option" within the meaning of Section 422 of the Code.

(1) With respect to the exercisability and settlement of Rights:

(i) Upon exercise of a Right, the Key Employee shall be entitled, subject to such terms and conditions the Committee may specify, to receive upon exercise thereof all or a portion of the excess of (A) the Fair Market Value of a specified number of shares of Stock at the time of exercise, as determined by the Committee, over (B) a specified amount which shall not, subject to Section 5(e), be less than the Fair Market Value of such specified number of shares of Stock at the time the Right is granted. v Upon exercise of a Right, payment of such excess shall be made as the Committee shall specify in cash, the issuance or transfer to the Key Employee of whole shares of Stock with a Fair Market Value at such time equal to any excess, or a combination of cash and shares of Stock with a combined Fair Market Value at such time equal to any such excess, all as determined by the Committee. The Company will not issue a fractional share of Stock and, if a fractional share would otherwise be issuable, the Company shall pay cash equal to the Fair Market Value of the fractional share of Stock at such time.

(ii) For the purposes of Subsection (i) of this Section 5(1), in the case of any such Right or portion thereof, other than a Right related to an Incentive Stock Option, exercised for cash during a "window period" specified by Rule 16b-3 under the Act, the Fair Market Value of the Stock at the time of such exercise shall be the highest composite daily closing price of the Stock during such window period.

(iii) In the event of the exercise of such Right, the Company's obligation in respect of any related Option or such portion thereof will be discharged by payment of the Right so exercised.

6. PERFORMANCE SHARES

(a) Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees or groups of Key Employees to whom Awards of Performance Shares are to be made, (ii) determine the Performance Period (the "Performance Period") and Performance Objectives (the "Performance Objectives") applicable to such Awards, (iii) determine the form of settlement of a Performance Share and (iv) generally determine the terms and conditions of each such Award. At any date, each Performance Share shall have a value equal to the Fair Market Value of a share of Stock at such date; provided that the Committee may limit the aggregate amount payable upon the settlement of any Award. The maximum award for any individual employee in any given year shall be 100,000 Performance Shares.

(b) The Committee shall determine a Performance Period of not less than two nor more than five years. Performance Periods may overlap and Key Employees may participate simultaneously with respect to Performance Shares for which different Performance Periods are prescribed.

(c) The Committee shall determine the Performance Objectives of Awards of Performance Shares. Performance Objectives may vary from Key Employee to Key Employee and between groups of Key Employees and shall be based upon such performance criteria or combination of factors as the Committee may deem appropriate, including minimum earnings per share, return on equity, cash flow or total shareholder return. If during the course of a Performance Period there shall occur significant events which the Committee expects to have a substantial effect

on the applicable Performance Objectives during such period, the Committee may revise such Performance Objectives.

(d) At the beginning of a Performance Period, the Committee shall determine for each Key Employee or group of Key Employees the number of Performance Shares or the percentage of Performance Shares which shall be paid to the Key Employee or member of the group of Key Employees if the applicable Performance Objectives are met in whole or in part.

(e) If a Key Employee terminates service with all Participating Companies during a Performance Period because of death, Total Disability, Retirement, or under other circumstances where the Committee in its sole discretion finds that a waiver would be in the best interests of the Company, that Key Employee may, as determined by the Committee, be entitled to an Award of Performance Shares at the end of the Performance Period based upon the extent to which the Performance Objectives were satisfied at the end of such period and prorated for the portion of the Performance Period during which the Key Employee was employed by any Participating Company; provided, however, the Committee may provide for an earlier payment in settlement of such Performance Shares in such amount and under such terms and conditions as the Committee deems appropriate or desirable. If a Key Employee terminates service with all Participating Companies during a Performance Period for any other reason, then such Key Employee shall not be entitled to any Award with respect to that Performance Period unless the Committee shall otherwise determine.

(f) Each Award of a Performance Share shall be paid in whole shares of Stock, or cash, or a combination of Stock and cash either as a lump sum payment or in annual installments, all as the Committee shall determine, with payment to commence as soon as practicable after the end of the relevant Performance Period.

7. RESTRICTED STOCK

(a) Restricted Stock shall be subject to a restriction period (after which restrictions will lapse) which shall mean a period commencing on the date the Award is granted and ending on such date as the Committee shall determine (the "Restriction Period"). The Committee may provide for the lapse of restrictions in installments where deemed appropriate.

(b) Except when the Committee determines otherwise pursuant to Section 7(d), if a Key Employee terminates employment with all Participating Companies for any reason before the expiration of the Restriction Period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Key Employee and shall be reacquired by the Company.

(c) Except as otherwise provided in this Section 7, no shares of Restricted Stock received by a Key Employee shall be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of during the Restriction Period.

(d) In cases of death, Total Disability or Retirement or in cases of special circumstances, the Committee may, in its sole discretion when it finds that a waiver would be in the best interests of the Company, elect to waive any or all remaining restrictions with respect to such Key Employee's Restricted Stock.

(e) The Committee may require, under such terms and conditions as it deems appropriate or desirable, that the certificates for Stock delivered under the Plan may be held in custody by a bank or other institution, or that the Company may itself hold such shares in custody until the Restriction Period expires or until restrictions thereon otherwise lapse, and may require, as a condition of any Award of Restricted Stock that the Key Employee shall have delivered a stock power endorsed in blank relating to the Restricted Stock.

(f) Nothing in this Section 7 shall preclude a Key Employee from exchanging any shares of Restricted Stock subject to the restrictions contained herein for any other shares of Stock that are similarly restricted.

(g) Subject to Section 7(e) and Section 8, each Key Employee entitled to receive Restricted Stock under the Plan shall be issued a certificate for the shares of Stock. Such certificate shall be registered in the name of the Key Employee, and shall bear an appropriate legend reciting the terms, conditions and restrictions, if any, applicable to such Award and shall be subject to appropriate stop-transfer orders.

8. CERTIFICATES FOR AWARDS OF STOCK

(a) The Company shall not be required to issue or deliver any certificates for shares of Stock prior to (i) the listing of such shares on any stock exchange on which the Stock may then be listed and (ii) the completion of any registration or qualification of such shares under any federal or state law, or any ruling or regulation of any government body which the Company shall, in its sole discretion, determine to be necessary or advisable.

(b) All certificates for shares of Stock delivered under the Plan shall also be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. The foregoing provisions of this Section 8(b) shall not be effective if and to the extent that the shares of Stock delivered under the Plan are covered by an effective and current registration statement under the Securities Act of 1933, or if and so long as the Committee determines that application of such provisions is no longer required or desirable. In making such determination, the Committee may rely upon an opinion of counsel for the Company.

(c) Except for the restrictions on Restricted Stock under Section 7, each Key Employee who receives Stock in settlement of an Award of Stock, shall have all of the rights of a shareholder with respect to such shares, including the right to vote the shares and receive dividends and other distributions. No Key Employee awarded an Option, a Right or Performance Share shall have any right as a shareholder with respect to any shares covered by his or her Option, Right or Performance Share prior to the date of issuance to him or her of a certificate or certificates for such shares.

9. ACCELERATION EVENTS

(a) For the purposes of this Plan, an Acceleration Event shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Act disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary of the Company, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the Stock; (ii) any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company, or any employee benefit plan sponsored by the Company or a subsidiary of the Company, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Company (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of the Company shall approve (A) any consolidation, business combination or merger involving the Company, other than a consolidation, business combination or merger involving the Company in which holders of Stock 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 merger or consolidation 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 merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) 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, (iv) 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 stockholders 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 (v) any person (within the meaning of Section 13(d) of the Act) (other than the Company or any subsidiary of the Company or any employee benefit plan (or related trust) sponsored by the Company or a subsidiary of the Company) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

(b) Notwithstanding any provisions in this Plan to the contrary:

(i) Each outstanding Option granted under the Plan shall become immediately exercisable in full for the aggregate number of shares covered thereby and all related Rights shall also become exercisable upon the occurrence of an Acceleration Event described in this Section 9 and shall continue to be exercisable in full for cash for a period of 60 calendar days beginning on the date that such Acceleration Event occurs and ending on the 60th calendar day following that date; provided, however, that (A) no Right shall become exercisable earlier than six months following the date the Right is granted, (B) no

Incentive Stock Option or related Right shall be exercisable while there is outstanding any Incentive Stock Option which was previously granted to the same optionee by any Participating Company, and (C) no Option or Right shall be exercisable beyond the expiration date of its original term.

(ii) Options and Rights shall not terminate and shall continue to be fully exercisable for a period of seven months following the occurrence of an Acceleration Event in the case of an employee who is terminated other than for just cause or who voluntarily terminates his employment because he in good faith believes that as a result of such Acceleration Event he is unable effectively to discharge his present duties or the duties of the position he occupied just prior to the occurrence of such Acceleration Event. For purposes of Section 9 only, termination shall be for "just cause" only if such termination is based on fraud, misappropriation or embezzlement on the part of the employee which results in a final conviction of a felony. Under no circumstances, however, shall any Option or Right be exercised beyond the expiration date of its original term.

(iii) Any Right or portion thereof may be exercised for cash within the 60-calendar-day period following the occurrence of an Acceleration Event with settlement, except in the case of a Right related to an Incentive Stock Option, based on the "Formula Price" which shall be the highest of (A) the highest composite daily closing price of the Stock during the period beginning on the 60th calendar day prior to the date on which the Right is exercised and ending on the date such Right is exercised, (B) the highest gross price paid for the Stock during the same period of time, as reported in a report of Schedule 13D filed with the Securities and Exchange Commission or (C) the highest gross price paid or to be paid for a share of Stock (whether by way of exchange, conversion, distribution upon merger, liquidation or otherwise) in any of the transactions set forth in this Section 9 as constituting an Acceleration Event.

(iv) Upon the occurrence of an Acceleration Event Limited Stock Appreciation Rights shall automatically be granted as to any Option with respect to which Rights are not then outstanding; provided, however, that Limited Stock Appreciation Rights shall be provided at the time of grant of any Incentive Stock Option subject to exercisability upon the occurrence of an Acceleration Event. Limited Stock Appreciation Rights shall entitle the holder thereof, upon exercise of such rights and surrender of the related Option or any portion thereof, to receive, without payment to the Company (except for applicable withholding taxes), an amount in cash equal to the excess, if any, of the Formula Price as that term is defined in Section 9 over the option price of the Stock as provided in such Option; provided that in the case of the exercise of any such Limited Stock Appreciation Right or portion thereof related to an Incentive Stock Option, the Fair Market Value of the Stock at the time of such exercise shall be substituted for the Formula Price. Each such Limited Stock Appreciation Right shall be exercisable only during the period beginning on the first business day following the occurrence of such Acceleration Event and ending on the 60th day following such date and only to the same extent the related Option is exercisable. In the case of persons who are considered directors or officers of the Company for purposes of Section 16 of the Act, Limited Stock Appreciation Rights shall not be so exercisable until they have been outstanding for at least six months. Upon exercise of a Limited

Stock Appreciation Right and surrender of the related Option, or portion thereof, such Option, to the extent surrendered, shall not thereafter be exercisable.

(v) The restrictions applicable to Awards of Restricted Stock issued pursuant to Section 7 shall lapse upon the occurrence of an Acceleration Event and the Company shall issue stock certificates without a restrictive legend. Key Employees holding Restricted Stock on the date of an Acceleration Event may tender such Restricted Stock to the Company which shall pay the Formula Price as that term is defined in Section 9; provided, such Restricted Stock must be tendered to the Company within 60 calendar days of the Acceleration Event.

(vi) If an Acceleration Event occurs during the course of a Performance Period applicable to an Award of Performance Shares pursuant to Section 6, then the Key Employee shall be deemed to have satisfied the Performance Objectives and settlement of such Performance Shares shall be based on the Formula Price, as defined in this Section 9.

10. BENEFICIARY

(a) Each Key Employee shall file with the Company a written designation of one or more persons as the Beneficiary who shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. A Key Employee may from time to time revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Company. The last such designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Key Employee's death, and in no event shall it be effective as of a date prior to such receipt.

(b) If no such Beneficiary designation is in effect at the time of a Key Employee's death, or if no designated Beneficiary survives the Key Employee or if such designation conflicts with law, the Key Employee's estate shall be entitled to receive the Award, if any, payable under the Plan upon his or her death. If the Committee is in doubt as to the right of any person to receive such Award, the Company may retain such Award, without liability for any interest thereon, until the Committee determines the rights thereto, or the Company may pay such Award into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefor.

11. ADMINISTRATION OF THE PLAN

(a) Each member of the Committee shall be both a member of the Board and a "Non-Employee Director within the meaning of Rule 16b-3 under the Act or successor rule or regulation.

(b) All decisions, determinations or actions of the Committee made or taken pursuant to grants of authority under the Plan shall be made or taken in the sole discretion of the Committee and shall be final, conclusive and binding on all persons for all purposes.

(c) The Committee shall have full power, discretion and authority to interpret, construe and administer the Plan and any part thereof, and its interpretations and constructions thereof and actions taken thereunder shall be, except as otherwise determined by the Board, final, conclusive and binding on all persons for all purposes.

(d) The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Key Employees, whether or not such Key Employees are similarly situated.

(e) The Committee may, in its sole discretion, delegate such of its powers as it deems appropriate.

(f) If an Acceleration Event has not occurred and if the Committee determines that a Key Employee has taken action inimical to the best interests of any Participating Company, the Committee may, in its sole discretion, terminate in whole or in part such portion of any Option (including any related Right) as has not yet become exercisable at the time of termination, terminate any Performance Share Award for which the Performance Period has not been completed or terminate any Award of Restricted Stock for which the Restriction Period has not lapsed.

12. AMENDMENT, EXTENSION OR TERMINATION

The Board may, at any time, amend or terminate the Plan and, specifically, may make such modifications to the Plan as it deems necessary to avoid the application of Section 162(m) of the Code and the Treasury regulations issued thereunder. However, no amendment shall, without approval by a majority of the Company's stockholders, (a) alter the group of persons eligible to participate in the Plan, (b) except as provided in Section 13 increase the maximum number of shares of Stock which are available for Awards under the Plan or (c) extend the period during which awards may be granted beyond December 31, 2003. If an Acceleration Event has occurred, no amendment or termination shall impair the rights of any person with respect to a prior Award.

13. ADJUSTMENTS IN EVENT OF CHANGE IN COMMON STOCK

In the event of any reorganization, merger, recapitalization, consolidation, liquidation, stock dividend, stock split, reclassification, combination of shares, rights offering, split-up, or extraordinary dividend (including a spin-off) or divestiture, or any other change in the corporate structure or shares, the Committee may make such adjustment in the Stock subject to Awards, including Stock subject to purchase by an Option, or the terms, conditions or restrictions on Stock or Awards, including the price payable upon the exercise of such Option and the number of shares subject to restructured stock awards, as the Committee deems equitable.

14. MISCELLANEOUS

(a) Except as provided in Section 9, nothing in this Plan or any Award granted hereunder shall confer upon any employee any right to continue in the employ of any Participating Company or interfere in any way with the right of any Participating Company to terminate his or her employment at any time. No Award payable under the Plan shall be deemed salary or

compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of any Participating Company for the benefit of its employees unless the Company shall determine otherwise. No Key Employee shall have any claim to an Award until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under this 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 provided in Section 7(e) with respect to Restricted Stock.

(b) The Committee may cause to be made, as a condition precedent to the payment of any Award, or otherwise, appropriate arrangements with the Key Employee or his or her Beneficiary, for the withholding of any federal, state, local or foreign taxes.

(c) The Plan and the grant of Awards shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by any government or regulatory agency as may be required.

(d) The terms of the Plan shall be binding upon the Company and its successors and assigns.

(e) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

15. EFFECTIVE DATE, TERM OF PLAN AND SHAREHOLDER APPROVAL

The effective date of the Plan shall be January 1, 1994. No Award shall be granted under this Plan after the Plan's termination date. The Plan's termination date shall be December 31, 2003. The Plan will continue in effect for existing Awards as long as any such Award is outstanding. The Plan was amended by the Board of Directors on July 25, 1995, March 12, 1996, April 15, 1997, and May 7, 2002.

ADMINISTRATION

The Plans are administered by a Committee of the Board of Directors of ITT Industries, presently designated as the Compensation and Personnel Committee, the members of which serve during the pleasure of the Board. The Committee is composed of directors all of whom are "Non-Employee Directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

FEDERAL TAX TREATMENT

The following is a brief summary of the current Federal income tax rules generally applicable to options, stock appreciation rights, performance shares and restricted stock. Awardees should consult their own tax advisors as to the specific Federal, state and local tax consequences applicable to them.

A. OPTIONS AND STOCK APPRECIATION RIGHTS

Options granted under the 1986 Plan and the 1994 Plan may be either non-qualified options or "incentive stock options" qualifying under Section 422 of the Internal Revenue Code.

Non-qualified Options

An optionee is not subject to Federal income tax upon grant of a non-qualified option. At the time of exercise, the optionee will realize compensation income (subject to withholding) to the extent that the then fair market value of the stock exceeds the option exercise price. The amount of such income will constitute an addition to the optionee's tax basis in the optioned stock. Sale of the shares will result in capital gain or loss (long-term or short-term depending on the optionee's holding period). ITT Industries is entitled to a Federal tax deduction at the same time and to the same extent that the optionee realizes compensation income.

Incentive Stock Options ("ISOs")

Options denominated as ISOs are intended to constitute incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended. An optionee is not subject to Federal income tax upon either the grant or exercise of an ISO. If the optionee holds the shares acquired upon exercise for at least one year after issuance of the optioned shares and until at least two years after grant of the option, then the difference between the amount realized on a subsequent sale or other taxable disposition of the shares and the option exercise price will constitute long-term capital gain or loss. ITT Industries will not be entitled to a Federal tax deduction with respect to the grant or exercise of the ISO.

If the optionee sells the shares acquired under an ISO before the requisite holding period, he will be deemed to have made a "disqualifying disposition" of the shares and will realize compensation income in the year of disposition equal to the lesser of the fair market value of the shares at exercise or the amount realized on their disposition over the option price of the shares. Any gain recognized upon a disqualifying disposition in excess of the ordinary income portion will constitute either short-term or long-term capital gain. In the event of a disqualifying disposition, ITT Industries will be entitled to a Federal tax deduction in the amount of the compensation income realized by the optionee.

The option spread on the exercise of an ISO is an adjustment in computing alternative minimum taxable income. No adjustment is required however, if the optionee made a disqualifying disposition of the shares in the same year as he is taxed on the exercise.

Stock Appreciation Rights ("SARs")

An employee is not taxed upon the grant of SARs. An optionee exercising SARs for cash will realize compensation income (subject to withholding) in the amount of the cash or fair market value of the shares received. To the extent payment is made in the form of stock, the compensation income recognized upon exercise will constitute the awardee's tax basis in such shares. ITT Industries is entitled to a tax deduction at the same time and to the same extent that the optionee realizes compensation income.

B. PERFORMANCE SHARES

An awardee of performance shares will generally realize compensation income (subject to withholding) when and to the extent that payment is made, whether in the form of cash or shares of ITT Industries Common Stock. To the extent that payment is made in the form of stock, income will be measured by the then fair market value of the shares, which will constitute an addition to the awardee's tax basis in such shares. ITT Industries will be entitled to a Federal tax deduction for the value of payment at the time of payment.

C. RESTRICTED STOCK

An awardee of restricted stock will generally realize compensation income (subject to withholding) when and to the extent that the restrictions on the shares lapse, as measured by the fair market value of the shares at the time of lapse. The awardee's holding period for the shares will not commence until the date of lapse, and dividends paid during the restriction period will be treated as compensation. The income realized on lapse of the restrictions will constitute an addition to the awardee's tax basis in the shares.

In lieu of deferred recognition of income, the awardee may formally elect, within 30 days of award, to realize compensation income at the time of award, as measured by the fair market value of the restricted stock on the date of award determined without regard to the restrictions. The income realized will constitute an addition to the tax basis of the shares. In the case of such election, any appreciation (or depreciation) on the shares during the restriction period will give rise to capital gain (or capital loss) upon sale or exchange of the stock. In the event that the awardee terminates employment during the restriction period and forfeits his shares, no deduction may be claimed and no loss may be taken based on the compensation income previously recognized.

ITT Industries will be entitled to a Federal tax deduction at the same time and to the same extent that the awardee realizes, compensation income.

D. EXCESS PARACHUTE PAYMENTS

Options, SARs, performance shares or restricted stock which are granted, accelerated or enhanced upon the occurrence of a takeover (i.e., an Acceleration Event as defined in the Plans) may give rise, in whole or in part, to "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code and, to such extent, will be nondeductible by ITT Industries and subject to a 20% excise tax to the awardee.

ITT INDUSTRIES, INC.
SPECIAL SENIOR EXECUTIVE SEVERANCE PAY PLAN
(AMENDED AND RESTATED AS OF JULY 13, 2004)

1. PURPOSE

The purpose of this ITT Industries Special Senior Executive Severance Pay Plan ("Plan") is to assist in occupational transition by providing Severance Benefits, as defined herein, for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan.

2. COVERED EMPLOYEES

Covered employees under this Plan ("Special Severance Executives") are active full-time, regular salaried employees of ITT Industries, Inc., ("ITT Industries") and of any subsidiary company ("ITT Industries Subsidiary") (collectively or individually as the context requires "Company") (including Special Severance Executives who are short term disabled as of a Potential Acceleration Event within the meaning of the Company's short term disability plans) (other than Special Severance Executives on periodic severance as of a Potential Acceleration Event) who are in Band A or B or were in Band A or B at any time within the two year period immediately preceding an Acceleration Event and such other employees of the Company who shall be designated as covered employees in Band A or B under the Plan by the Compensation and Personnel Committee of ITT Industries' Board of Directors.

"Bands A and B" shall have the meaning given such terms under the executive classification system of the ITT Industries Human Resources Department as in effect immediately preceding an Acceleration Event. After the occurrence of an Acceleration Event, the terms "ITT Industries", "ITT Industries Subsidiary" and "Company" as used herein shall also include, respectively and as the context requires, any successor company to ITT Industries or any successor company to any ITT Industries Subsidiary and any affiliate of any such successor company.

3. DEFINITIONS

An "Acceleration Event" shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of ITT Industries (the "Stock"); (ii) any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries, or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT Industries (or securities convertible

into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT Industries (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of ITT Industries shall approve (A) any consolidation, business combination or merger involving ITT Industries, other than a consolidation, business combination or merger involving ITT Industries in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT Industries, (iv) there shall have been a change in a majority of the members of the Board of Directors of ITT Industries within a 12-month period unless the election or nomination for election by ITT Industries' stockholders 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 (v) any person (within the meaning of Section 13(d) of the Act) (other than ITT Industries or any subsidiary of ITT Industries or any employee benefit plan (or related trust) sponsored by ITT Industries or a subsidiary of ITT Industries) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

"Cause" shall mean action by the Special Severance Executive involving willful malfeasance or gross negligence or the Special Severance Executive's failure to act involving material nonfeasance that would tend to have a materially adverse effect on the Company. No act or omission on the part of the Special Severance Executive shall be considered "willful" unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

"Good Reason" shall mean (i) without the Special Severance Executive's express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates promptly after receipt of notice thereof given by the Special Severance Executive, (A) a reduction in the Special Severance Executive's annual base salary (whether or not deferred) or annual bonus (as measured by the highest bonus paid or awarded, whether or not deferred, in respect of the three (3) calendar years preceding an Acceleration Event) or any reduction in any material compensation or benefits arrangement, (B) the assignment to the Special Severance Executive of any duties inconsistent in any respect with the Special Severance Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (C) any other action by the Company or its affiliates which results in a diminution in such position, authority, duties or responsibilities; (ii) without the Special Severance Executive's express written consent, the Company's requiring the Special Severance Executive's work location to be

other than within twenty-five (25) miles of the location where such Special Severance Executive was principally working immediately prior to the Acceleration Event; or (iii) any failure by the Company to obtain the express written assumption of this Plan from any successor to the Company.

"Potential Acceleration Event" shall mean any execution of an agreement, the commencement of a tender offer or any other transaction or event that if consummated would result in an Acceleration Event.

4. SEVERANCE BENEFITS UPON TERMINATION OF EMPLOYMENT

If, a Special Severance Executive's employment with the Company is terminated due to a Qualifying Termination, he or she shall receive the severance benefits set forth in Section 5 hereof ("Severance Benefits"). For purposes hereof, (i) a "Qualifying Termination" shall mean a termination of a Special Severance Executive's employment with the Company either (x) by the Company without Cause (A) within the two (2) year period commencing on the date of the occurrence of an Acceleration Event or (B) prior to the occurrence of an Acceleration Event and either (1) following the public announcement of the transaction or event which ultimately results in such Acceleration Event or (2) at the request of a party to, or participant in, the transaction or event which ultimately results in an Acceleration Event; or (y) by a Special Severance Executive for Good Reason within the two (2) year period commencing with the date of the occurrence of an Acceleration Event and (ii) a determination by a Special Severance Executive that he or she has "Good Reason" hereunder shall be final and binding on the parties hereto absent a showing of bad faith on the Special Severance Executive's part.

5. SEVERANCE BENEFITS

Band A Benefits

Severance Benefits for Special Severance Executives (i) in Band A at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Acceleration Event or (ii) designated as a covered employee in Band A in accordance with Section 2 hereof:

- ACCRUED RIGHTS - The Special Severance Executive's base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive's termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy.

- SEVERANCE PAY - The sum of (x) three (3) times the highest annual base salary rate paid (whether or not deferred) to the Special Severance Executive at any time during the three year period immediately preceding the Special Severance Executive's termination of employment, and (y) three (3) times the highest annual bonus paid or awarded (whether or not

deferred) to the Special Severance Executive in respect of either (i) the three (3) years preceding an Acceleration Event or (ii) the three (3) years preceding the Special Severance Executive's termination of employment.

- BENEFITS AND PERQUISITES

> Continued health and life insurance benefits and perquisites (including, without limitation, any Company-provided automobile and any tax or financial advisory services) for a three (3) year period following the Special Severance Executive's termination of employment at the same cost to the Special Severance Executive, and at the same coverage levels, as provided to the Special Severance Executive (and the Special Severance Executive's eligible dependents) immediately prior to his or her termination of employment.

> Payment of a lump sum amount ("Pension Lump Sum Amount") equal to the difference between (i) the total lump sum value of the Special Severance Executive's pension benefit under the ITT Industries Salaried Retirement Plan and, as applicable, Excess Pension Plan IA, Excess Pension Plan IB and/or Excess Pension Plan II of the Company or any successor plan; provided that the benefits under such successor plan is no less favorable than the benefits under the plans set forth herein (or corresponding pension arrangements outside the United States) ("Pension Plans") as of the Special Severance Executive's termination of employment and (ii) the total lump sum value of the Special Severance Executive's pension benefit under the Pension Plans after crediting an additional three (3) years of age and three (3) years of eligibility and benefit service to the Special Severance Executive and applying the highest annual base salary rate and highest bonus determined above under "Severance Pay" with respect to each of the additional three (3) years of service so credited for purposes of determining Final Average Compensation under the Pension Plans. The above total lump sum values shall be determined in the manner provided in the Excess Pension Plans of the Company for determination of lump sum benefits upon the occurrence of an Acceleration Event, as defined in said Plans. This provision shall apply to any Special Severance Executive having a pension benefit under any of the Pension Plans as of the Special Severance Executive's termination of employment. An example of the calculation of benefits set forth in this paragraph is set forth on Schedule A.

> Crediting of an additional three (3) years of age and three (3) years of eligibility service for purposes of the Company's retiree health and retiree life insurance benefits. This provision shall apply to any Special Severance Executives covered under such benefits any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment.

> Payment of a lump sum amount ("Savings Plan Lump Sum Amount") equal to three (3) times the following amount: the highest annual base salary rate determined above under "Severance Pay" times the highest percentage rate of Company Contributions (not to exceed three and on-half percent (3 1/2%)) with respect to the Special Severance Executive under the ITT Industries Investment and Savings Plan for Salaried Employees and/or the ITT Industries Excess Savings Plan (or corresponding savings plan arrangements outside the United States) ("Savings

Plans") (including matching contributions and floor contributions) at any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Special Severance Executive who is a member of any of the Savings Plans at any time during such three (3) year period.

- OUTPLACEMENT - Outplacement services for one (1) year.

Band B Benefits

Severance Benefits for Special Severance Executives (i) in Band B at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Acceleration Event or (ii) designated as a covered employee in Band B in accordance with Section 2 hereof; provided, that a Special Severance Executive who is in Band B at the time of a Qualifying Termination but was in Band A anytime during the two (2) year period immediately preceding the Acceleration Event shall be entitled to Severance Benefits as a Special Severance Executive in Band A and shall not be entitled to the Severance Benefits set forth below:

- ACCRUED RIGHTS - The Special Severance Executive's base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive's termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy.

- SEVERANCE PAY - The sum of (x) two (2) times the highest annual base salary rate paid (whether or not deferred) to the Special Severance Executive at any time, during the three (3) year period immediately preceding the Special Severance Executive's termination of employment, and (y) two (2) times the highest annual bonus paid or awarded (whether or not deferred) to the Special Severance Executive in respect of either (i) the three (3) years preceding an Acceleration Event or (ii) the three (3) years preceding the Special Severance Executive's termination of employment.

- BENEFITS AND PERQUISITES

> Continued health and life insurance benefits and perquisites (including, without limitation, any Company provided automobile and any tax or financial advisory services) for a two year period following the Special Severance Executive's termination of employment at the same cost to the Special Severance Executive, and at the same coverage levels, as provided to the Special Severance Executive (and the Special Severance Executive's eligible dependents) immediately prior to his or her termination of employment.

> Payment of a lump sum amount ("Pension Lump Sum Amount") equal to the difference between (i) the total lump sum value of the Special Severance Executive's pension

benefit under the ITT Industries Salaried Retirement Plan and, as applicable, Excess Pension Plan IA, Excess Pension Plan IB and/or Excess Pension Plan II of the Company or any successor plan; provided that the benefits under such successor plan is no less favorable than the benefits under the plans set forth herein (or corresponding pension arrangements outside the United States) ("Pension Plans") as of the Special Severance Executive's termination of employment and (ii) the total lump sum value of the Special Severance Executive's pension benefit under the Pension Plans after crediting an additional two (2) years of age and two (2) years of eligibility and benefit service to the Special Severance Executive and applying the highest annual base salary rate and highest bonus determined above under "Severance Pay" with respect to each of the additional two (2) years of service so credited for purposes of determining Final Average Compensation under the Pension Plans. The above total lump sum values shall be determined in the manner provided in the Excess Pension Plans of the Company for determination of lump sum benefits upon the occurrence of an Acceleration Event, as defined in said Plans. This provision shall apply to any Special Severance Executive having a pension benefit under any of the Pension Plans as of the Special Severance Executive's termination of employment. An example of the calculation of benefits set forth in this paragraph is set forth on Schedule A.

> Crediting of an additional two (2) years of age and two (2) years of eligibility service for purposes of the Company's retiree health and retiree life insurance benefits. This provision shall apply to any Special Severance Executives covered under such benefits any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment.

> Payment of a lump sum amount ("Savings Plan Lump Sum Amount") equal to two (2) times the following amount: the highest annual base salary rate determined above under "Severance Pay" times the highest percentage rate of Company Contributions (not to exceed three and one-half percent (3 1/2%)) with respect to the Special Severance Executive under the ITT Industries Investment and Savings Plan for Salaried Employees and/or the ITT Industries Excess Savings Plan (or corresponding savings plan arrangements outside the United States) ("Savings Plans") (including matching contributions and floor contributions) at any time during either the three (3) year period immediately preceding the Special Severance Executive's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Special Severance Executive who is a member of any of the Savings Plans at any time during such three (3) year period.

- OUTPLACEMENT - Outplacement services for one year.

General

With respect to the provision of benefit and perquisites during the above described respective three and two year periods, if, for any reason at any time the Company is unable to treat the Special Severance Executive as being eligible for ongoing participation in any Company employee benefit plans or perquisites in existence immediately prior to the termination of employment of the Special Severance Executive, and if, as a result thereof, the Special Severance Executive does not receive a benefit or perquisite or receives a reduced benefit or

perquisite, the Company shall provide such benefits or perquisites by (i) direct payment to the Special Severance Executive of the amounts the Special Severance Executive would have received from such benefit plan or prerequisite had the Special Severance Executive continued to be eligible or (ii) at the Company's option, making available equivalent benefits or perquisites from other sources.

6. FORM OF PAYMENT OF SEVERANCE PAY AND LUMP SUM PAYMENTS

Severance Pay shall be paid in cash, in a non-discounted lump sum within five (5) business days after the date the employment of the Special Severance Executive terminates. The Pension Lump Sum Amount and the Savings Plan Lump Sum Amount shall be paid in cash within thirty (30) calendar days after the date the employment of the Special Severance Executive terminates.

7. TERMINATION OF EMPLOYMENT - OTHER

The Severance Benefits shall only be payable upon a Special Severance Executive's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of an Acceleration Event, a Special Severance Executive is terminated due to the Special Severance Executive's death or disability (as defined in the long-term disability plan in which the Special Severance Executive is entitled to participate (whether or not the Special Severance Executive voluntarily participates in such plan)) and, at the time of such termination, the Special Severance Executive had grounds to resign with Good Reason, such termination of employment shall be deemed to be a Qualifying Termination.

8. ADMINISTRATION OF PLAN

This Plan shall be administered by ITT Industries, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by ITT Industries shall be final, conclusive and binding on all parties affected thereby.

Notwithstanding the preceding paragraph, following an Acceleration Event, any controversy or claim arising out of or relating to this Plan, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof shall be borne by the Company. The location of the arbitration proceedings shall be reasonably acceptable to the Special Severance Executive. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Special Severance Executive as a result of the Company's refusal to provide any of the Severance Benefits to which the Special Severance Executive becomes entitled under this Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the Special Severance Executive and the Company pertaining to this Plan. The Company shall pay such fees and expenses from the general assets of the Company.

9. TERMINATION OR AMENDMENT

ITT Industries may terminate or amend this Plan ("Plan Change") at any time except, that following the occurrence of (i) an Acceleration Event or (ii) a Potential Acceleration Event, no Plan Change that would adversely affect any Special Severance Executive may be made without the prior written consent of such Special Severance Executive affected thereby; provided, however, that (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event.

10. OFFSET

Any Severance Benefits provided to a Special Severance Executive under this Plan shall be offset by reducing (x) any Severance Pay hereunder by any severance pay, salary continuation pay, termination pay or similar pay or allowance and (y) any other Severance Benefits hereunder by corresponding employee benefits, perquisites or outplacement services, which the Special Severance Executive receives or is entitled to receive, (i) under the ITT Industries, Inc. Senior Executive Severance Pay Plan; (ii) pursuant to any other Company policy, practice, program or arrangement; (iii) pursuant to any Company employment agreement or other agreement with the Company; or (iv) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States, unless the Special Severance Executive voluntarily expressly waives (which the Special Severance Executive shall have the exclusive right to do) in writing any such respective entitlement.

11. EXCISE TAX

In the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Special Severance Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 11 such payments or distributions being referred to herein as "Payments") would give rise to liability of the Special Severance Executive for the excise tax imposed by Section 4999 of the Internal Revenue Code, as amended (the "Code"), or that any interest or penalties are incurred by the Special Severance Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Special Severance Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that after payment by the Special Severance Executive of all Federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including without limitation, any income and employment taxes (and any interest and penalties imposed with respect to such taxes) and Excise Tax imposed upon the Gross-Up Payment, the Special Severance Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

All determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm mutually agreed to by the Special Severance Executive and the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to

the Company and the Special Severance Executive within ten (10) business days of the receipt of notice from the Special Severance Executive that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of determining the amount of any Gross-Up Payment, the Special Severance Executive shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest effective rates applicable to individuals in the state or locality of the Special Severance Executive's residence or place of employment, whichever is higher, in the calendar year in which any such Gross-Up Payment is to be made. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 11, shall be paid by the Company to the Special Severance Executive when due. If the Accounting Firm determines that no Excise Tax is payable by the Special Severance Executive, it shall so indicate to the Special Severance Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Special Severance Executive. As a result of the uncertainty in the application of Section 4999 of the Code, it is possible that the amount of the Gross-Up Payment determined by the Accounting Firm to be due to (or on behalf of) the Special Severance Executive was lower than the amount actually due ("Underpayment"). In the event that the Company exhausts its remedies pursuant to this Section 11 and the Special Severance Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Special Severance Executive.

The Special Severance Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of any Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Special Severance Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Special Severance Executive shall not pay such claim prior to the expiration of the thirty day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Special Severance Executive in writing prior to the expiration of such period that it desires to contest such claim, Special Severance Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order to effectively contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Special Severance Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 11, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Special

Severance Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Special Severance Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, further, that if the Company directs the Special Severance Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Special Severance Executive, on an interest-free basis, and shall indemnify and hold the Special Severance Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; provided, further, that if the Special Severance Executive is required to extend the statute of limitations to enable the Company to contest such claim, the Special Severance Executive may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Special Severance Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Special Severance Executive of an amount paid or advanced by the Company pursuant to this Section 11, the Special Severance Executive becomes entitled to receive any refund with respect to a Gross-Up Payment, the Special Severance Executive shall (subject to the Company's complying with the requirements of Section 11) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Special Severance Executive of an amount advanced by the Company pursuant to Section 11, a determination is made that the Special Severance Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Special Severance Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

In the event the Gross-Up Payment shall fail to make the Special Severance Executive whole on an after-tax basis, whether by reason of either (i) an adjustment made by the Internal Revenue Service or state taxing authority or (ii) because the Special Severance Executive's actual effective tax rate was higher than the rate used by the Accounting Firm as determined pursuant to Section 11 for the year in which the Gross-Up Payment was made, the Gross-Up Payment shall be recalculated ("Recalculated Gross-Up Payment"), using the Special Severance Executive's actual effective tax rate, once it is known for the calendar year in which the Gross-Up Payment is made, and the Company shall reimburse the Special Severance Executive for the full amount of any amount by which the Recalculated Gross-Up Payment exceeds the Gross-Up Payment ("Additional Gross-Up Payment").

The Gross-Up Payment and any Additional Gross-Up Payment shall be paid out of the general assets of the Company.

12. MISCELLANEOUS

The Special Severance Executive shall not be entitled to any notice of termination or pay in lieu thereof.

Severance Benefits under this Plan are paid entirely by the Company from its general assets.

This Plan is not a contract of employment, does not guarantee the Special Severance Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Special Severance Executive at any time.

If a Special Severance Executive should die while any amount is still payable to the Special Severance Executive hereunder had the Special Severance Executive continued to live, all such amounts shall be paid in accordance with this Plan to the Special Severance Executive's designated heirs or, in the absence of such designation, to the Special Severance Executive's estate.

The numbered section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

The Plan shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

The Plan shall be binding on all successors and assigns of the ITT Industries and a Special Severance Executive.

13. NOTICES

Any notice and all other communication provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three (3) days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

ITT Industries, Inc.
4 West Red Oak Lane
White Plains, New York 10604
Attention: General Counsel

If to Special Severance Executive:

To the most recent address of Special Severance Executive set forth
in the personnel records of ITT Industries.

14. ADOPTION DATE

This Plan was adopted by ITT Industries on March 10, 1997 ("Adoption Date") and does not apply to any termination of employment which occurred or which was communicated to the Special Severance Executive prior to the Adoption Date.

SPECIAL SENIOR EXECUTIVE SEVERANCE PAY PLAN

EXAMPLE OF POTENTIAL PENSION ENHANCEMENT

BASIC INPUT DATA

Date of Event	12/31/2004
Employee Age	55
Employee Service	20
Current Salary Rate	345,000
Estimated Social Security Benefit (Mo.)	1,400

HISTORICAL EARNINGS

YEAR	BASE EARNINGS	EXECUTIVE BONUS
1998	260,417	84,000
1999	273,438	106,000
2000	286,771	125,000
2001	298,167	165,000
2002	312,500	200,000
2003	327,500	185,000
2004	342,500	189,000

IMPLIED EARNINGS

Year 1	345,000	200,000
Year 2	345,000	200,000
Year 3	345,000	200,000

CALCULATION OF PENSION BENEFIT

	ACTUAL	ENHANCED	IMPROVEMENT
Final Average Pay	486,287.50	538,800.00	
Age	55.00	58.00	
Service	20.00	23.00	
Gross Monthly Pension	16,209.58	20,654.00	4,444.42
Less: Social Security Offset	(350.00)	(402.50)	(52.50)
Net Monthly Pension @ Age 65	15,859.58	20,251.50	4,391.92
Early Retirement Reduction Factor	75.00%	90.00%	
Net Pension Payable after age 62	11,807.19	18,186.10	6,378.91
Net Pension Payable to age 62	12,157.19	18,588.60	6,431.41
Lump Sum Value of Benefit from Enhanced Severance Pay Plan			1,406,120.12

Note: In addition to the lump sum payment shown, any portion of the actual benefit that is payable under the Excess Pension Plan would be paid in a lump sum

ITT INDUSTRIES 1996 RESTRICTED STOCK PLAN
FOR NON-EMPLOYEE DIRECTORS
(AMENDED AND RESTATED AS OF JULY 13, 2004)

ARTICLE I -- PLAN ADMINISTRATION AND ELIGIBILITY

1.1 PURPOSE

The purpose of the ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors (the "Plan") is to attract and retain persons of ability as Directors of ITT Industries, Inc. (the "Company") and to provide them with a closer identity with the interests of the Company's stockholders by paying the Annual Retainer in common stock of the Company.

1.2 ADMINISTRATION

The Plan shall be administered by the Compensation and Personnel Committee of the Board of Directors (hereinafter referred to as the "Committee"). The Committee shall have the responsibility of interpreting the Plan and establishing and amending such rules and regulations necessary or appropriate for the administration of the Plan. All interpretations of the Plan or any Restricted Stock awards issued under it shall be final and binding upon all persons having an interest in the Plan. No member of the Committee shall be liable for any action or determination taken or made in good faith with respect to this Plan or any award granted hereunder.

1.3 ELIGIBILITY

Directors of the Company who are not employees of the Company or any of its subsidiaries shall be eligible to participate in the Plan.

1.4 STOCK SUBJECT TO THE PLAN

(a) The maximum number of shares which may be granted under the Plan shall be 100,000 shares of common stock of the Company (the "Stock").

(b) If any Restricted Stock is forfeited by a Director in accordance with the provisions of Section 2.2(e), such shares of Restricted Stock shall be restored to the total number of shares available for grant pursuant to the Plan.

(c) Upon the grant of a Restricted Stock award the Company may distribute newly issued shares or treasury shares.

ARTICLE II -- RESTRICTED STOCK

2.1 RESTRICTED STOCK AWARDS

Restricted Stock awards shall be made automatically on the date of the Annual Meeting of Stockholders, to each Director elected at the meeting or continuing in office following the meeting. The award shall equal the number of whole shares arrived at by dividing the Annual

Retainer that is in effect for the calendar year within which the award date falls, by the Fair Market Value of the Company's common stock. Fractional shares shall be paid in cash.

(a) "Annual Retainer" shall mean the amount that is payable to a Director for service on the Board of Directors during the calendar year. Annual Retainer shall not include fees paid for attendance at any Board or Committee meeting.

(b) "Fair Market Value" shall mean the average of the high and low prices per share of the Company's common stock on the date of the Annual Meeting, as reported by the New York Stock Exchange Composite Tape.

2.2 TERMS AND CONDITIONS OF RESTRICTED STOCK AWARDS

(a) Written Agreement -- Each Restricted Stock award shall be evidenced by a written agreement delivered to the Director in such form as the Committee shall prescribe. Such agreement shall include the restrictions described under Section 2.2(c) and any other restrictions and conditions on the shares as the Committee deems appropriate.

(b) Shares held in Escrow -- The Restricted Stock subject to such award shall be registered in the name of the Director and held in escrow by the Committee until the restrictions on such shares lapse as described below.

(c) Restrictions -- Restricted Stock granted to a Director may not be sold, assigned, transferred, pledged or otherwise disposed of, except by will or the laws of descent and distribution, prior to the earliest of the following dates:

(1) The fifth anniversary of the date of grant, unless the Director shall have elected no later than October 31 of the calendar year immediately prior to the fifth anniversary of the date of such grant to extend the period of restriction with respect to such grant. The extension of such period of restriction shall be to such time as shall be either (w) the tenth anniversary of such date of grant or (x) six months and one day after such time as the restrictions set forth in Section 2.2(c) other than this clause (1) shall otherwise lapse; provided, however, that if the Director has elected under clause (w) and the event referred to in clause (x) occurs first, the Director shall be deemed to have elected under clause (x). In the event that the Director has elected under clause (w) and anticipates that the event referred to in clause (x) will not occur prior to the tenth anniversary of such date of grant, the Director may elect, no later than October 31 of the calendar year immediately prior to the tenth anniversary of such date of grant a second extension of the period of restriction to such time as shall be either (y) the fifteenth anniversary of such date of grant or (z) six months and one day after such time as the restrictions set forth in Section 2.2(c) other than this clause (1) shall otherwise lapse; provided, however, that if the Director has elected under clause (y) and the event referred to in clause (z) occurs first, the Director shall be deemed to have elected under clause (z).

(2) Retirement from the Board at age 72.

(3) "Change in Control" of the Company. A "Change in Control" shall be deemed to have occurred if:

(i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary of the Company, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Stock;

(ii) any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the Company, or any employee benefit plan sponsored by the Company or a subsidiary of the Company, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Company (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);

(iii) the stockholders of the Company shall approve (A) any consolidation, business combination or merger involving the Company, other than a consolidation, business combination or merger involving the Company in which holders of Stock 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 merger or consolidation 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 merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) 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;

(iv) there shall have been a change in a majority of the members of the Board of Directors of the Company within a 12-month period unless the election or nomination for election by the Company' stockholders 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

(v) any person (within the meaning of Section 13(d) of the Act) (other than the Company or any subsidiary of the Company or any employee benefit

plan (or related trust) sponsored by the Company or a subsidiary of the Company) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

(4) Death of the Director.

(5) Disability of the Director.

(6) Termination of service from the Board on account of (i) a physical or mental condition that, in the opinion of a qualified physician, is expected to impede the Director's ability to fulfill his or her principal duties for a period of at least three months; (ii) the relocation of the Director's principal place of business to a location that increases the time required for such Director to travel to the Company's headquarters by more than 50%; (iii) the acceptance by the Director of a position (other than an honorary position) in the government of the United States, any State or any municipality or any subdivision thereof or any organization performing any quasi-governmental function; (iv) any circumstances which, in the opinion of outside counsel to the Company, would (or could reasonably be expected to) conflict with applicable law or any written policy of the Company; or (v) any other circumstance in which the Committee believes, in its sole discretion, that the purposes for which the grants of Restricted Stock were made have been fulfilled, and as such is consistent with the intention of the Plan.

(7) Notwithstanding Section 2.2(c)(2) hereof, retirement from the Board at or after attaining age 65, provided that such Director was a member of the Board of Directors of the Company's corporate predecessor, ITT Corporation, a Delaware corporation, on December 18, 1995 and served as a Director of the Company thereafter.

(d) Dividends and Voting Rights -- The Director shall, subject to Section 2.2(c), possess all incidents of ownership of the shares of Restricted Stock including the right to receive dividends with respect to such shares and to vote such shares.

(e) The Company shall deliver to the Director, or the beneficiary of such Director, if applicable, all of the shares of stock that were awarded to the Director as Restricted Stock, within 30 days following the lapse of restrictions as described under Section 2.2(c). If the Director discontinues serving on the Board prior to the date upon which restrictions lapse as described under Section 2.2(c), such Directors Restricted Stock will be forfeited by the Director and transferred to and reacquired by the Company at no cost to the Company.

ARTICLE III -- GENERAL PROVISIONS

3.1 AUTHORITY

Appropriate officers of the Company designated by the Committee are authorized to execute Restricted Stock agreements, and amendments thereto, in the name of the Company, as directed from time to time by the Committee.

3.2 ADJUSTMENTS IN THE EVENT OF CHANGE IN COMMON STOCK OF THE COMPANY

In the event of any reorganization, merger, recapitalization, consolidation, liquidation, stock dividend, stock split, reclassification, combination of shares, rights offering, split-up, or extraordinary dividend (including a spin-off) or divestiture, or any other change in the corporate structure or shares, the number and kind of shares which thereafter may be granted under the Plan and the number of shares of Restricted Stock awarded pursuant to Section 2.1 with respect to which all restrictions have not lapsed, shall be appropriately adjusted consistent with such change in such manner as the Board in its discretion may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Directors participating in the Plan. Any fractional shares resulting from such adjustments shall be eliminated.

3.3 RIGHTS OF DIRECTORS

The Plan shall not be deemed to create any obligation on the part of the Board to nominate any Director for reelection by the Company's stockholders or to retain any Director at any particular rate of compensation. The Company shall not be obligated to issue Stock pursuant to an award of Restricted Stock for which the restrictions hereunder have lapsed if such issuance would constitute a violation of any applicable law. Except as provided herein, no Director shall have any rights as a stockholder with respect to any shares of Restricted Stock awarded to him.

3.4 BENEFICIARY

A Director may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. In the event of the death of a Director, his beneficiary shall have the right to receive the shares of Restricted Stock awarded pursuant to the Plan. If no designated beneficiary survives the Director, the executor or administrator of the Director's estate shall be deemed to be the Director's beneficiary.

3.5 LAWS AND REGULATIONS

The Committee shall have the right to condition any issuance of shares to any Director hereunder on such Director's undertaking in writing to comply with such restrictions on the subsequent disposition of such shares as the Committee shall deem necessary or advisable as a result of any applicable law or regulation. The Committee may postpone the delivery of stock following the lapse of restrictions with respect to awards of Restricted Stock for such time as the Committee in its discretion may deem necessary, in order to permit the Company with reasonable diligence (i) to effect or maintain registration of the Plan, or the shares issuable upon the lapse of certain restrictions respecting awards of Restricted Stock, under the Securities Act of 1933 or the securities laws of any applicable jurisdiction, or (ii) to determine that such shares and the Plan are exempt from such registration; the Company shall not be obligated by virtue of any Restricted Stock agreement or any provision of the Plan to recognize the lapse of certain restrictions respecting awards of Restricted Stock or issue shares in violation of said Act or of the law of the government having jurisdiction thereof.

3.6 AMENDMENT, SUSPENSION AND DISCONTINUANCE OF THE PLAN

The Board may from time to time amend, suspend or discontinue the Plan, provided that the Board may not, without the approval of the holders of a majority of the outstanding shares entitled to vote, take any action which would cause the Plan to no longer comply with Rule 16b-3 under the Act, or any successor rule or other regulatory requirement.

No amendment, suspension or discontinuance of the Plan shall impair a Directors right under a Restricted Stock award previously granted to him without his consent.

3.7 GOVERNING LAW

This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York.

3.8 EFFECTIVE DATE AND DURATION OF THE PLAN

This Plan shall be effective upon the Distribution Date (as defined in the Proxy Statement of ITT Corporation dated August 30, 1995) subject to the approval of the Plan by the stockholders of ITT Corporation, and shall terminate on December 31, 2005, provided that grants of Restricted Stock made prior to the termination of the Plan may vest following such termination in accordance with their terms.

ADMINISTRATION OF THE PLAN

The Compensation and Personnel Committee of the Board of Directors of ITT Industries, the members of which serve during the pleasure of the Board, administers the Plan but does not act as a trustee or in any other fiduciary capacity with respect thereto.

RESALE RESTRICTIONS

The Plan contains no restrictions on the resale of Common Stock once the Plan restriction period has ended. However, persons who may be deemed to be affiliates of ITT Industries may not reoffer or resell shares of Common Stock in a transaction which is not registered under the Securities Act of 1933, as amended (the "Act"), except pursuant to Rule 144 under the Act or another exemption thereunder. Rule 144 requires, among other things, that (1) any sales of Common Stock by such affiliates must be made through a broker, and (2) an appropriate Form 144 must be mailed to the Securities and Exchange Commission prior to or concurrently with the placing of a sell order with the broker, with certain exceptions.

FEDERAL TAX TREATMENT

Set forth below is a summary of the federal income tax consequences under the Internal Revenue Code of 1986, as amended (the "Code"), of the grant and vesting of restricted stock awarded to a director of ITT Industries ("Director") under the Plan. The following summary does not include any discussion of state, local or foreign income tax consequences or the effect of gift, estate or inheritance taxes, any of which may be significant to a particular Director eligible to receive an award. In addition, this summary does not apply to every specific transaction

that may occur. Each recipient of an award under the Plan should consult his or her tax advisor for advice pertaining to his or her particular circumstances. The Plan is not qualified under Section 401 (a) of the Code.

Under the Code, a Director normally will not realize taxable income and ITT Industries will not be entitled to a deduction upon the grant of restricted stock, since such stock is subject to a "substantial risk of forfeiture" (as defined in the Code). At the time such restrictions lapse and the shares of restricted stock are no longer subject to a substantial risk of forfeiture, a Director will realize taxable compensation (ordinary income) in an amount equal to the fair market value on the date the restrictions lapse, of the number of shares of Common Stock which have become nonforfeitable or transferable. Likewise, ITT Industries will be entitled to a deduction in the same amount in the same year, provided ITT Industries complies with applicable tax withholding requirements. However, a Director may make an income recognition election under Section 83(b) of the Code (an "83(b) Election") within 30 days of the award and recognize taxable ordinary income in the year the shares of restricted stock are awarded in an amount equal to their fair market value at the time of the award, determined without regard to the restrictions. In that event, ITT Industries will be entitled to a deduction in such year in the same amount, provided ITT Industries complies with applicable tax withholding requirements. Any gain or loss realized by the recipient upon the subsequent disposition of Common Stock will be capital gain (or loss) to the extent the proceeds of sale exceed the fair market value of the shares on the date of grant, which became the Director's tax basis as a result of the 83(b) Election. If the Director makes an 83(b) Election and subsequently terminates his employment during the restriction period, thus forfeiting the shares of restricted stock, the taxes paid on the award of the shares are also forfeited and ITT Industries must include as ordinary income the amount it previously deducted in the year of grant with respect to such shares. Any dividends with respect to the shares of restricted stock that are paid or made available to a recipient who has not made an 83(b) Election while the shares remain forfeitable are treated as additional compensation taxable as ordinary income to the Director and deductible by ITT Industries when paid. If an 83(b) Election has been made with respect to the restricted stock, the dividends represent ordinary dividend income to the Director and are not deductible by ITT Industries.

ITT INDUSTRIES
ENHANCED SEVERANCE PAY PLAN
(AMENDED AND RESTATED AS OF JULY 13, 2004)

1. PURPOSE

The purpose of this ITT Industries Enhanced Severance Pay Plan ("PLAN") is to assist in occupational transition by providing Severance Benefits, as defined herein, for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan.

2. COVERED EMPLOYEES

Covered employees under this Plan ("EMPLOYEES") are active full-time, regular salaried employees of ITT Industries, Inc., ("ITT INDUSTRIES") and of any subsidiary company ("ITT INDUSTRIES SUBSIDIARY") (collectively or individually as the context requires "COMPANY") (including Employees who are short term disabled as of a Potential Acceleration event within the meaning of the Company's short term disability benefit plans) (other than Employees on periodic severance as of a Potential Acceleration Event) who are or were, at any time within the two year period immediately preceding the Employees' termination of employment (other than executives covered by the ITT Industries Special Senior Executive Severance Pay Plan), either (i) United States or Canadian citizens or who are employed in the United States or Canada, whose primary employment location is at ITT Industries Headquarters, White Plains, New York (and satellite locations, including, without limitation, ITT Pension and Savings Plan (Clifton, New Jersey), ITT TDS (Palm Coast, Florida), ITT Flight Operations (New Castle, Delaware), ITT Shared Services (Ft. Wayne, Indiana and Seneca Falls, New York), ITT Industries of Canada (Toronto, Ontario) and ITT Industries (Shanghai, China)) or (ii) worldwide staff whose primary responsibility is in support of ITT Defense Headquarters (McLean, Virginia), ITT Fluid Technology Headquarters (Upper Saddle River, New Jersey), ITT Motion and Flow Control Headquarters (Upper Saddle River, New Jersey) or ITT Electronic Components Headquarters (Santa Ana, California) and such other employees of the Company who shall be designated as covered employees thereunder by the Chief Executive or the Senior Vice President, Director-Human Resources of ITT Industries or a designee of such officers ("AUTHORIZED OFFICERS OR DESIGNEES"). No person who is employed on a temporary, occasional or seasonal basis is eligible under this Plan.

After the occurrence of an Acceleration Event, the terms "ITT INDUSTRIES", "ITT INDUSTRIES SUBSIDIARY" and "COMPANY" as used herein shall also include, respectively and as the context requires, any successor company to ITT Industries or any successor company to any ITT Industries Subsidiary and any affiliate of any such successor company.

3. DEFINITIONS

An "ACCELERATION EVENT" shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "ACT") disclosing that any person (within the meaning of Section 13(d) of the

Act), other than ITT Industries or a subsidiary of ITT Industries or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of ITT Industries (the "STOCK"); (ii) any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries, or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT Industries (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT Industries (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of ITT Industries shall approve (A) any consolidation, business combination or merger involving ITT Industries, other than a consolidation, business combination or merger involving ITT Industries in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT Industries, (iv) there shall have been a change in a majority of the members of the Board of Directors of ITT Industries within a 12-month period unless the election or nomination for election by ITT Industries' stockholders 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 (v) any person (within the meaning of Section 13(d) of the Act) (other than ITT Industries or any subsidiary of ITT Industries or any employee benefit plan (or related trust) sponsored by ITT Industries or a subsidiary of ITT Industries) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

"CAUSE" shall mean action by the Employee involving willful malfeasance or gross negligence or the Employee's failure to act involving material nonfeasance that would tend to have a materially adverse effect on the Company. No act or omission on the part of the Employee shall be considered "willful" unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

"ENHANCED SEVERANCE PERIOD" shall mean the period, expressed in weeks, equal to the sum of (x) two times the normal severance pay or termination pay period of weeks for the Employee, determined as if the Employee were an employee of the same grade, and having the same years of service, covered by and eligible for the severance pay or termination pay plans or policies at ITT Industries Headquarters, White Plains, New York, as in effect immediately preceding an Acceleration Event and (y) four (4) weeks (in lieu of notice of termination),

provided that the Enhanced Severance Period shall not exceed 108 weeks and shall not be less than the Minimum Severance Period.

"ENHANCED WEEK'S PAY" shall mean the sum of (x) the highest annual base salary rate paid to the Employee at any time during the three (3) year period immediately preceding the Employee's termination of employment and (y) the highest annual bonus or service recognition award paid or awarded to the Employee in respect of either (i) the three (3) years preceding an Acceleration Event or (ii) the three (3) years preceding the Employee's termination of employment, including, among the bonuses and service recognition awards taken into account for this purpose, any bonus or service recognition award paid or awarded by reason of an Acceleration Event, without regard to whether such bonus or service recognition award is paid during such three year period or after an Acceleration Event, divided by 52 weeks.

"GOOD REASON" shall mean (i) without the Employee's express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates promptly after receipt of notice thereof given by the Employee, (A) a reduction in the Employee's annual base salary or annual bonus or service recognition award (as measured by the highest bonus or highest service recognition award paid or awarded, in respect of the three (3) calendar years preceding an Acceleration Event), including, among the bonuses and service recognition awards taken into account for this purpose, any bonus or service recognition award paid or awarded by reason of an Acceleration Event, without regard to whether such bonus or service recognition award is paid during such three year period or after an Acceleration Event) or any reduction in any material compensation or benefits arrangement, (B) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (C) any other action by the Company or its affiliates which results in a diminution in such position, authority, duties or responsibilities; (ii) without the Employee's express written consent, the Company's requiring the Employee's work location to be other than within twenty-five (25) miles of the location where such Employee was principally working immediately prior to the Acceleration Event; or (iii) any failure by the Company to obtain the express written assumption of this Plan from any successor to the Company.

"MINIMUM SEVERANCE PERIOD" shall mean (i) with respect to Employees with less than twenty (20) years of service with the Company, twenty-six (26) weeks, (ii) with respect to Employees with between twenty (20) and twenty-five (25) years of service with the Company, 52 weeks, (iii) with respect to Employees with greater than twenty-five (25) years of service with the Company but less than or equal to thirty (30) years of service with the Company, seventy-eight (78) weeks and (iv) with respect to Employees with greater than thirty (30) years of service with the Company, one hundred and four (104) weeks. For purposes hereof, "years of service" shall have the same meaning as in the termination pay plans or policies at ITT Industries Headquarters, White Plains, New York, as in effect immediately preceding an Acceleration Event and shall be determined as of the date of the Employee's termination of employment with the Company.

"POTENTIAL ACCELERATION EVENT" shall mean any execution of an agreement, the commencement of a tender offer or any other transaction or event that if consummated would result in an Acceleration Event.

4. SEVERANCE BENEFITS UPON TERMINATION OF EMPLOYMENT

If an Employee's employment with the Company is terminated due to a Qualifying Termination, he or she shall receive the severance benefits set forth in Section 5 hereof ("SEVERANCE BENEFITS"). For purposes hereof, (i) a "QUALIFYING TERMINATION" shall mean a termination of an Employee's employment with the Company either (x) by the Company without Cause (A) within the two (2) year period commencing on the date of the occurrence of an Acceleration Event or (B) prior to the occurrence of an Acceleration Event and either (1) following the public announcement of the transaction or event which ultimately results in such Acceleration Event or (2) at the request of a party to, or participant in, the transaction or event which ultimately results in an Acceleration Event; or (y) by an Employee for Good Reason within the two (2) year period commencing with the date of the occurrence of an Acceleration Event and (ii) a determination by an Employee that he or she has "Good Reason" hereunder shall be final and binding on the parties hereto absent a showing of bad faith on the Employee's part.

5. SEVERANCE BENEFITS

Severance Benefits for Employees:

- Accrued Rights - The Employee's base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Employee in accordance with Company policy prior to the date of the Employee's termination of employment and such employee benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy.

- Severance Pay - The number of weeks of the Employee's Enhanced Severance Period times the Employee's Enhanced Week's Pay.

- Benefits

- Continued health and life insurance benefits and perquisites (including, without limitation, any Company-provided automobile and any tax or financial advisory services) for a period equal to the Employee's Enhanced Severance Period following the Employee's termination of employment at the same cost to the Employee, and at the same coverage levels, as provided to the Employee (and the Employee's eligible dependents) immediately prior to his or her termination of employment.

- Payment of a lump sum amount ("PENSION LUMP SUM AMOUNT") equal to the difference between (i) the total lump sum value of the Employee's pension benefit under the ITT Industries Salaried Retirement Plan and, as applicable, ITT Industries Excess Pension Plan II or any successor plan; provided that the benefits under such successor plan is no less favorable than the benefits under the plans set forth herein (or corresponding pension arrangements (i) outside

the United States or (ii) as may be designated by an Authorized Officer or Designee) ("PENSION PLANS") as of the Employee's termination of employment and (ii) the total lump sum value of the Employee's pension benefit under the Pension Plans after crediting to the Employee an additional two (2) years of age and two (2) years of eligibility and benefit service and applying the highest annual base salary rate and highest bonus or service recognition award determined above under "Enhanced Week's Pay" with respect to the additional period of service so credited for purposes of determining the Final Average Compensation under the Pension Plans. The above total lump sum values shall be determined in the manner provided in the Excess Pension Plans of the Company for determination of lump sum benefits upon the occurrence of an Acceleration Event, as defined in said Plans. This provision shall apply to any Employee having a pension benefit under any of the Pension Plans as of the Employee's termination of employment. An example of the calculation of benefits set forth in this paragraph is set forth on Schedule A.

- Crediting of an additional two (2) years of age and an additional two (2) years of eligibility service equal to the Employee's Enhanced Severance Period for purposes of the Company's retiree health and retiree life insurance benefits. This provision shall apply to any Employees covered under such benefits any time during the three (3) year period immediately preceding the Employee's termination of employment.

- Payment of a lump sum amount ("SAVINGS PLAN LUMP SUM AMOUNT") equal to the number of weeks of the Employee's Enhanced Severance Period times the following amount: the highest annual base salary rate determined above under "Enhanced Week's Pay", divided by 52 weeks, times the highest percentage rate of Company Contributions (not to exceed 3 1/2%) with respect to the Employee under the ITT Industries Investment and Savings Plan for Salaried Employees and/or the ITT Industries Excess Savings Plan (or corresponding savings plan arrangements (i) outside the United States or (ii) as may be designated by an Authorized Officer or Designee) ("SAVINGS PLANS") (including matching contributions and floor contributions) at any time during the three (3) year period immediately preceding the Employee's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Employee who is a member of any of the Savings Plans at any time during such three (3) year period.

- Outplacement - Outplacement services for one (1) year.

With respect to the provision of benefits during the above period equal to the Employee's Enhanced Severance Period, if, for any reason at any time the Company is unable to treat the Employee as being eligible for ongoing participation in any Company employee benefit plans in existence immediately prior to the termination of employment of the Employee, and if, as a result thereof, the Employee does not receive a benefit or receives a reduced benefit the Company shall provide such benefits by (i) direct payment to the Employee of the amounts the Employee would have received from such benefit plan had the Employee continued to be eligible or (ii) at the Company's option, making available equivalent benefits from other sources.

6. FORM OF PAYMENT OF SEVERANCE PAY AND LUMP SUM PAYMENTS

Severance Pay shall be paid in cash, in a non-discounted lump sum within five (5)

business days after the date the employment of the Employee terminates. The Pension Lump Sum Amount and the Savings Plan Lump Sum Amount shall be paid in cash within thirty (30) calendar days after the date the employment of the Employee terminates.

7. TERMINATION OF EMPLOYMENT - OTHER

The Severance Benefits shall only be payable upon an Employee's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of an Acceleration Event, an Employee is terminated due to the Employee's death or disability (as defined in the long-term disability plan in which the Employee is entitled to participate (whether or not the Employee voluntarily participates in such plan)) and, at the time of such termination, the Employee had grounds to resign with Good Reason, such termination of employment shall be deemed to be a Qualifying Termination.

8. ADMINISTRATION OF PLAN

This Plan shall be administered by ITT Industries, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by ITT Industries shall be final, conclusive and binding on all parties affected thereby.

Notwithstanding the preceding paragraph, following an Acceleration Event, any controversy or claim arising out of or relating to this Plan, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof shall be borne by the Company. The location of the arbitration proceedings shall be reasonably acceptable to the Employee. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Employee as a result of the Company's refusal to provide any of the Severance Benefits to which the Employee becomes entitled under this Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the Employee and the Company pertaining to this Plan. The Company shall pay such fees and expenses from the general assets of the Company.

9. TERMINATION OR AMENDMENT

ITT Industries may terminate or amend this Plan ("PLAN CHANGE") at any time except, that following the occurrence of (i) an Acceleration Event or (ii) a Potential Acceleration Event, no Plan Change that would adversely affect any Employee may be made without the prior written consent of such Employee affected thereby; provided, however, that (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event.

10. OFFSET

Any Severance Benefits provided to an Employee under this Plan shall be offset by reducing (x) any Severance Pay hereunder by any severance pay, salary continuation pay, termination pay or similar pay or allowance and (y) any other Severance Benefits hereunder by corresponding employee benefits, or outplacement services, which the Employee receives or is entitled to receive, (i) pursuant to any other Company policy, practice program or arrangement, (ii) pursuant to any Company employment agreement or other agreement with the Company, or (iii) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States, unless the Employee voluntarily expressly waives (which the Employee shall have the exclusive right to do) in writing any such respective entitlement.

11. EXCISE TAX

In the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 11 such payments or distributions being referred to herein as "PAYMENTS") would give rise to liability of the Employee for the excise tax imposed by Section 4999 of the Internal Revenue Code, as amended (the "CODE"), or that any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "EXCISE TAX"), then the Employee shall be entitled to receive an additional payment (the "GROSS-UP PAYMENT") in an amount such that after payment by the Employee of all Federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including without limitation, any income and employment taxes (and any interest and penalties imposed with respect to such taxes) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

All determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm mutually agreed to by the Employee and the Company (the "ACCOUNTING FIRM") which shall provide detailed supporting calculations both to the Company and the Employee within ten (10) business days of the receipt of notice from the Employee that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of determining the amount of any Gross-Up Payment, the Employee shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest effective rates applicable to individuals in the state or locality of the Employee's residence or place of employment, whichever is higher, in the calendar year in which any such Gross-Up Payment is to be made. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 11, shall be paid by the Company to the Employee when due. If the Accounting Firm determines that no Excise Tax is payable by the Employee, it shall so indicate to the Employee in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code, it is

possible that the amount of the Gross-Up Payment determined by the Accounting Firm to be due to (or on behalf of) the Employee was lower than the amount actually due ("UNDERPAYMENT"). In the event that the Company exhausts its remedies pursuant to this Section 11 and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee.

The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of any Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Employee shall not pay such claim prior to the expiration of the thirty day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order to effectively contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 11, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, further, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee, on an interest-free basis, and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; provided, further, that if the Employee is required to extend the statute of limitations to enable the Company to contest such claim, the Employee may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Employee of an amount paid or advanced by the Company pursuant to this Section 11, the Employee becomes entitled to receive any refund with respect to

a Gross-Up Payment, the Employee shall (subject to the Company's complying with the requirements of Section 11) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Employee of an amount advanced by the Company pursuant to Section 11, a determination is made that the Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

In the event the Gross-Up Payment shall fail to make the Employee whole on an after-tax basis, whether by reason of either (i) an adjustment made by the Internal Revenue Service or state taxing authority or (ii) because the Employee's actual effective tax rate was higher than the rate used by the Accounting Firm as determined pursuant to Section 11 for the year in which the Gross-Up Payment was made, the Gross-Up Payment shall be recalculated ("RECALCULATED GROSS-UP PAYMENT"), using the Employee's actual effective tax rate, once it is known for the calendar year in which the Gross-Up Payment is made, and the Company shall reimburse the Employee for the full amount of any amount by which the Recalculated Gross-Up Payment exceeds the Gross-Up Payment ("ADDITIONAL GROSS-UP PAYMENT").

The Gross-Up Payment and any Additional Gross-Up Payment shall be paid out of the general assets of the Company.

12. MISCELLANEOUS

The Employee shall not be entitled to any notice of termination or pay in lieu thereof except as included as part of Severance Pay as provided herein.

Severance Benefits under this Plan are paid entirely by the Company from its general assets.

This Plan is not a contract of employment, does not guarantee the Employee employment for any specified period and does not limit the right of the Company to terminate the employment of the Employee at any time.

If an Employee should die while any amount is still payable to the Employee hereunder had the Employee continued to live, all such amounts shall be paid in accordance with this Plan to the Employee's designated heirs or, in the absence of such designation, to the Employee's estate.

The numbered section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this

Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

The Plan shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

The Plan shall be binding on all successors and assigns of the ITT Industries and an Employee.

13. NOTICES

Any notice and all other communication provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

ITT Industries, Inc.
4 West Red Oak Lane
White Plains, New York 10604
Attention: General Counsel

If to Employee:

To the most recent address of Employee set forth in the personnel records of ITT Industries.

14. ADOPTION DATE

This Plan was adopted by ITT Industries on April 15, 1997 ("ADOPTION DATE") and does not apply to any termination of employment which occurred or which was communicated to the Employee prior to the Adoption Date.

ENHANCED SEVERANCE PAY PLAN

EXAMPLE OF POTENTIAL PENSION ENHANCEMENT

BASIC INPUT DATA

Date of Event	12/31/2004
Employee Age	55
Employee Service	20
Current Salary Rate	139,000
Estimated Social Security Benefit (Mo.)	1,400

HISTORICAL EARNINGS

YEAR	BASE EARNINGS	EXECUTIVE BONUS
1998	104,167	42,000
1999	109,375	53,000
2000	114,208	62,500
2001	119,583	70,000
2002	125,500	90,000
2003	131,500	85,000
2004	137,917	87,000

IMPLIED EARNINGS

Year 1	139,000	90,000
Year 2	139,000	90,000

CALCULATION OF PENSION BENEFIT

	ACTUAL	ENHANCED	IMPROVEMENT
Final Average Pay	204,641.67	222,983.33	
Age	55.00	57.00	
Service	20.00	22.00	
Gross Monthly Pension	6,821.39	8,176.06	1,354.67
Less: Social Security Offset	(350.00)	(385.00)	(35.00)
Net Monthly Pension @ Age 65	6,471.39	7,791.06	1,319.67
Early Retirement Reduction Factor	75.00%	85.00%	
Net Pension Payable after age 62	4,766.04	6,564.65	1,798.61
Net Pension Payable to age 62	5,116.04	6,949.65	1,833.61
Lump Sum Value of Benefit from Enhanced Severance Pay Plan			397,925.45

Note: In addition to the lump sum payment shown, any portion of the actual benefit that is payable under the Excess Pension Plan would be paid in a lump sum

ITT INDUSTRIES

DEFERRED COMPENSATION PLAN

Effective as of January 1, 1995
including amendments through July 13, 2004

ITT INDUSTRIES DEFERRED COMPENSATION PLAN

The ITT Deferred Compensation Plan (the "Plan") was established by ITT Corporation, a Delaware corporation ("Former ITT"), effective January 1, 1995. The purpose of the Plan is to provide each Participant with a means of deferring compensation in accordance with the terms of the Plan.

Effective as of December 19, 1995, Former ITT split into three separate companies -- ITT Hartford Group, Inc., ITT Corporation, a Nevada corporation, and ITT Industries, Inc. an Indiana corporation (the "Corporation"), which is the successor to Former ITT.

Under the Employee Benefits Service and Liability Agreement dated November 1, 1995 (the "Agreement") the Corporation agreed to continue the Plan for eligible employees of the Corporation or of any of its subsidiaries and to transfer the liabilities attributable to participants who become employees of ITT Corporation, a Nevada corporation, on December 19, 1995 to ITT Corporation.

Effective as of January 1, 1996, the Plan was amended to accept the liabilities under the ITT Industries Excess Savings Plan attributable to salary deferrals, excess matching contributions, and excess floor contributions credited with respect to Base Salary deferred under this Plan and hold such amounts hereunder in accordance with the provisions of the ITT Industries Excess Savings Plan as set forth in Appendix A, attached hereto and made part hereof.

Effective as of October 1, 1997, January 1, 1998, April 1, 1998, January 1, 1999, and November 1, 2000, the Plan was further amended to make certain administration changes to unify the form and timing of Plan distributions, respectively.

Effective as of March 1, 2004, the Plan was further amended to provide that a Participant may make a separate investment election with respect to future deferrals.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries.

All benefits payable under this Plan, which constitutes a nonqualified, unfunded deferred compensation plan for a select group of management or highly-compensated employees under Title I of ERISA, shall be paid out of the general assets of the Company.

ITT INDUSTRIES DEFERRED COMPENSATION PLAN

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ARTICLE 1. DEFINITIONS

1.01 "ACCELERATION EVENT" shall mean an event which shall occur if:

- (a) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Corporation (the "Stock");
- (b) any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation, or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Corporation (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);
- (c) the stockholders of the Corporation shall approve (A) any consolidation, business combination or merger involving the Corporation, other than a consolidation, business combination or merger involving the Corporation in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) 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 Corporation;
- (d) there shall have been a change in a majority of the members of the Board of Directors of the Corporation within a 12-month period unless the election or nomination for election by the Corporation's stockholders 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 (within the meaning of Section 13(d) of the Act) (other than the Corporation or any subsidiary of the Corporation or any employee benefit plan (or related trust) sponsored by the Corporation or a subsidiary of the Corporation) becomes the beneficial

owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

- 1.02 "ADMINISTRATIVE COMMITTEE" shall mean the person or persons appointed to administer the Plan as provided in Section 8.01.
- 1.03 "ASSOCIATED COMPANY" shall mean any division, subsidiary or affiliated company of the Corporation which is an Associated Company or Participating Unit, as such terms are defined in the ITT Industries Salaried Retirement Plan (formerly known as the Retirement Plan for Salaried Employees of ITT Corporation).
- 1.04 "BASE SALARY" shall mean the annual base fixed compensation paid periodically during the calendar year, determined prior to any pre-tax contributions under a "qualified cash or deferred arrangement" (as defined under Code Section 401(k) and its applicable regulations) or under a "cafeteria plan" (as defined under Code Section 125 and its applicable regulations) or a qualified transportation fringe under Section 132(f) of the Code and any deferrals under Article 3, Appendix A or another unfunded deferred compensation plan maintained by the Corporation, but excluding any overtime, bonuses, foreign service allowances or any other form of compensation, except to the extent otherwise deemed "Base Salary" for purposes of the Plan under rules as are adopted by the Compensation and Personnel Committee.
- 1.05 "BENEFICIARY" shall mean the person or persons designated by a Participant pursuant to the provisions of Section 5.07 in a time and manner determined by the Administrative Committee to receive the amounts, if any, payable under the Plan upon the death of the Participant.
- 1.06 "BONUS" shall mean the cash amount, if any, awarded to an employee of the Company under the Company's executive bonus program, or other compensation program designated by the Compensation and Personnel Committee as a bonus hereunder.
- 1.07 "BOARD OF DIRECTORS" OR "BOARD" shall mean the Board of Directors of the Corporation.
- 1.08 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.09 "COMPANY" shall mean the Corporation, and any successor thereto, with respect to its employees and any Associated Company authorized by the Compensation and Personnel Committee to participate in the Plan, with respect to their employees.
- 1.10 "COMPENSATION AND PERSONNEL COMMITTEE" shall mean the Compensation and Personnel Committee of the Board of Directors.
- 1.11 "CORPORATION" shall mean ITT Industries, Inc., an Indiana corporation (successor to ITT Corporation, a Delaware corporation), or any successor by merger, purchase, or otherwise.

- 1.12 "DEFERRAL ACCOUNT" shall mean the bookkeeping account maintained for each Participant to record the amount of Bonus and/or Base Salary such Participant has elected to defer in accordance with Article 3, adjusted pursuant to Article 4.
- 1.13 "DEFERRAL AGREEMENT" shall mean the completed agreement, including any amendments, attachments and appendices thereto, in such form approved by the Administrative Committee, between an Eligible Executive and the Company, under which the Eligible Executive agrees to defer a portion of his Bonus and/or his Base Salary.
- 1.14 "DEFERRALS" shall mean the amount of deferrals credited to a Participant pursuant to Section 3.02.
- 1.15 "EFFECTIVE DATE" shall mean January 1, 1995.
- 1.16 "ELIGIBLE EXECUTIVE" shall mean an Employee who is eligible to participate in the Plan as provided in Section 2.01.
- 1.17 "EMPLOYEE" shall mean a person who is employed by the Company.
- 1.18 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.19 "PARTICIPANT" shall mean, except as otherwise provided in Article 2, each Eligible Executive who has executed a Deferral Agreement pursuant to the requirements of Section 2.02 and is credited with an amount under Section 3.03.
- 1.20 "PLAN" shall mean the ITT Industries Deferred Compensation Plan (which was formerly known as the ITT Deferred Compensation Plan for 1995, the ITT Industries Deferred Compensation Plan for 1996, and the ITT Industries Deferred Compensation Plan for 1997) as set forth in this document and the appendices and schedules thereto, as it may be amended from time to time.
- 1.21 "PLAN YEAR" shall mean the calendar year.
- 1.22 "REPORTING DATE" shall mean the last business day of each calendar month following the Effective Date, or such other day as the Administrative Committee may determine. For this purpose, a "business day" is any day on which the New York Stock Exchange is open.
- 1.23 "RETIREMENT" shall mean (i) with respect to an Eligible Executive, any termination of employment by an Eligible Executive after the date the Eligible Executive is eligible for an early, normal or postponed retirement benefit under the ITT Industries Salaried Retirement Plan (formerly known as the ITT Corporation Retirement Plan for Salaried Employees), or would have been eligible had he been a participant in such Plan.

ARTICLE 2. PARTICIPATION

2.01 ELIGIBILITY

- (a) With respect to Plan Years commencing prior to January 1, 2001, an Eligible Executive shall be an Employee designated as eligible to participate in this Plan by the Compensation and Personnel Committee or its delegate.
- (b) Effective as of November 1, 2000, an Employee whose Base Salary as of October 31 of a calendar year equals or exceeds \$200,000 shall be an Eligible Executive with respect to the Plan Year following such calendar year and thereby eligible to participate in this Plan and execute a Deferral Agreement under this Plan with respect to Bonus and/or Base Salary which would be payable in the Plan Year following such October 31.

2.02 IN GENERAL

- (a) An individual who is determined to be an Eligible Executive with respect to a Plan Year and who desires to have deferrals credited on his behalf pursuant to Article 3 for such Plan Year must execute a Deferral Agreement with the Administrative Committee authorizing Deferrals under this Plan for such year in accordance with the provisions of Sections 3.01 and 3.02.
- (b) The Deferral Agreement shall be in writing and be properly completed upon a form approved by the Administrative Committee, which shall be the sole judge of the proper completion thereof. Such Deferral Agreement shall provide, subject to the provisions of Section 3.02, for the deferral of a portion of the Eligible Executive's Bonus and/or Base Salary earned after the effective date of the election and shall include such other provisions as the Administrative Committee deems appropriate.

2.03 TERMINATION OF PARTICIPATION

- (a) Participation shall cease when all benefits to which a Participant is entitled to hereunder are distributed to him.
- (b) If a former Participant who has terminated employment with the Company and whose participation in the Plan ceased under Section 2.03(a) is reemployed as an Eligible Executive, the former Participant may again become a Participant in accordance with the provisions of Section 2.02.

ARTICLE 3. DEFERRALS

3.01 FILING REQUIREMENTS

- (a) Prior to the close of business on the date or dates specified by the Administrative Committee in a Plan Year and except as otherwise provided below, an Eligible Executive may elect, subject to Section 3.02(a), to defer a portion of his Bonus payable in the next calendar year and/or a portion of his Base Salary that is otherwise earned and payable in the next calendar year by filing a Deferral Agreement with the Administrative Committee.
- (b) A Participant's election to defer a portion of his Bonus or Base Salary for any calendar year shall become irrevocable on the last day the deferral of such Bonus or Base Salary may be elected under Section 3.01(a), except as otherwise provided in Section 3.02(c) or 3.05. A Participant may revoke or change his election to defer a portion of Bonus or Base Salary at any time prior to the date the election becomes irrevocable. Any such revocation or change shall be made in a form and manner determined by the Administrative Committee.
- (c) A Participant's Deferral Agreement shall only apply to a Bonus determined after the Deferral Agreement is filed with the Administrative Committee under Section 3.01 (a). A Participant's Deferral Agreement shall apply only with respect to Base Salary earned in the calendar year following the Plan Year in which the Deferral Agreement is filed with the Administrative Committee under Section 3.01 (a). Subject to the provisions of Section 3.02, an Eligible Executive must file, in accordance with the provisions of Section 3.01 (a), a new Deferral Agreement for each calendar year the Eligible Executive is eligible for and elects to defer a portion of his Bonus or Base Salary.
- (d) If a Participant ceases to be an Eligible Executive but continues to be employed by the Company, he shall continue to be a Participant and his Deferral Agreement currently in effect for the Plan Year shall remain in force for the remainder of such Plan Year, but such Participant shall not be eligible to defer any portion of his Bonus or Base Salary earned in a subsequent Plan Year until such time as he shall once again become an Eligible Executive.
- (e) Notwithstanding the foregoing, effective as of January 1, 1999, an Eligible Executive shall not be permitted under the provisions of this Plan to make an election to defer Base Salary earned on or after January 1, 1999.

3.02 AMOUNT OF DEFERRAL

- (a) (i) The Compensation and Personnel Committee or its delegate may determine prior to October 31 of a calendar year that an Eligible Executive may defer all or a portion of his Bonus that is otherwise payable in the next Plan Year. An Eligible Executive shall be given written notice of the opportunity to defer all or a portion of his Bonus at least ten business days prior to the date the Deferral Agreement for the applicable Plan Year must be submitted to the Administrative Committee.

(ii) With respect to calendar years commencing prior to January 1, 1999, the Compensation and Personnel Committee or its delegate may determine prior to October 31 of a calendar year that an Eligible Executive may defer a portion of his Base Salary that is otherwise earned and payable in the next Plan Year. An Eligible Executive shall be given written notice of the opportunity to defer a portion of his Base Salary at least ten business days prior to the date the Deferral Agreement for the applicable Plan Year must be submitted to the Administrative Committee. Notwithstanding any Plan provisions to the contrary, effective as of January 1, 1999, deferrals of Base Salary earned on or after January 1, 1999 shall not be permitted under the provisions of this Plan.

(b) The Administrative Committee may establish maximum or minimum limits on the amount of any Bonus or Base Salary which may be deferred and/or the timing of such deferral. Eligible Executives shall be given written notice of any such limits at least ten business days prior to the date they take effect.

(c) Notwithstanding anything in this Plan to the contrary, if an Eligible Executive:

- (i) receives a withdrawal of deferred cash contributions on account of hardship from any plan which is maintained by the Corporation or an Associated Company and which meets the requirements of Code Section 401(k) (or any successor thereto); and
- (ii) is precluded from making contributions to such 401(k) plan for at least 12 months (six months effective as of January 1, 2002) after receipt of the hardship withdrawal,

no amounts shall be deferred under this Plan under the Eligible Executive's Deferral Agreement with respect to Bonus or Base Salary until such time as the Eligible Executive is again permitted to contribute to such 401(k) plan. Any Bonus or Base Salary payment which would have been deferred pursuant to a Deferral Agreement but for the application of this Section 3.02(c) shall be paid to the Eligible Executive as if he had not entered into the Deferral Agreement.

3.03 CREDITING TO DEFERRAL ACCOUNT

The amount of Deferrals shall be credited to such Participant's Deferral Account on the day such Bonus or Base Salary would have otherwise been paid to the Participant in the absence of a Deferral Agreement. Deferrals credited to a Participant's Deferral account which are deemed invested in a Corporation phantom stock fund will be credited based on the fair market value of the Corporation's common stock on that day.

3.04 VESTING

A participant shall at all times be 100% vested in his Deferral Account.

3.05 HARDSHIP

Notwithstanding the foregoing provisions of this Article 3, a Participant may completely cease Deferrals made under all Deferral Agreements then in effect with respect to the Participant upon the Participant providing the Compensation and Personnel Committee with such evidence of severe financial hardship as the Compensation and Personnel Committee may deem appropriate. In the event the Compensation and Personnel Committee finds the Participant has incurred a severe financial hardship, the Participant's Deferrals shall cease as of the first practicable payroll period following the Compensation and Personnel Committee's decision. In the event the Participant wishes to recommence Deferrals starting in a subsequent calendar year, the Participant may do so by duly completing, executing, and filing the appropriate Deferral Agreement with the Administrative Committee in accordance with Section 3.01, provided said Participant is an Eligible Executive at that time.

ARTICLE 4. MAINTENANCE OF ACCOUNTS

4.01 ADJUSTMENT OF ACCOUNT

- (a) As of each Reporting Date, each Deferral Account shall be credited or debited with the amount of earnings or losses with which such Deferral Account would have been credited or debited, assuming it had been invested in one or more investment funds, or earned the rate of return of one or more indices of investment performance, designated by the Administrative Committee and elected by the Participant pursuant to Section 4.02 for purposes of measuring the investment performance of his Deferral Account. Any portion of a Participant's Deferral Account deemed invested in a Corporation phantom stock fund shall be credited with dividend equivalents, as and when dividends are paid on the Corporation's common stock, which shall be deemed invested in additional shares of such phantom stock.
- (b) The Administrative Committee shall designate at least one investment fund or index of investment performance and may designate other investment funds or investment indices (including a Corporation phantom stock fund) to be used to measure the investment performance of a Participant's Deferral Account. The designation of any such investment funds or indices shall not require the Company to invest or earmark their general assets in any specific manner. The Administrative Committee may change the designation of investment funds or indices from time to time, in its sole discretion, and any such change shall not be deemed to be an amendment affecting Participants' rights under Section 6.02.

4.02 INVESTMENT PERFORMANCE ELECTIONS

In the event the Administrative Committee designates more than one investment fund or index of investment performance under Section 4.01, each Participant shall file an investment election with the Administrative Committee with respect to the investment of his Deferral Account within such time period and on such form as the Administrative Committee may prescribe. The election shall designate the investment fund or funds or index or indices of investment performance which shall be used to measure the investment performance of the Participant's Deferral Account.

4.03 CHANGING INVESTMENT ELECTIONS

In the event the Administrative Committee designates more than one investment fund or index of investment performance under Section 4.01, a Participant may change his election of the investment fund or funds or index or indices of investment performance used to measure the future investment performance of both his future Deferrals and his existing account balance, by filing an appropriate written notice with the Administrative Committee or its delegate at least 15 days, or such other period as determined by the Administrative Committee, in advance of the date such election is effective. The election shall be effective as of the first business day of the calendar quarter following the month in which the notice is filed. Notwithstanding the foregoing, effective as of October 1, 1997, the election shall be effective as of the first business day of the last month in the

calendar quarter following the month in which the notice is filed, or, effective as of May 1, 2000, such earlier date as prescribed by the Administrative Committee on a basis uniformly applicable to all Participants similarly situated.

Effective as of March 1, 2004, a Participant may change his or her election of the investment fund or funds or indices of investment performance used to measure the future investment performance of his future Deferral within such time periods and in such manner prescribed by the Administrative Committee. The election shall be effective as soon as administratively practicable after the date in which notice is timely filed or at such other time as the Administrative Committee shall determine. In the absence of such an election, the Participant's future Deferral will be invested in accordance with his existing investment election with respect to the current balance of his Deferral Account, provided, however, if such Participant is an "insider" (as defined in Section 16 of the Act) and his existing investment elections include an investment in the Corporation's phantom stock fund, his future Deferrals shall be allocated pro rata among the other funds or indices on his existing investment election based on the proportions as designated on such existing investment election.

4.04 INDIVIDUAL ACCOUNTS

- (a) The Administrative Committee shall maintain, or cause to be maintained on the books of the Company, records showing the individual balance of each Participant's Deferral Account. Such accounts shall be credited with the Deferrals made by the Participant pursuant to the provisions of Article 3 and credited and debited, as the case may be, with hypothetical investment results determined pursuant to this Article 4. At least once a year each Participant shall be furnished with a statement setting forth the value of his Deferral Account.
- (b) Within each Participant's Deferral Account, separate subaccounts shall be maintained to the extent necessary for the administration of the Plan.
- (c) The accounts established under this Article shall be hypothetical in nature and shall be maintained for bookkeeping purposes only so that hypothetical gains or losses on the deferrals made to the Plan can be credited or debited, as the case may be.

4.05 VALUATION OF ACCOUNTS

- (a) The Administrative Committee shall value or cause to be valued each Participant's Deferral Account at least quarterly. On each Reporting Date there shall be allocated to the Deferral Account of each Participant the appropriate amount determined in accordance with Section 4.01.
- (b) Whenever an event requires a determination of the value of a Participant's Deferral Account, the value shall be computed as of the Reporting Date immediately preceding the date of the event, except as otherwise specified in this Plan.

ARTICLE 5. PAYMENT OF BENEFITS

5.01 COMMENCEMENT OF PAYMENT

- (a) The following provisions shall apply with respect to an Eligible Executive who becomes a Participant prior to January 1, 1998:
- (i) Except as otherwise provided in paragraph (d) below, the distribution of the portion of the Participant's Deferral Account attributable to deferrals of Bonus or Base Salary which would otherwise be payable on or after January 1, 1998 shall commence, pursuant to Section 5.02, on or as soon as practicable after the occurrence of any distribution event made available under procedures established from time to time by the Administrative Committee and as designated by the Participant on his first Deferral Agreement filed with respect to Bonus or Base Salary payable on and after January 1, 1998 ("Common Distribution Date").
 - (ii) Except as otherwise provided in paragraph (d) below, the distribution of the portion of the Participant's Deferral Account attributable to deferrals of Bonus or Base Salary which would have otherwise been paid prior to January 1, 1998 shall commence on or as soon as practicable after the occurrence of the distribution event designated by the Participant on his Deferral Agreement applicable to each particular deferral election ("Distribution Event Date(s)") unless the Participant makes an election by duly completing, executing and filing with the Administrative Committee prior to October 31, 1997 the appropriate forms to have the deferrals made with respect to 1995, 1996 or 1997 paid on his Common Distribution Date.
- (b) Except as otherwise provided in paragraph (d) below, with respect to an Eligible Executive who first becomes a Participant on or after January 1, 1998, the distribution of the Participant's Deferral Account shall commence, pursuant to Section 5.02, on or as soon as practicable after the occurrence of any distribution event made available under procedures established from time to time by the Administrative Committee and as designated by the Participant on his initial Deferral Agreement ("Common Distribution Date").
- (c) In the event a Participant elects pursuant to paragraphs (a) or (b) above to defer to a specific calendar date in a specific calendar year, he may not elect a calendar date which occurs prior to the close of the calendar year following the calendar year in which he executed the Deferral Agreement.
- (d) Notwithstanding the foregoing, in the event a Participant terminates employment for reasons other than Retirement prior to his Common Distribution Date and/or any Distribution Event Date(s) applicable to deferrals made with respect to 1995, 1996, or 1997, the distribution of his Deferral Account shall commence, pursuant to Section 5.02, as soon as practicable after his termination of employment; provided, however, if a Participant whose employment terminates on or after April 1, 1998 has prior to the date of his termination of employment, in accordance with the procedures prescribed by the

Administrative Committee, made a special termination election, the distribution of his Deferral Account shall commence, pursuant to Section 5.02, as soon as practicable after the occurrence of the termination distribution date designated by the Participant on the appropriate special termination election form prescribed by the Administrative Committee ("Special Effective Termination Distribution Date"). However for a special termination election to be effective it must be made in a calendar year prior to the calendar year in which any portion of the Participant's Deferral Account is first to become payable after taking this election into account and a full six months must pass between the date the Participant duly makes this election and the date on which any portion of the Participant's Deferral Account is first to become payable after taking this election into account.

- (e) A Participant shall not change his designation of the distribution event which entitles him to a distribution of his Deferral Account, except as otherwise provided in Section 5.03 below.
- (f) Notwithstanding any Plan provision to the contrary, the distribution to a Participant who is an "insider" (as defined in Section 16 of the Act) and who has elected to have any portion of his Deferral Account invested in the Corporation phantom stock fund, shall be subject to the advance approval of the Compensation and Personnel Committee.

5.02 METHOD OF PAYMENT

- (a) Except as otherwise provided in paragraphs (b) and (c) below:
 - (i) at the time a Participant makes an election of his distribution event pursuant to the provisions of Sections 5.01 (a) or (b), the Participant shall elect that the portion of his Deferral Account to which such distribution event is applicable shall be made payable as of such distribution event under one of the following methods of payment:
 - (1) ratable annual cash installments for a period of years, not to exceed 15 years, designated by the Participant on his Deferral Agreement,
 - (2) a single lump sum cash payment, or
 - (3) any other form of payment approved by the Compensation and Personnel Committee; and
 - (ii) at the time a Participant makes an election of a Special Effective Termination Distribution Date pursuant to the provisions of Section 5.01(d), the Participant shall elect that his Deferral Account shall be made payable as of such Special Effective Termination Distribution Date under one of the following methods of payment:
 - (1) ratable annual cash installments for a period of five years, or
 - (2) a single lump sum cash payment.

During an installment payment period, the Participant's Deferral Account shall continue to be credited with earnings or losses as described in Section 4.01. The first installment

or lump sum payment shall be made as soon as administratively practicable following the Reporting Date coincident with or preceding the distribution event designated pursuant to Section 5.01 or 5.03. Subsequent installments, if any, shall be paid as soon as administratively practicable following the anniversary of said distribution event in the following calendar year and each subsequent year of the installment period. The amount of each installment shall equal the balance in the Participant's Deferral Account as of each Reporting Date of determination divided by the number of remaining installments (including the installment being determined).

- (b) Notwithstanding the foregoing, in the event payment is to be made pursuant to Section 5.01(d) to a Participant who does not have a Special Effective Termination Distribution Date election in effect as of his date of termination of employment, a lump sum payment shall be made as soon as administratively practicable following the Reporting Date coincident with or next following the Participant's termination of employment.
- (c) If a Participant dies before payment of the entire balance of his Deferral Account, an amount equal to the unpaid portion thereof as of the date of his death shall be payable in one lump sum to his Beneficiary as soon as practicable after the Reporting Date coincident with or next following the Participant's date of death.
- (d) A Participant shall not change his method of payment, except as otherwise provided in Section 5.03.

5.03 CHANGE OF DISTRIBUTION ELECTION

A Participant may change his elections of a Common Distribution Date or a Special Effective Termination Distribution Date under Section 5.01 or the method of payment under Section 5.02 applicable to the portion of his Deferral Account payable at said dates each October by duly completing, executing, and filing with the Administrative Committee prior to such distribution date a new election on an appropriate form designated by the Administrative Committee; provided, however, that for any such change of election to be effective it must be made in the calendar year prior to the calendar year during which any portion of the Participant's Deferral Account is first to become payable after taking the change into account and a full six months must pass between the date the Participant duly makes the change of election and the date on which any portion of the Participant's Deferral Account is first to become payable after taking the change into account.

5.04 HARDSHIP

Payment of a Participant's Deferral Account shall not commence prior to a Participant's designated distribution date, except that the Compensation and Personnel Committee may, to the extent permitted by applicable law, if it determines a severe unforeseeable financial hardship exists which cannot be met from other sources, approve a request by the Participant for a withdrawal from his Deferral Account. Such request shall be made in a time and manner determined by the Administrative Committee. The payment made

from a Participant's Deferral Account pursuant to the provisions of this Section 5.04 shall not be in excess of the amount necessary to meet such financial hardship of the Participant, including amounts necessary to pay any federal, state or local income taxes.

5.05 PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

Notwithstanding the foregoing provisions of this Article 5, upon the occurrence of an Acceleration Event, every Participant who is an Eligible Executive or a former Eligible Executive shall automatically receive the entire balance of his Deferral Accounts in a single lump sum payment. Such lump sum payment shall be made as soon as practicable on or after the Acceleration Event. If such Participant dies after such Acceleration Event, but before receiving such payment, it shall be made to his Beneficiary.

5.06 TAX INCREASES

Notwithstanding the provisions of Section 5.01, in the event a Participant's Deferral Account is being paid in installment payments under Section 5.02, and during said payout period Federal personal income tax rates for the highest marginal tax rate are scheduled to increase by five or more percentage points, at the direction of the Administrative Committee, any remaining installment payments to be paid after the effective date of such increase shall be paid in one lump sum prior to said effective date.

5.07 DESIGNATION OF BENEFICIARY

Each Participant shall file with the Administrative Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his death pursuant to Section 5.02(c) or 5.05. A Participant may, from time to time, revoke or change his Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Administrative Committee. The last such designation received by the Administrative Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Administrative Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no such Beneficiary designation is in effect at the time of a Participant's death, or if no designated Beneficiary survives the Participant, the Participant's surviving spouse, if any, shall be his Beneficiary, otherwise the person designated as beneficiary by the Participant under the ITT Industries Salaried Group Life Insurance Plan shall be his Beneficiary, and shall receive the payment of the amount, if any, payable under the Plan upon his death; provided, however, that if the life insurance benefit has been assigned, the Beneficiary shall be the Participant's estate.

5.08 DEBITING ACCOUNTS

Any amounts debited from a Participant's Deferral Account by reason of a distribution, withdrawal, or otherwise under this Article 5, shall be debited from the Participant's Deferral Account and the investment options under which such amount is credited, and such other accounts, subaccounts, options, or other allocations in the same proportion that

the Participant's entire Deferral Account is credited at the time such debit is made, as determined by the Administrative Committee.

ARTICLE 6. AMENDMENT OR TERMINATION

6.01 RIGHT TO TERMINATE

Notwithstanding any Plan provision to the contrary, the Corporation may, by action of the Board of Directors, terminate this Plan and the related Deferral Agreements at any time. In the event the Plan and related Deferral Agreements are terminated, each Participant or Beneficiary shall receive a single sum payment in cash equal to the balance of the Participant's Deferral Account. The single sum payment shall be made as soon as practicable following the date the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Participant or Beneficiary under this Plan.

6.02 RIGHT TO AMEND

The Compensation and Personnel Committee or its delegate may amend or modify this Plan and the related Deferral Agreements in any way either retroactively or prospectively. However, except that without the consent of the Participant or Beneficiary, if applicable, no amendment or modification shall reduce or diminish such person's right to receive any benefit accrued hereunder prior to the date of such amendment or modification, and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Section 5.05 or Section 6.01 under Appendix A, attached hereto and made part hereof. A change in any investment fund or index under Section 4.01 shall not be deemed to adversely affect any Participant's rights to his Deferral Account. Notice of an amendment or modification to the Plan shall be given in writing to each Participant and Beneficiary of a deceased Participant having an interest in the Plan.

ARTICLE 7. GENERAL PROVISIONS

7.01 FUNDING

All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Company. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Company. The Administrative Committee may decide that a Participant's Deferral Account may be reduced to reflect allocable administrative expenses.

7.02 NO CONTRACT OF EMPLOYMENT

The Plan is not a contract of employment and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all Deferral Agreements entered into pursuant thereto.

7.03 UNSECURED INTEREST

Neither the Company nor the Compensation and Personnel Committee nor the Administrative Committee in any way guarantees the performance of the investment funds or indices a Participant may designate under Article 4. No special or separate fund shall be established, and no segregation of assets shall be made, to assure the payments thereunder. No Participant hereunder shall have any right, title, or interest whatsoever in any specific assets of the Company. Nothing contained in this 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 a Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured creditor of the Company.

7.04 FACILITY OF PAYMENT

In the event that the Administrative Committee shall find that a Participant or Beneficiary is incompetent to care for his affairs or is a minor, the Administrative Committee may direct that any benefit payment due him, unless claim shall have been made therefor by a duly appointed legal representative, be paid on his behalf to his spouse, a child, a parent or other relative, and any such payment so made shall thereby be a complete discharge of the liability of the Company and the Plan for that payment.

7.05 WITHHOLDING TAXES

The Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

7.06 NONALIENATION

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of a person entitled to such benefits.

7.07 TRANSFERS

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation and, as a result of such sale or distribution, such company or its employees are no longer eligible to participate hereunder, the Compensation and Personnel Committee, in its sole discretion, may treat such event as not constituting a termination of employment and direct that the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall (with the approval of the new employer), be transferred to a similar plan of such new employer and become a liability thereunder provided that no provisions of such new plan or amendment thereof shall reduce the balance of the Participants' Deferral Accounts as of the date of such transfer, as adjusted for investment gains or losses. Upon such transfer (and acceptance thereof), the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall cease.
- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer become the obligation of the Company.

7.08 CLAIMS PROCEDURE

- (a) Submission of Claims

Claims for benefits under the Plan shall be submitted in writing to the Administrative Committee or to an individual designated by the Administrative Committee for this purpose.

- (b) Denial of Claim

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth the following:

- (i) the specific reason or reasons for the denial;

- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim or that an extension has been granted is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Administrative Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Administrative Committee shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Administrative Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

7.09 PAYMENT OF EXPENSES

All administrative expenses of the Plan and all benefits under the Plan shall be paid from the general assets of the Company, except as otherwise may be provided herein.

7.10 CONSTRUCTION

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated employees and, therefore, is exempt from the requirements of parts 2, 3 and 4 of Subtitle B of Title I of ERISA (pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA), and all rights hereunder shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, subject to the provisions of applicable federal laws.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) The illegality of any particular provision of this document shall not affect the other provisions, and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions thereof.

ARTICLE 8. ADMINISTRATION

- 8.01 (a) The Administrative Committee appointed from time to time by the Compensation and Personnel Committee to serve at the pleasure of the Compensation and Personnel Committee shall have the exclusive responsibility and complete discretionary authority to control the operation, management and administration of the Plan, with all powers necessary to enable it properly to carry out such responsibilities, including, but not limited to, the power to interpret the Plan and any related documents, to establish procedures for making any elections called for under the Plan, to make factual determinations regarding any and all matters arising hereunder, including, but not limited to, the right to determine eligibility for benefits, the right to construe the terms of the Plan, the right to remedy possible ambiguities, inequities, inconsistencies or omissions, and the right to resolve all interpretive, equitable or other questions arising under the Plan. The decisions of the Administrative Committee or such other party as is authorized under the terms of any grantor trust on all matters shall be final, binding and conclusive on all persons to the extent permitted by law.
- (b) To the extent permitted by law, all agents and representatives of the Administrative Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

APPENDIX A

SPECIAL PROVISIONS APPLICABLE TO CERTAIN PARTICIPANTS WHO DEFERRED BASE SALARY UNDER THIS PLAN

This Appendix A is applicable only with respect to a Participant who deferred all or a portion of his Base Salary under the provisions of this Plan and who (i) lost matching or other employer contributions under the ITT Industries Investment and Savings Plan for Salaried Employees (or any predecessor plan) due to the deferral of his Base Salary under this Plan, or (ii) had salary deferrals attributable to such Base Salary credited on his behalf to the ITT Industries Excess Savings Plan (or a predecessor plan) prior to January 1, 1996.

SECTION 1. - DEFINITIONS

- 1.01 "ACCOUNTS" shall mean the Deferred Account, Floor Contribution Account and the Matching Contribution Account.
- 1.02 "DEFERRED ACCOUNT" shall mean the bookkeeping account maintained for each Participant covered under this Appendix A to record the portion of Base Salary deferred under this Plan which was credited as a Salary Deferral under the ITT Industries Excess Savings Plan (or any predecessor plan) prior to January 1, 1996.
- 1.03 "MATCHING CONTRIBUTION ACCOUNT" shall mean the bookkeeping account maintained for each Participant covered under this Appendix A to record the Excess Matching Contribution (as defined under the ITT Industries Excess Savings Plan) credited on such Participant's behalf due to his deferral of Base Salary under this Plan.
- 1.04 "FLOOR CONTRIBUTION ACCOUNT" shall mean the bookkeeping account maintained for each Participant covered under this Appendix A to record the Excess Floor Contributions (as defined under the ITT Industries Excess Savings Plan) credited on such Participant's behalf due to his deferral of Base Salary under this Plan.

SECTION 2. - INVESTMENT OF ACCOUNTS

- 2.01 A Participant shall have no choice or election with respect to the investments of his Accounts. There shall be credited or debited an amount of earnings or losses on the balance of the Participant's Accounts which would have been credited had the Participant's Accounts been invested in the Stable Value Fund maintained under the ITT Industries Investment and Savings Plan for Salaried Employees.

SECTION 3. - VESTING OF ACCOUNTS

- 3.01 A Participant shall be fully vested in his Deferred Account and Floor Contribution Account. The Participant shall vest in the amounts credited to his Matching Contribution Account at the same rate and under the same conditions at which such contributions would have vested under the ITT Industries Investment and Savings Plan for Salaried Employees had they been contributed thereunder. In the event the Participant terminates

employment prior to vesting in all or any part of the amount credited on his behalf to his Matching Contribution Account, such contributions and earnings thereon shall be forfeited and shall not be restored in the event the Participant is subsequently reemployed by the Company.

3.02 Notwithstanding any provisions of this Plan or Appendix A to the contrary, upon the occurrence of an Acceleration Event, (as such term is defined in Article 1 of the Plan) a Participant shall become fully vested in the amounts credited to his Matching Contribution Account.

SECTION 4. - COMMENCEMENT OF PAYMENT

4.01 A Participant shall be entitled to receive payment of his Deferred Account, Floor Contribution Account and the vested portion of his Matching Contribution Account, as determined under Section 3.01, upon his termination of employment for any reason, other than death. The distribution of such Accounts shall be made as soon as practicable following such termination of employment.

4.02 In the event of the death of a Participant prior to the full payment of his Accounts, the unpaid portion of his Accounts shall be paid to his Beneficiary (as defined in Section 1.05 of the Plan) as soon as practicable following his date of death.

SECTION 5. - METHOD OF PAYMENT

5.01 Payment of a Participant's Deferred Account, Floor Contribution Account, and the vested portion of his Matching Contribution Account shall be made in a single lump sum payment.

SECTION 6. - PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

6.01 Upon the occurrence of an Acceleration Event, all Participants shall automatically receive the entire balance of their Accounts in a single lump sum payment. Such lump sum payment shall be made as soon as practicable on or after the Acceleration Event. If the Participant dies after such Acceleration Event, but before receiving such payment, it shall be made to his Beneficiary.

ITT INDUSTRIES 1997 ANNUAL INCENTIVE PLAN
(AMENDED AND RESTATED AS OF JULY 13, 2004)

1. PURPOSE

The purpose of this ITT Industries 1997 Annual Incentive Plan (the "Incentive Plan") is to provide incentive compensation in the form of a bonus to eligible executives of ITT Industries, Inc. (the "Company") for achieving specific pre-established performance objectives and to continue to motivate participating executives to achieve their business goals, while tying a portion of their compensation to measures affecting shareholder value. The Incentive Plan seeks to enable the Company to continue to be competitive in its ability to attract and retain executives of the highest caliber.

2. PLAN ADMINISTRATION

The Compensation and Personnel Committee (the "Committee") of the Board of Directors (the "Board") of the company shall have full power and authority to administer, construe and interpret the provisions of the Incentive Plan and to adopt and amend administrative rules and regulations, agreements, guidelines and instruments for the administration of the Incentive Plan and for the conduct of its business as the Committee considers appropriate.

The Committee shall have full power, to the extent permitted by law, to delegate its authority to any officer or employee of the Company to administer and interpret the procedural aspects of the Incentive Plan, subject to the terms of the Incentive Plan, including adopting and enforcing rules to decide procedural and administrative issues.

The Committee may rely on opinions, reports or statements of officers or employees of the Company and of counsel to the Company (inside or retained counsel), public accountants and other professional or expert persons.

The Board reserves the right to amend or terminate the Incentive Plan in whole or in part at any time; provided, however, that no amendments shall adversely affect or impair the rights of any participant previously accrued thereby, without the written consent of the participant.

No member of the Committee shall be liable for any action taken or omitted to be taken or for any determination made by him or her in good faith with respect to the Incentive Plan, and the Company shall indemnify and hold harmless each member of the Committee against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any act or omission in connection with the administration or interpretation of the Incentive Plan, unless arising out of such person's own fraud or bad faith.

3. ELIGIBLE EXECUTIVES

Executives of the Company or its affiliates in salary grade 19 and above shall be eligible to participate in the Incentive plan.

4. PLAN YEAR, PERFORMANCE PERIODS, PERFORMANCE MEASURES AND PERFORMANCE TARGETS

Each fiscal year of the Incentive Plan (the "Plan Year") shall begin on January 1 and end on December 31. The performance period (the "Performance Period") with respect to which bonuses may be payable under the Incentive Plan shall be the Plan Year unless the Committee designates one or more different Performance Periods.

The Committee shall establish the performance measures (the "Performance Measures") to be used which may include, but shall not be limited to, net operating profit after tax, economic value added, earnings per share, return on equity, return on total capital, or such other measures as determined by the Committee. In addition, Performance Measures may be based upon other objectives such as negotiating transactions or sales and developing long-term goals. The Performance Measures shall be objectively determinable and, to the extent that they are expressed in standard accounting terms, shall be according to generally accepted accounting principles as in existence on the date on which the applicable Performance Period is established and without regard to any changes in such principles after such date. For purposes of the Plan, economic value added shall mean the amount of economic profit created in excess of the amount required to satisfy the obligations to and normal expectations of the Company's lenders and investors.

The Committee shall establish the performance targets (the "Performance Targets") to be achieved which shall be based on one or more Performance Measures relating to the Company as a whole or to the specific businesses of the Company, subsidiaries, operating companies, or operating units as determined by the Committee and shall be expressed as an objective formula to be used in calculating the amount of bonus award each executive shall be eligible to receive. There may be a sliding scale of payment dependent upon the percentage levels of achievement of Performance Targets.

The Performance Measures and Performance Targets, which may be different with respect to each executive and each Performance Period, must be set forth in writing by the Committee within the first ninety (90) days of the applicable Performance Period.

5. CERTIFICATION OF PERFORMANCE TARGETS AND CALCULATION OF BONUS AWARDS

After the end of each Performance Period, and prior to the payment for such Performance Period, the Committee must certify in writing the degree to which the Performance Targets for the Performance Period were achieved, including the specific target objective or objectives and the satisfaction of any other material terms of the bonus award. The Committee shall calculate the amount of each executive's bonus for such Performance Period based upon the Performance Measures and Performance Targets for each executive. In establishing Performance Targets and Performance Measures and in calculating the degree of achievement thereof, the Committee may ignore extraordinary items, property transactions, changes in accounting standards and losses or gains arising from discontinued operations. The Committee shall have authority and discretion

to increase or decrease the amount of any executive's bonus as so determined, and may totally eliminate any bonus award if it determines in its absolute and sole discretion that such action is appropriate in order to reflect the executive's performance or unanticipated factors during the Performance Period.

6. PAYMENT OF AWARDS

Approved bonus awards shall be payable by the Company in cash to each executive, or to the executive's estate in the event of the executive's death, as soon as practicable after the end of each Performance Period. No bonuses may be paid under the Incentive Plan until the Committee has certified in writing that the relevant Performance Targets were achieved.

If an executive is not an employee on the last day of the Performance Period, the Committee shall have sole discretion to determine what portion, if any, the executive shall be entitled to receive with respect to any award for the Performance Period. The Committee shall have the authority to adopt appropriate rules and regulations for the administration of the Incentive Plan in such termination cases.

The Company retains the right to deduct from any bonus awards paid under the Incentive Plan any Federal, state, local or foreign taxes required by law to be withheld with respect to such payment.

7. OTHER TERMS AND CONDITIONS

Any award made under this Incentive Plan shall be subject to the discretion of the Committee. No person shall have any legal claim to be granted an award under the Incentive Plan and the Committee shall have no obligation to treat executives uniformly. Except as may be otherwise required by law, bonus awards under the Incentive Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary. Bonuses awarded under the Incentive Plan shall be payable from the general assets of the Company, and no executive shall have any claim with respect to any specific assets of the Company.

Nothing contained in the Incentive Plan shall give any executive the right to continue in the employment of the Company or affect the right of the Company to terminate an executive.

8. ACCELERATION EVENT.

An "Acceleration Event" shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of ITT Industries (the "Stock"); (ii) any person (within the meaning of Section 13(d) of the Act), other than ITT Industries or a subsidiary of ITT Industries, or any employee benefit plan sponsored by ITT Industries or a subsidiary of ITT Industries, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT Industries (or securities convertible

into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT Industries (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of ITT Industries shall approve (A) any consolidation, business combination or merger involving ITT Industries, other than a consolidation, business combination or merger involving ITT Industries in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT Industries (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT Industries, (iv) there shall have been a change in a majority of the members of the Board of Directors of ITT Industries within a 12-month period unless the election or nomination for election by ITT Industries' stockholders 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 (v) any person (within the meaning of Section 13(d) of the Act) (other than ITT Industries or any subsidiary of ITT Industries or any employee benefit plan (or related trust) sponsored by ITT Industries or a subsidiary of ITT Industries) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

Upon the occurrence of such Acceleration Event, the Performance Measures for each Performance Period with respect to which bonuses may be payable under the Incentive Plan shall be deemed to be achieved at the greater of (i) the Performance Target established for such Performance Measures or (ii) the Company's actual achievement of such Performance Measures as of the Acceleration Event. Payment of the bonuses, for the full year, will be made to each Participating Executive, in cash, within five (5) business days following such Acceleration Event.

9. MISCELLANEOUS.

The Incentive Plan shall be effective January 1, 1997. The Plan shall remain in effect unless/until terminated by the Board; provided, however, that if an Acceleration Event has occurred no amendment or termination shall impair the rights of any executive with respect to any prior award.

This Incentive Plan shall be construed and governed in accordance with the laws of the State of New York.

ITT INDUSTRIES

EXCESS PENSION PLAN IA

EFFECTIVE AS OF JULY 1, 1975
AS AMENDED AND RESTATED AS OF JULY 13, 2004

ITT INDUSTRIES EXCESS PENSION PLAN IA

The ITT Excess Benefit Plan I (the "Plan") was effective as of July 1, 1975. The purpose of the Plan was to provide those employees participating in the Retirement Plan for Salaried Employees of ITT Corporation or any successor thereto (the "Retirement Plan") benefits which would have been payable under the Retirement Plan but for the limitations imposed on qualified plans by Section 415 of the Internal Revenue Code. Effective as of October 7, 1986 the ITT Select Management Plan I was authorized by the Board of Directors of ITT Corporation to pay supplemental benefits to certain select management highly compensated employees who have qualified for benefits under the Retirement Plan.

As of December 19, 1995, the ITT Select Management Plan I was merged into the ITT Excess Benefit Plan I and the surviving Plan was renamed the ITT Industries Excess Pension Plan I.

As of January 1, 1996, the Plan was amended to solely provide to individuals who are designated Eligible Employees under the Plan on and after December 19, 1995 benefits which would have been payable on their behalf under the Retirement Plan but for the limitations on benefits imposed by Section 415 and 401(a)(17) of the Code, to transfer all liabilities not attributable to such excess benefits into the ITT Industries Excess Pension Plan IB (which is authorized to be effective as of January 1, 1996) and to rename the Plan, as amended, the ITT Industries Excess Pension Plan IA.

The Plan was amended, effective as of January 1, 2000, to reflect the changes in the Retirement Plan formula.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries. Effective as of July 13, 2004, the Plan was further amended to eliminate approval by the Compensation and Personnel Committee of the Board for lump sum payments made on or after September 1, 2004 and to revise the interest rate assumption utilized to calculate the amount of an elective lump sum payment available upon retirement to a Participant who becomes an Eligible Employee after January 1, 2005.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT INDUSTRIES
EXCESS PENSION PLAN IA
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ITT INDUSTRIES

EXCESS PENSION PLAN IA

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

1.01 ACCELERATION EVENT shall mean an event which shall occur if:

- (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Corporation (the "Stock");
- (ii) any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation, or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Corporation (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);
- (iii) the stockholders of the Corporation shall approve (A) any consolidation, business combination or merger involving the Corporation, other than a consolidation, business combination or merger involving the Corporation in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination

or consolidation, immediately after the merger as immediately before, or (B) 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 Corporation;

- (iv) there shall have been a change in a majority of the members of the Board of Directors of the Corporation within a 12-month period unless the election or nomination for election by the Corporation's stockholders 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
- (v) any person (within the meaning of Section 13(d) of the Act) (other than the Corporation or any subsidiary of the Corporation or any employee benefit plan (or related trust) sponsored by the Corporation or a subsidiary of the Corporation) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

- 1.02 ANNUITY STARTING DATE shall mean a Participant's annuity starting date (as that term is defined in the Retirement Plan) with respect to benefits payable to him or on his behalf under the Retirement Plan. However, if an Acceleration Event occurs, the Annuity Starting Date of a Participant shall be the date such Acceleration Event occurs.
- 1.03 ASSOCIATED COMPANY shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
- 1.04 BENEFICIARY shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse, if any, or his estate.
- 1.05 BOARD OF DIRECTORS shall mean the Board of Directors of ITT Industries, Inc. or any successor thereto.

- 1.06 CODE shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.07 COMMITTEE shall mean the Pension Administration Committee under the Retirement Plan.
- 1.08 COMPANY shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.
- 1.09 COMPANY PENSION PLAN shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company, an Associated Company, New ITT or one of its associated companies, or ITT Hartford or one of its associated companies.
- 1.10 CORPORATION shall mean ITT Industries, Inc., an Indiana corporation (successor by merger to and formerly known as ITT Corporation, a Delaware corporation), or any successor by merger, purchase or otherwise.
- 1.11 DEFERRED COMPENSATION PROGRAM shall mean any nonqualified deferred compensation plan maintained by the Company, an Associated Company, New ITT or one of its associated companies, or ITT Hartford or one of its associated companies.
- 1.12 ELIGIBLE EMPLOYEE shall mean a member of the Retirement Plan who occupies or occupied a position of senior management with the Corporation at the Vice President level or higher.
- 1.13 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.14 EXCESS BENEFIT PORTION shall mean the portion of the Plan which is intended to constitute an unfunded excess benefit plan under Sections 3(36) and 4(b)(5) of Title I of ERISA which provides benefits not otherwise payable under the Retirement Plan due to restrictions imposed by Section 415 of the Code.
- 1.15 ITT EXCESS BENEFIT TRUST shall mean the grantor trust established for this Plan effective as of January 1, 1985.
- 1.16 ITT HARTFORD shall mean the ITT Hartford Group, Inc., a Delaware corporation, as constituted on and after December 19, 1995, and any successor thereto by merger, purchase, or otherwise.

- 1.17 New ITT shall mean ITT Corporation, a Nevada corporation, as constituted on and after December 19, 1995, and any successor thereto by merger, purchase, or otherwise.
- 1.18 PARTICIPANT shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.19 PLAN shall mean the ITT Industries Excess Pension Plan IA, as set forth herein or as amended from time to time.
- 1.20 PLAN YEAR shall mean the calendar year.
- 1.21 RETIREMENT PLAN shall mean the ITT Industries Salaried Retirement Plan (formerly known as the Retirement Plan for Salaried Employees of ITT Corporation), as amended from time to time.
- 1.22 SELECT MANAGEMENT PORTION shall mean the portion of the Plan, other than the Excess Benefit Portion, which is intended to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA.

ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS

2.01 PARTICIPATION

- (a) An Eligible Employee shall participate in the Excess Benefit Portion of the Plan provided such Eligible Employee's annual retirement allowance or vested benefit at the time of payment under the Retirement Plan exceeds the limitations imposed by Code Section 415(b) (or prior to January 1, 2000, Code Section 415(e)).
- (b) An Eligible Employee shall participate in the Select Management Portion of the Plan provided such Eligible Employee's annual retirement allowance or vested benefit at the time of payment under the Retirement Plan is limited by reason of the Code Section 401(a)(17) limitation on Compensation (as that term is defined in the Retirement Plan).
- (c) A Participant's participation in the Plan shall terminate upon the Participant's death or other termination of employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 AMOUNT OF BENEFITS

As of each applicable Annuity Starting Date, a Participant's benefit under this Article II shall be a monthly payment for the life of the Participant and shall equal, except as otherwise provided in Appendix A, the excess, if any, of (a) over (b) as determined below:

- (a) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, commencing at that particular Participant's Annuity Starting Date and determined
 - (i) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (ii) without regard to the provisions contained in Section 4.09 of the Retirement Plan relating to the maximum limitation on benefits; and
 - (iii) without regard to the limitation on Compensation resulting from the Annual Dollar Limit (as that term is defined in the Retirement Plan);

over

- (b) the sum of the following wing amounts:
- (i) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, commencing at that particular Participant's Annuity Starting Date and determined
 - (1) with regard to the provisions contained in Section 4.09 of the Retirement Plan relating to maximum limitation benefits;
 - (2) with regard to the limitation on Compensation resulting from the Annual Dollar Limit (as that term is defined in the Retirement Plan; and
 - (3) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with respect to benefits payable under any other Company Pension Plan; and
 - (ii) the amount of the benefit payable to the Participant under the ITT Corporation Excess Pension Plan IA (or any successor plan thereto) or the ITT Hartford Excess Pension Plan IA (or any successor plan thereto) with respect to any service which is recognized as Benefit Service for purposes of the computation of benefits under the Retirement Plan.

For purposes of this Section 2.02, if any benefit described in (b)(ii) above is payable in a form other than a single life annuity commencing on the Participant's Annuity Starting Date, such benefit shall be converted to a single life annuity commencing on such date of Equivalent Actuarial Value (as defined in the Retirement Plan).

If, after a Participant's Annuity Starting Date, changes to the Code or ERISA permit the Retirement Plan to provide for payment of his retirement allowance or vested benefit in an amount greater than that permissible at that particular Annuity Starting Date, the Participant's monthly benefit under this Plan shall be reduced by the portion of his retirement allowance or vested benefit thereafter paid from the Retirement Plan.

2.03 VESTING

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.

- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.

2.04 PAYMENT OF BENEFITS

- (a) RETIREMENT OR TERMINATION OF EMPLOYMENT EFFECTIVE ON OR AFTER DECEMBER 19, 1995

- (i) Following a Participant's retirement or other termination of employment with the Company and all Associated Companies on or after December 19, 1995, other than by reason of death, the Participant shall receive the benefit payable under Section 2.02, to the extent vested pursuant to Section 2.03, in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan. If the form of payment is other than a single life annuity over the life of the Participant, such benefit shall be adjusted as provided in Section 4.07 of the Retirement Plan to reflect such different payment form.
- (ii) Notwithstanding the foregoing provisions of clause (i) above, effective as of January 1, 2000, the portion of any Participant's benefit payable under Section 2.02 attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of such retirement allowance or vested benefit shall be payable in the form of a single lump sum payment. However, such Participant may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to receive such PEP formula portion of his benefit in the same annuity form of payment as the Participant receives the remaining portion of his retirement benefit or vested benefit payable under Section 2.02 or as a single life annuity over the life of the Participant. Such lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
- (iii) Notwithstanding the foregoing provisions of clauses (i) and (ii) above, a Participant may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect, by written notice received by the Committee, to receive the portion of his entire benefit payable under this Plan not attributable to the PEP formula (as described in clause (ii) above) in the form of a single lump sum payment if he retires

under the provisions of the Retirement Plan at his Postponed Retirement Date, Normal Retirement Date, Early Retirement Date or Special Early Retirement Date (as such terms are defined under the Retirement Plan). However, the payment of such lump sum amount prior to September 1, 2004 must be approved by the Compensation and Personnel Committee of the Board of Directors and such Committee shall have complete discretion to grant or withhold such approval. The lump sum payment made under this clause (iii) will be made as soon as practicable following the later of (i) the Participant's effective retirement date or (ii) his Annuity Starting Date. However, if the Participant dies after the later of his effective retirement date or Annuity Starting Date but prior to receiving his lump sum payment, the payment shall be made to the Participant's Beneficiary with the calculation of such payment based on the assumption that payment had been made immediately preceding his date of death.

Such lump sum payment shall be calculated on an actuarial basis using the interest rate assumption for immediate annuities used by the Pension Benefit Guaranty Corporation ("PBGC") for valuing benefits for single employer plans as published by the PBGC for the month in which his applicable retirement date under the Retirement Plan is effective and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.12 of the Plan) after January 1, 2005, such lump sum payment shall be calculated on an actuarial basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month in which the Participant's applicable retirement date under the Retirement Plan is effective and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment under this clause (iii) shall be based on the Participant's benefit determined pursuant to Section 2.02 not attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of such benefit as if it were paid in the form of a single life annuity to the Participant. The calculation of a lump sum payment hereunder shall be made without regard to the possibility of any future changes after the Participant's Annuity Starting Date in the amount of benefits payable under the Retirement Plan because of future changes in the limitations referred to in Section 2.02. This lump sum payment plus any lump sum payment made pursuant to the provisions of

clause (ii) above represents a complete settlement of all benefits due on the Participant's behalf under the Plan.

(b) DEATH PRIOR TO A PARTICIPANT'S ANNUITY STARTING DATE

- (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) while in active service with the Company or any Associated Company before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, or (2) after terminating employment with entitlement to a vested benefit hereunder but prior to his Annuity Starting Date, the Participant's spouse shall receive a monthly payment for life commencing at the same time said spouse receives payment under the Automatic Vested Spouse's Benefit of the Retirement Plan. The amount of benefit payable hereunder to such spouse shall be equal to the monthly income which would have been payable to such spouse under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit as calculated under Section 2.02 hereof. Notwithstanding the foregoing, effective as of January 1, 2000, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the spouse based on the hypothetical benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment; provided, however, the Participant may, subject to the timing limitation and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to provide that his spouse shall receive such PEP formula portion of the benefit payable under this Section in the form of a life annuity over the life of the spouse. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
- (ii) Except as otherwise provided below or in clause (iii) of this Section 2.04(b), in the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company or any Associated Company or (2) after his termination of employment but prior to his Annuity Starting Date, the Participant's Beneficiary under Section 4.08(b) of the Retirement Plan shall receive a monthly payment for the life of the Beneficiary commencing at the same time the Beneficiary

receives a survivor benefit under Section 4.08(b) of the Retirement Plan. The amount of benefit payable to such Beneficiary shall be equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical retirement benefit as calculated under Section 2.02 hereof. Notwithstanding the foregoing, effective as of January 1, 2000, the portion of any benefit payable under this clause (ii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment; provided, however, the Participant may, subject to the timing limitation and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to provide that his Beneficiary shall receive such PEP formula portion of the benefit payable under this Section in the form of a life annuity over the life of the Beneficiary. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).

- (iii) Notwithstanding the foregoing, in the event a Participant, who has satisfied the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, has filed an election to receive a lump sum payment of benefits under the provisions of Section 2.04(a)(iii), dies (1) on or after age 55 and while in active service or (2) after his effective retirement date but prior to his Annuity Starting Date, the Beneficiary of such Participant shall receive a single lump sum amount determined as follows:
- (A) In the event of the Participant's death in active service, the lump sum payment shall be equal to the value of the Participant's benefit, if any, accrued to his date of death as determined under the provisions of Section 2.02 hereof.
 - (B) In the event of the Participant's death after his effective retirement date and prior to his Annuity Starting Date, the lump sum payment shall be equal to the value of the Participant's benefit accrued to the effective date of the Participant's retirement as determined under the provisions of Section 2.02 hereof.

The portion of the lump sum payment under this clause (iii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of his Plan benefit, if any, shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the

Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the Participant's Annuity Starting Date was the first day of the month following the earlier of his effective date of retirement or his date of death. The portion of the lump sum payment under this clause (iii) not attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's Plan benefit shall be (1) based on the Participant's Plan benefit not attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) as if it were paid in the form of a single life annuity to the Participant and (2) calculated on an actuarial basis using the interest rate assumption for immediate annuities used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month following the Participant's effective date of retirement or, if earlier, the date of his death and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.12 of the Plan) after January 1, 2005, the lump sum payment in the preceding sentence shall be calculated on an actuarial basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month in which the Participant's retirement date under the Retirement Plan was effective or, if earlier, his date of death and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment hereunder shall be made without regard to the possibility of any future changes after the Participant's death in the amount of benefits payable under the Retirement Plan because of future changes in the limitations referred to in Section 2.02.

Notwithstanding the foregoing, a total lump sum payment under this clause (iii) shall only be made to the Participant's Beneficiary if the Participant has filed an election to receive a lump sum payment of any benefits under the provisions of Section 2.04(a)(iii) in accordance with the timing limitations and other restrictions prescribed by the Committee. Payment shall be made to the Participant's Beneficiary as soon as practicable after the Participant's date of death. The lump sum payment under this clause (iii) represents a complete settlement of all benefits due the Beneficiary on the Participant's behalf under the Plan.

2.05 PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

Upon the occurrence of an Acceleration Event, (i) all retired Participants then receiving or then entitled to receive a retirement allowance under the Plan, (ii) all former Participants then receiving or then entitled to receive a vested benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the benefit remaining due as of the Acceleration Event to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Acceleration Event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's benefit payable under this Plan not in payment status as of the occurrence of an Acceleration Event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Acceleration Event occurs is the Participant's Annuity Starting Date. The amount of the lump sum payment attributable to the remaining portion of the Participant's benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption for immediate annuities, if the Participant has met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance as of the Acceleration Event or is then in receipt of monthly payments under this Plan, otherwise using the interest rate assumption for deferred annuities to the earliest date he could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan) used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Acceleration Event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Acceleration Event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. If the Participant is not in receipt of monthly benefit payments under this Plan as of the Acceleration Event, the calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan not attributable to the PEP formula portion (as defined under Section 4.01(c) of the Retirement Plan) shall be based on the Participant's benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to

the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall the lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Acceleration Event and without regard to the possibility of any future changes after the Acceleration Event in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made as soon as possible on or after the Acceleration Event. In the event the Participant dies after such Acceleration Event but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

2.06 REEMPLOYMENT OF FORMER PARTICIPANT OR RETIRED PARTICIPANT

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, any payment of benefits hereunder shall cease. Upon his subsequent retirement or termination, his retirement allowance or vested benefit shall be recomputed in accordance with the provisions of Section 4.12 of the Retirement Plan and any benefits then payable hereunder shall be reduced by the Equivalent Actuarial Value (as defined in the Retirement Plan) of any benefit previously paid under the Plan.

ARTICLE III. GENERAL PROVISIONS

3.01 FUNDING

- (a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Company. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Company, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
- (b) The Company may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Company funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;
 - (ii) the Company shall be treated as "grantor" of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Company to satisfy claims of the Company's general creditors and that the rights of such general creditors are enforceable by them under federal and state law.

3.02 DURATION OF BENEFITS

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the provisions of Section 415 or 401(a)(17) of the Code limit the benefits that are payable under the Retirement Plan.

3.03 DISCONTINUANCE AND AMENDMENT

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into

account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02.

3.04 TERMINATION OF PLAN

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and
- (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination,
 - (i) the Participant is vested under the Retirement Plan and
 - (ii) such benefits are not at any time otherwise payable under the Retirement Plan because of the limitations imposed by IRC Section 415 or Section 401(a)(17).

All other provisions of this Plan shall remain in effect.

3.05 PLAN NOT A CONTRACT OF EMPLOYMENT

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 FACILITY OF PAYMENT

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefor by a duly appointed legal representative, direct that any benefit payment due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a

child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Company and the Plan therefor.

3.07 WITHHOLDING TAXES

The Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 NONALIENATION

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 FORFEITURE FOR CAUSE

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 TRANSFERS

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.
- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained

by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Company.

- (c) Notwithstanding any Plan provision to the contrary, at the discretion of the Corporation, if a Participant was previously a member in the ITT Industries Excess Pension Plan II ("Excess Plan II"), liabilities accrued under Excess Plan II by such Participant which are attributable to benefits payable solely due to the application of the limitations imposed under the Retirement Plan by Section 415 or 401(a)(17) of the Code may be transferred to this Plan and upon such transfer shall cease to be liabilities under Excess Plan II.

3.11 CLAIMS PROCEDURE

(a) SUBMISSION OF CLAIMS

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) DENIAL OF CLAIM

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) CLAIM REVIEW PROCEDURE

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) EXHAUSTION OF REMEDY

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.12 CONSTRUCTION

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

ARTICLE IV. PLAN ADMINISTRATION

4.01 RESPONSIBILITY FOR BENEFIT DETERMINATION

The benefit of a Participant or Beneficiary under this Plan shall be determined either by the Committee, as provided in Section 4.02 below, or such other party as is authorized under the terms of any grantor trust.

4.02 DUTIES OF COMMITTEE

The Committee shall calculate, in accordance with Article II, the benefit of each Participant or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated.

4.03 PROCEDURE FOR PAYMENT OF BENEFITS UNDER THE PLAN

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is not payable under the ITT Excess Benefit Trust, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under this Plan and/or any other applicable excess benefit plan.

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is payable under the ITT Excess Benefit Trust, the Committee, acting for the Company and in accordance with the terms of the ITT Excess Benefit Trust, shall forward the calculation of the Participant's or Beneficiary's benefit under Article II of the Plan to the Participant or Beneficiary for concurrence. Upon obtaining concurrence, the Committee, acting for the Company, shall forward such calculation and concurrence to the Trustee for the purpose of commencing payment of benefits in accordance with the ITT Excess Benefit Trust. Any question that shall arise with regard to the benefits payable to a Participant or Beneficiary under the ITT Excess Benefit Trust shall be resolved in accordance with the provisions of said Trust.

ITT INDUSTRIES

EXCESS PENSION PLAN IB

EFFECTIVE AS OF JANUARY 1, 1996
AS AMENDED AND RESTATED AS OF JULY 13, 2004

ITT INDUSTRIES EXCESS PENSION PLAN IB

The ITT Industries Excess Pension Plan IB (the "Plan") has been authorized and adopted by the Board of Directors of ITT Industries, Inc. (the "Corporation") to be effective as of January 1, 1996. The purpose of the Plan is to provide certain supplemental benefits to certain select management or highly compensated employees who qualify for benefits under the Retirement Plan.

Effective as of January 1, 1996, the ITT Industries Excess Pension Plan I was amended (i) to solely provide to individuals who are eligible employees thereunder on and after December 19, 1995, the excess benefits which would have been payable under the ITT Industries Salaried Retirement Plan but for the limitations imposed by Sections 415 and 401(a)(17) of the Internal Revenue Code and (ii) to transfer into the ITT Industries Excess Pension Plan IB all liabilities not attributable to such excess benefits.

The Plan was amended, effective as of January 1, 2000, to reflect the changes in the Retirement Plan formula.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries. Effective as of July 13, 2004, the Plan was further amended to eliminate approval by the Compensation and Personnel Committee of the Board for lump sum payments made on or after September 1, 2004 and to revise the interest rate assumption utilized to calculate the amount of an elective lump sum payment available upon retirement to a Participant who becomes an Eligible Employee after January 1, 2005.

All benefits payable under this Plan, which constitutes a nonqualified, unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT INDUSTRIES
EXCESS PENSION PLAN IB
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ITT INDUSTRIES

EXCESS PENSION PLAN IB

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

1.01 ACCELERATION EVENT shall mean an event which shall occur if:

- (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Corporation (the "Stock");
- (ii) any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation, or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Corporation (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);
- (iii) the stockholders of the Corporation shall approve (A) any consolidation, business combination or merger involving the Corporation, other than a consolidation, business combination or merger involving the Corporation in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) 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 Corporation;

- (iv) there shall have been a change in a majority of the members of the Board of Directors of the Corporation within a 12-month period unless the election or nomination for election by the Corporation's stockholders 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
- (v) any person (within the meaning of Section 13(d) of the Act) (other than the Corporation or any subsidiary of the Corporation or any employee benefit plan (or related trust) sponsored by the Corporation or a subsidiary of the Corporation) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

- 1.02 ANNUITY STARTING DATE shall mean a Participant's annuity starting date (as that term is defined in the Retirement Plan) with respect to benefits payable to him or on his behalf under the Retirement Plan. However, if an Acceleration Event occurs, the Annuity Starting Date of a Participant shall be the date such Acceleration Event occurs.
- 1.03 ASSOCIATED COMPANY shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
- 1.04 BENEFICIARY shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse, if any, or his estate.
- 1.05 BOARD OF DIRECTORS shall mean the Board of Directors of ITT Industries, Inc. or any successor thereto.
- 1.06 CODE shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.07 COMMITTEE shall mean the Pension Administration Committee under the Retirement Plan.

- 1.08 COMPANY shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.
- 1.09 COMPANY PENSION PLAN shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company, an Associated Company, New ITT or one of its associated companies, or ITT Hartford or one its associated companies.
- 1.10 CORPORATION shall mean ITT Industries, Inc., an Indiana corporation (successor by merger to and formerly known as ITT Corporation, a Delaware corporation), or any successor by merger, purchase or otherwise.
- 1.11 DEFERRED COMPENSATION PROGRAM shall mean any nonqualified deferred compensation plan maintained by the Company, an Associated Company, New ITT or one of its associated companies, or ITT Hartford or one of its associated companies.
- 1.12 ELIGIBLE EMPLOYEE shall mean a member of the Retirement Plan who occupies or occupied a position of senior management with the Corporation at the Vice President level or higher.
- 1.13 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.14 ITT EXCESS BENEFIT TRUST shall mean the grantor trust established for this Plan effective as of January 1, 1985.
- 1.15 ITT HARTFORD shall mean the ITT Hartford Group, Inc., a Delaware corporation, as constituted on and after December 19, 1995 and any successor thereto by merger, purchase, or otherwise.
- 1.16 NEW ITT shall mean ITT Corporation, a Nevada corporation, as constituted on and after December 19, 1995, and any successor thereto by merger, purchase, or otherwise.
- 1.17 PARTICIPANT shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.18 PLAN shall mean the ITT Industries Excess Pension Plan IB, as set forth herein or as amended from time to time.
- 1.19 PLAN YEAR shall mean the calendar year.

1.20 RETIREMENT PLAN shall mean the ITT Industries Salaried Retirement Plan (formerly known as the Retirement Plan for Salaried Employees of ITT Corporation), as amended from time to time.

ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS

2.01 PARTICIPATION

- (a) An Eligible Employee shall participate in the Plan provided such Eligible Employee's annual retirement allowance or vested benefit at the time of payment under the Retirement Plan is reduced as a result of
 - (i) deferrals of Compensation under a Deferred Compensation Program;
 - (ii) the exclusion from Compensation of certain remuneration customarily recognized as such but excluded as Compensation by action of the Board of Directors (including, but not limited to, the exclusion of any bonus which was paid in 1990 and in early 1991 under an approved Company executive bonus plan for services performed in 1990); or
 - (iii) such other restrictions imposed by the Board of Directors with respect to the determination of a Participant's retirement allowance or vested benefit under the Retirement Plan.
- (b)
 - (i) A former President, Chairman, Chief Executive Officer, Chief Operating Officer or Executive Vice President of ITT Industries Inc. (a "Designated Former Employee") who was a Participant in the ITT Industries Excess Pension Plan I receiving benefit payments thereunder as of December 31, 1995, shall become a Participant in this Plan effective as of January 1, 1996.
 - (ii) A designated former Eligible Employee who was a Participant in the ITT Industries Excess Pension Plan I receiving benefit payments thereunder as of December 31, 1995, shall become a Participant in this plan effective as of January 1, 1996.
- (c) A Participant's participation in the Plan shall terminate upon the Participant's death or other termination of employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 AMOUNT OF BENEFITS

As of each applicable Annuity Starting Date, a Participant's benefit under this Article II shall be a monthly payment for the life of the Participant and shall equal, except as otherwise provided in Appendix A, the excess, if any, of (a) over (b) as determined below:

- (a) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan,

whichever is applicable, commencing at that particular Participant's Annuity Starting Date and determined

- (i) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with respect to benefits payable from any other Company Pension Plan;
- (ii) without regard to the provisions contained in Section 4.09 of the Retirement Plan relating to the maximum limitations on benefits;
- (iii) without regard to the limitation on Compensation resulting from the Annual Dollar Limit (as that term is defined in the Retirement Plan);
- (iv) without regard to deferrals of Compensation made pursuant to a Deferred Compensation Program; and
- (v) by recognizing as Compensation for purposes of calculating such Participant's Final Average Compensation (as that term is defined in the Retirement Plan) the payments in December 1990 and in early 1991 of bonus under an approved Company executive bonus plan for services performed in 1990, with such payments deemed to have been paid for purposes of the Plan on January 2, 1991, and any other remuneration included by action of the Board of Directors;

over

(b) the sum of the following amounts:

- (i) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Sections 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, commencing at that particular Participant's Annuity Starting Date and determined
 - (1) without regard to the provisions contained in Section 4.09 of the Retirement Plan relating to the maximum limitation on benefits;
 - (2) without regard to the limitation on Compensation resulting from the Annual Dollar Limit (as that term is defined in the Retirement Plan); and
 - (3) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with respect to benefits payable from any other Company Pension Plan;
- (ii) the amount of the benefit payable to the Participant under the ITT Corporation Excess Pension Plan IB (or any successor plan thereto) or the ITT Hartford Excess Pension Plan IB (or any successor plan thereto) with respect to any service which is recognized as Benefit Service for purposes of the computation of benefits under the Retirement Plan.

For purposes of this Section 2.02, if any benefit described in (b)(ii) above is payable in a form other than a single life annuity commencing on the Participant's Annuity Starting Date, such benefit shall be converted to a single life annuity commencing on such date of Equivalent Actuarial Value (as defined in the Retirement Plan).

2.03 VESTING

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.
- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.

2.04 PAYMENT OF BENEFITS

- (a) RETIREMENT OR TERMINATION OF EMPLOYMENT EFFECTIVE PRIOR TO JANUARY 1, 1996

Except as otherwise provided in Section 2.05 upon the occurrence of an Acceleration Event, any retired Participant or former Participant, whose employment ceased prior to January 1, 1996, and who was then receiving or then entitled to receive a retirement allowance or vested benefit under the ITT Industries Excess Pension Plan IA, shall continue to receive or continue to be entitled to receive payments hereunder in accordance with the form, frequency and duration of benefit payments under the Retirement Plan as in effect on the date such employment ceased.

- (b) RETIREMENT OR TERMINATION OF EMPLOYMENT EFFECTIVE ON OR AFTER JANUARY 1, 1996
 - (i) Following a Participant's retirement or other termination of employment with the Company and all Associated Companies on or after January 1, 1996, other than by reason of death, the Participant shall receive the benefit payable under Section 2.02, to the extent vested pursuant to Section 2.03, in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan. If the form of payment is other than a single life annuity over the life of the Participant, such benefit shall be adjusted as provided in Section 4.07 of the Retirement Plan to reflect such different payment form.
 - (ii) Notwithstanding the foregoing provisions of clause (i) above, effective as of January 1, 2000, the portion of any Participant's benefit payable under Section 2.02 attributable to

the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of such retirement allowance or vested benefit shall be payable in the form of a single lump sum payment. However, such Participant may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to receive such PEP formula portion of his benefit in the same annuity form of payment as the Participant receives the remaining portion of his retirement benefit or vested benefit payable under Section 2.02 or as a single life annuity over the life of the Participant. This lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).

- (iii) Notwithstanding the foregoing provisions of clauses (i) and (ii) above, a Participant may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect, by written notice received by the Committee, to receive the portion of his benefit payable under this Plan not attributable to the PEP formula (as described in clause (ii) above) in the form of a single lump sum payment if he retires under the provisions of the Retirement Plan at his Postponed Retirement Date, Normal Retirement Date, Early Retirement Date or Special Early Retirement Date (as such terms are defined under the Retirement Plan). However, the payment of such lump sum amount, prior to September 1, 2004, must be approved by the Compensation and Personnel Committee of the Board of Directors and such Committee shall have complete discretion to grant or withhold such approval. The lump sum payment made under this clause (iii) will be made as soon as practicable following the later of (i) the Participant's effective retirement date or (ii) his Annuity Starting Date. However, if the Participant dies after the later of his effective retirement date or Annuity Starting Date but prior to receiving his lump sum payment, the payment shall be made to the Participant's Beneficiary with the calculation of such payment based on the assumption that payment had been made immediately preceding his date of death.

Such lump sum payment shall be calculated on an actuarial basis using the interest rate assumption for immediate annuities used by the Pension Benefit Guaranty Corporation ("PBGC") for valuing benefits for single employer plans as published by the PBGC for the month in which his applicable retirement date under the Retirement Plan is effective and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the

preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.12 of the Plan) after January 1, 2005, such lump sum payment shall be calculated on an actuarial basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month in which the Participant's applicable retirement date under the Retirement Plan is effective and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment under this clause (iii) shall be based on the Participant's benefit determined pursuant to Section 2.02 not attributable to the PEP formula portion (as defined in the Section 4.01 (c) of the Retirement Plan) of such benefit as if it were paid in the form of a single life annuity to the Participant. This lump sum payment plus any lump sum payment made pursuant to the provisions of clause (ii) above represents a complete settlement of all benefits due on the Participant's behalf under the Plan.

(c) DEATH PRIOR TO A PARTICIPANT'S ANNUITY STARTING DATE

- (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) while in active service with the Company or any Associated Company before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, or (2) after terminating employment with entitlement to a vested benefit hereunder but prior to his Annuity Starting Date, the Participant's spouse shall receive a monthly payment for life commencing at the same time said spouse receives payment under the Automatic Vested Spouse's Benefit of the Retirement Plan. The amount of benefit payable hereunder to such spouse shall be equal to the monthly income which would have been payable to such spouse under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit as calculated under Section 2.02 hereof. Notwithstanding the foregoing, effective as of January 1, 2000, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion (as defined in Section 4.01 (a) of the Retirement Plan) of the benefit which would have been payable to the spouse based on the hypothetical benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment; provided, however, the Participant may, subject to the timing limitation and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to provide that his spouse shall receive such PEP portion of the benefit payable under this Section in the form of a life annuity over the life of the spouse. This lump sum payment shall be

calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).

- (ii) Except as otherwise provided below or in clause (iii) of this Section 2.04(c), in the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company or Associated Company or (2) after his termination of employment but prior to his Annuity Starting Date, the Participant's Beneficiary under Section 4.08(b) of the Retirement Plan shall receive a monthly payment for the life of the Beneficiary commencing at the same time the Beneficiary receives a survivor benefit under Section 4.08(b) of the Retirement Plan. The amount of benefit payable to such Beneficiary shall be equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical retirement benefit as calculated under Section 2.02 hereof. Notwithstanding the foregoing, effective as of January 1, 2000, the portion of any benefit payable under this clause (ii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment; provided, however, the Participant may, subject to the timing limitation and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to provide that his Beneficiary shall receive such PEP formula portion of the benefit payable under this Section in the form of a life annuity over the life of the Beneficiary. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
- (iii) Notwithstanding the foregoing, in the event a Participant, who has satisfied the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, and filed an election to receive a lump sum payment of benefits under the provisions of Section 2.04(b)(iii), dies (1) on or after age 55 and while in active service or (2) after his effective retirement date but prior to his Annuity Starting Date, the Beneficiary of such Participant shall receive a single lump sum amount determined as follows:

- (A) In the event of the Participant's death in active service, the lump sum payment shall be equal to the value of the Participant's benefit accrued to his date of death as determined under the provisions of Section 2.02 hereof.
- (B) In the event of the Participant's death after his effective retirement date and prior to his Annuity Starting Date, the lump sum payment shall be equal to the value of the Participant's benefit accrued to the effective date of the Participant's retirement as determined under the provisions of Section 2.02 hereof.

The portion of the lump sum payment under this clause (iii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of his Plan benefit, if any, shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the Participant's Annuity Starting Date was the first day of the month following the earlier of his effective date of retirement or his date of death. The portion of the lump sum payment under this clause (iii) not attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's Plan benefit shall be (1) based on the portion of the Participant's Plan benefit not attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of his Plan benefit as if it were paid in the form of a single life annuity to the Participant and (2) calculated on an actuarial basis using the interest rate assumption for immediate annuities used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month following the Participant's effective date of retirement or, if earlier, the date of his death and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.12 of the Plan) after January 1, 2005, the lump sum payment in the preceding sentence shall be calculated on an actuarial basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month in which the Participant's retirement date under the Retirement Plan was effective or, if earlier, his date of death and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout.

Notwithstanding the foregoing, a total lump sum payment under this clause (iii) shall only be made to the Participant's Beneficiary if the Participant has filed an election to

receive a lump sum payment of any benefits under the provisions of Section 2.04(b)(iii) in accordance with the timing limitations and other restrictions prescribed by the Committee. Payment shall be made to the Participant's Beneficiary as soon as practicable after the Participant's date of death. The lump sum payment under this clause (iii) represents a complete settlement of all benefits due the Beneficiary on the Participant's behalf under the Plan.

2.05 PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

Upon the occurrence of an Acceleration Event, (i) all retired Participants then receiving or then entitled to receive a retirement allowance under the Plan, (ii) all former Participants then receiving or then entitled to receive a vested benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the benefit remaining due as of the Acceleration Event to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Acceleration Event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's benefit payable under this Plan not in payment status as of the occurrence of an Acceleration Event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Acceleration Event occurs is the Participant's Annuity Starting Date. The amount of the lump sum payment attributable to the remaining portion of the Participant's benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption for immediate annuities, if the Participant has met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance as of the Acceleration Event or is then in receipt of monthly payments under this Plan, otherwise using the interest rate assumption for deferred annuities to the earliest date he could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan) used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Acceleration Event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Acceleration Event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. If the Participant is not in receipt of monthly benefit payments under this Plan as of the Acceleration Event, the calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan not attributable to the PEP formula portion

(as defined under Section 4.01(c) of the Retirement Plan) shall be based on the Participant's benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Acceleration Event and without regard to the possibility of any future changes after the Acceleration Event in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made as soon as possible on or after the Acceleration Event. In the event the Participant dies after such Acceleration Event but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

2.06 REEMPLOYMENT OF FORMER PARTICIPANT OR RETIRED PARTICIPANT

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, his retirement allowance or vested benefit shall cease. Upon his subsequent retirement or termination, his retirement allowance or vested benefit shall be recomputed in accordance with the provisions of Section 4.12 of the Retirement Plan and any benefits then payable hereunder shall be reduced by the Equivalent Actuarial Value (as defined in the Retirement Plan) of any benefit previously paid under the Plan.

ARTICLE III. GENERAL PROVISIONS

3.01 FUNDING

- (a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Company. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Company, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
- (b) The Company may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Company funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;
 - (ii) the Company shall be treated as "grantor" of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Company to satisfy claims of the Company's general creditors and that the rights of such general creditors are enforceable by them under federal and state law.

3.02 DURATION OF BENEFITS

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the deferrals of compensation under a Deferred Compensation Program or other restrictions referred to in Section 2.02 (such as the exclusion from Compensation of the bonus award paid in 1990 and in early 1991 under an approved Company executive bonus plan for services performed in 1990) reduce such benefits.

3.03 DISCONTINUANCE AND AMENDMENT

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an

Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02.

3.04 TERMINATION OF PLAN

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and
- (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination, the Participant is vested under the Retirement Plan.

All other provisions of this Plan shall remain in effect.

3.05 PLAN NOT A CONTRACT OF EMPLOYMENT

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 FACILITY OF PAYMENT

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefor by a duly appointed legal representative, direct that any benefit payment

due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Company and the Plan therefor.

3.07 WITHHOLDING TAXES

The Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 NONALIENATION

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 FORFEITURE FOR CAUSE

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 TRANSFERS

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.

- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Company.
- (c) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, if a Participant was previously a member of the ITT Industries Excess Pension Plan II ("Excess Plan II") liabilities with respect to certain benefits accrued by the Participant under such plan may be transferred to this Plan and upon such transfer shall cease to be liabilities under Excess Plan II.

3.11 CLAIMS PROCEDURE

(a) SUBMISSION OF CLAIMS

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) DENIAL OF CLAIM

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) CLAIM REVIEW PROCEDURE

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) EXHAUSTION OF REMEDY

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.12 CONSTRUCTION

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.

- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

ARTICLE IV. PLAN ADMINISTRATION

4.01 RESPONSIBILITY FOR BENEFIT DETERMINATION

The benefit of a Participant or Beneficiary under this Plan shall be determined either by the Committee, as provided in Section 4.02 below, or such other party as is authorized under the terms of any grantor trust.

4.02 DUTIES OF COMMITTEE

The Committee shall calculate, in accordance with Article II, the benefit of each Participant or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated.

4.03 PROCEDURE FOR PAYMENT OF BENEFITS UNDER THE PLAN

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan, which is not payable under the ITT Excess Benefit Trust, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under this Plan and/or any other applicable excess benefit plan.

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is payable under the ITT Excess Benefit Trust, the Committee, acting for the Company and in accordance with the terms of the ITT Excess Benefit Trust, shall forward the calculation of the Participant's or Beneficiary's benefit under Article II of the Plan to the Participant or Beneficiary for concurrence. Upon obtaining concurrence, the Committee, acting for the Company, shall forward such calculation and concurrence to the Trustee for the purpose of commencing payment of benefits in accordance with the ITT Excess Benefit Trust. Any question that shall arise with

regard to the benefits payable to a Participant or Beneficiary under the ITT Excess Benefit Trust shall be resolved in accordance with the provisions of said Trust.

ITT INDUSTRIES
EXCESS PENSION PLAN II
AS AMENDED AND RESTATED AS OF JULY 13, 2004

ITT INDUSTRIES EXCESS PENSION PLAN II

The ITT Excess Benefit Plan II (the "Plan") was effective as of January 1, 1988. The purpose of the Plan was to provide those employees participating in the Retirement Plan for Salaried Employees of ITT Corporation or any successor plan thereto (the "Retirement Plan") benefits which would have been payable under the Retirement Plan but for the limitations imposed on qualified plans by Section 415 of the Internal Revenue Code. Effective as of January 1, 1988, the ITT Select Management Plan II was authorized by the Board of Directors of ITT Corporation to pay supplemental benefits to certain select management highly compensated employees who have qualified for benefits under the Retirement Plan.

As of December 19, 1995, the ITT Select Management Plan II was merged into the ITT Excess Benefit Plan II and the surviving Plan was amended to accept the liabilities under ITT Industries Excess Pension Plan I attributable to all participants thereunder other than former or current Presidents, Chairmen, Chief Executive Officers, Chief Operating Officers or Executive Vice Presidents of ITT Industries, Inc. and was renamed the ITT Industries Excess Pension Plan II.

The Plan was amended, effective as of January 1, 2000, to reflect the changes in the Retirement Plan formula.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Company.

ITT INDUSTRIES
EXCESS PENSION PLAN II
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ITT INDUSTRIES

EXCESS PENSION PLAN II

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

1.01 ACCELERATION EVENT shall mean an event which shall occur if:

- (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Corporation (the "Stock");
- (ii) any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation, or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Corporation (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);
- (iii) the stockholders of the Corporation shall approve (A) any consolidation, business combination or merger involving the Corporation, other than a consolidation, business combination or merger involving the Corporation in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination

or consolidation, immediately after the merger as immediately before, or (B) 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 Corporation;

- (iv) there shall have been a change in a majority of the members of the Board of Directors of the Corporation within a 12-month period unless the election or nomination for election by the Corporation's stockholders 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
- (v) any person (within the meaning of Section 13(d) of the Act) (other than the Corporation or any subsidiary of the Corporation or any employee benefit plan (or related trust) sponsored by the Corporation or a subsidiary of the Corporation) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

- 1.02 ANNUITY STARTING DATE shall mean a Participant's annuity starting date (as that term is defined in the Retirement Plan) with respect to benefits payable to him or on his behalf under the Retirement Plan. However, if an Acceleration Event occurs, the Annuity Starting Date of a Participant shall be the date such Acceleration Event occurs.
- 1.03 ASSOCIATED COMPANY shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
- 1.04 BENEFICIARY shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse, if any, or his estate.
- 1.05 BOARD OF DIRECTORS shall mean the Board of Directors of ITT Industries, Inc. or any successor thereto.

- 1.06 CODE shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.07 COMMITTEE shall mean the Pension Administration Committee under the Retirement Plan.
- 1.08 COMPANY shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.
- 1.09 COMPANY PENSION PLAN shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company, an Associated Company, New ITT or one of its associated companies, or ITT Hartford or one its associated companies.
- 1.10 CORPORATION shall mean ITT Industries, Inc., an Indiana corporation (successor by merger to and formerly known as ITT Corporation, a Delaware corporation), or any successor by merger, purchase or otherwise.
- 1.11 DEFERRED COMPENSATION PROGRAM shall mean any nonqualified deferred compensation plan maintained by the Company, an Associated Company, New ITT or one of its associated companies, or ITT Hartford or one of its associated companies.
- 1.12 ELIGIBLE EMPLOYEE shall mean a person who is a member of the Retirement Plan not eligible to participate in the ITT Industries Excess Pension Plan IA or IB.
- 1.13 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.14 EXCESS BENEFIT PORTION shall mean the portion of the Plan which is intended to constitute an unfunded excess benefit plan under Sections 3(36) and 4(b)(5) of Title I of ERISA which provides benefits not otherwise payable under the Retirement Plan due to restrictions imposed by Section 415 of the Code.
- 1.15 ITT HARTFORD shall mean the ITT Hartford Group, Inc., a Delaware corporation, as constituted on and after December 18, 1995 and successor thereto by merger, purchase or otherwise.

- 1.16 NEW ITT shall mean ITT Corporation, a Nevada corporation, as constituted on and after December 19, 1995, and any successor thereto by merger, purchase or otherwise.
- 1.17 PARTICIPANT shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.18 PLAN shall mean the ITT Industries Excess Pension Plan II, as set forth herein or as amended from time to time.
- 1.19 PLAN YEAR shall mean the calendar year.
- 1.20 RETIREMENT PLAN shall mean the ITT Industries Salaried Retirement Plan (formerly known as the Retirement Plan for Salaried Employees of ITT Corporation), as amended from time to time.
- 1.21 SELECT MANAGEMENT PORTION shall mean the portion of the Plan, other than the Excess Benefit Portion, which is intended to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA.

ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS

2.01 PARTICIPATION

- (a) An Eligible Employee shall participate in the Excess Benefit Portion of the Plan provided such Eligible Employee's annual retirement allowance or vested benefit at the time of payment under the Retirement Plan exceeds the limitations imposed by Code Section 415(b) (or prior to January 1, 2000, Code Section 415(e)).
- (b) An Eligible Employee shall participate in the Select Management Portion of the Plan provided such Eligible Employee's annual retirement allowance or vested benefit at the time of payment under the Retirement Plan is
 - (i) limited by reason of the Code Section 401(a)(17) limitation on Compensation (as that term is defined in the Retirement Plan) or
 - (ii) reduced as a result of
 - (1) deferrals of Compensation under a Deferred Compensation Program;
 - (2) the exclusion from Compensation of certain remuneration customarily recognized as such but excluded as Compensation by action of the Board of Directors (including, but not limited to, the exclusion of any bonus which was paid in 1990 and in early 1991 under an approved Company executive bonus plan for services performed in 1990); or
 - (3) such other restrictions imposed by the Board of Directors with respect to the determination of a Participant's retirement allowance or vested benefit under the Retirement Plan.
- (c)
 - (i) A former Eligible Employee who was a Participant in the ITT Excess Benefit Plan II receiving benefit payments thereunder as of December 18, 1995, shall continue to be a Participant in the Excess Benefit Portion of this Plan.
 - (ii) A former Eligible Employee who was a Participant in the ITT Select Management Plan II receiving benefit payments thereunder as of December 18, 1995, including those persons receiving benefit payments made pursuant to the provisions of the Enhanced Retirement Program which were restricted from payment under the Retirement Plan, shall continue to be a Participant in the Select Management Portion of this Plan.

- (d) A Participant's participation in the Plan shall terminate upon the earlier of (i) the commencement of the Participant's participation in ITT Industries Excess Pension Plan IA or 1B or (ii) the Participant's death or other termination of employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 AMOUNT OF BENEFITS

As of each applicable Annuity Starting Date, a Participant's benefit under this Article II shall be a monthly payment for the life of the Participant and shall equal the excess, if any, of (a) over (b) as determined below:

- (a) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, commencing at that particular Participant's Annuity Starting Date and determined
 - (i) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with respect to benefits payable under any other Company Pension Plan;
 - (ii) without regard to the provisions contained in Section 4.09 of the Retirement Plan relating to the maximum limitation on benefits;
 - (iii) without regard to the limitation on Compensation resulting from the Annual Dollar Limit (as that term is defined in the Retirement Plan);
 - (iv) without regard to deferrals of Compensation made pursuant to a Deferred Compensation Program; and
 - (v) by recognizing as Compensation for purposes of calculating such Participant's Final Average Compensation (as that term is defined in the Retirement Plan) the payments in December 1990 and in early 1991 of bonus under an approved Company executive bonus plan for services performed in 1990, with such payments deemed to have been paid for purposes of the Plan on January 2, 1991, and any other remuneration excluded by action of the Board of Directors;

over

- (b) the sum of the following amounts:

- (i) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, commencing at that particular Participant's Annuity Starting Date and determined
 - (1) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with respect to benefits payable under any other Company Pension Plan;
 - (2) with regard to the provisions contained in Section 4.09 of the Retirement Plan relating to the maximum limitation on benefits:
 - (3) with regard to the limitation on Compensation resulting from the Annual Dollar Limit (as that term is defined in the Retirement Plan); and
 - (4) by not recognizing as Compensation for purposes of calculating such Participant's Average Final Compensation (as that term is defined in the Retirement Plan) deferrals of Compensation made pursuant to a Deferred Compensation Program, the payments in December 1990 and in early 1991 of bonus under an approved Company executive bonus plan for services performed in 1990, with such payments deemed to have been paid for purposes of the Plan on January 2, 1991, and any other remuneration excluded by action of the Board of Directors; and
- (ii) the amount of the benefit payable to the Participant under the ITT Corporation Excess Pension Plan II (or any successor plan thereto) or the ITT Hartford Excess Pension Plan II (or any successor plan thereto) with respect to any service which is recognized as Benefit Service for purposes of the computation of benefits under the Retirement Plan.

For purposes of this Section 2.02, if any benefit described in (b)(ii) above is payable in a form other than a single life annuity commencing on the Participant's Annuity Starting Date, such benefit shall be converted to a single life annuity commencing on such date of Equivalent Actuarial Value (as defined in the Retirement Plan).

If, after a Participant's Annuity Starting Date, changes to the Code or ERISA permit the Retirement Plan to provide for payment of his retirement allowance or vested benefit in an amount greater than that permissible at that particular Annuity Starting Date, the Participant's monthly benefit under this Plan shall be reduced by the portion of his retirement allowance or vested benefit thereafter paid from the Retirement Plan.

2.03 VESTING

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.
- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.

2.04 PAYMENT OF BENEFITS

- (a) RETIREMENT OR TERMINATION OF EMPLOYMENT EFFECTIVE PRIOR TO DECEMBER 19, 1995

Except as otherwise provided in Section 2.05 upon the occurrence of an Acceleration Event, any retired Participant or former Participant, whose employment ceased prior to December 19, 1995, and who was then receiving or then entitled to receive a retirement allowance or vested benefit, shall continue to receive or continue to be entitled to receive payments hereunder in accordance with the form, frequency and duration of benefit payments under the Retirement Plan as in effect on the date such employment ceased.

- (b) RETIREMENT OR TERMINATION OF EMPLOYMENT EFFECTIVE ON OR AFTER DECEMBER 19, 1995
 - (i) Following a Participant's retirement or other termination of employment with the Company and all Associated Companies on or after December 19, 1995, other than by reason of death, the Participant shall receive the benefit payable under Section 2.02, to the extent vested pursuant to Section 2.03, in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan. If the form of payment is other than a single life annuity over the life of the Participant, such benefit shall be adjusted as provided in Section 4.07 of the Retirement Plan to reflect such different payment form.
 - (ii) Notwithstanding the foregoing provisions of clause (i) above, effective as of January 1, 2000, the portion of any Participant's benefit payable under Section 2.02 attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of such retirement allowance or vested benefit shall be payable in the form of a single lump sum payment. However, such Participant may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect by written notice to the

Committee to receive such PEP formula portion of his benefit in the same annuity form of payment as the Participant receives the remaining portion of his retirement benefit or vested benefit payable under Section 2.02 or as a single life annuity over the life of the Participant. Such lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).

(c) DEATH IN PRIOR TO A PARTICIPANT'S ANNUITY STARTING DATE

- (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) while in active service with the Company or any Associated Company before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan or (2) after terminating employment with entitlement to a vested benefit hereunder but prior to his Annuity Starting Date, the Participant's spouse shall receive a monthly payment for life commencing at the same time said spouse receives payment under the Automatic Vested Spouse's Benefit of the Retirement Plan. The amount of benefit payable hereunder to such spouse shall be equal to the monthly income which would have been payable to such spouse under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit as calculated under Section 2.02 hereof. Notwithstanding the foregoing, effective as of January 1, 2000, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the spouse based on the hypothetical benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment; provided, however, the Participant may, subject to the timing limitation and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to provide that his spouse shall receive such PEP portion of the benefit payable under this Section in the form of a life annuity over the life of the spouse. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
- (ii) In the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company and any Associated Company or (2) after his terminating employment but prior to his Annuity Starting Date, the Participant's

Beneficiary under Section 4.08(b) of the Retirement Plan shall receive a monthly payment for the life of the Beneficiary commencing at the same time the Beneficiary receives a survivor benefit under Section 4.08(b) of the Retirement Plan. The amount of benefit payable to such Beneficiary shall be equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical benefit as calculated under Section 2.02 hereof. Notwithstanding the foregoing, effective as of January 1, 2000, the portion of any benefit payable under this clause (ii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment; provided, however, the Participant may, subject to the timing limitation and other restrictions as shall be prescribed by the Committee, elect by written notice to the Committee to provide that his Beneficiary shall receive such PEP formula portion of the benefit payable under this Section in the form of a life annuity over the life of the Beneficiary. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).

2.05 PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

Upon the occurrence of an Acceleration Event, (i) all retired Participants then receiving or then entitled to receive a retirement allowance under the Plan, (ii) all former Participants then receiving or then entitled to receive a vested benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the benefit remaining due as of the Acceleration Event to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Acceleration Event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's benefit payable under this Plan not in payment status as of the occurrence of an Acceleration Event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Acceleration Event occurs is the Participant's Annuity Starting Date. The amount of the lump sum payment attributable to the remaining portion of the Participant's benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption for immediate annuities, if the Participant has met the eligibility requirements to retire

under the Retirement Plan with an early, normal or postponed retirement allowance as of the Acceleration Event or is then in receipt of monthly payments under this Plan, otherwise using the interest rate assumption for deferred annuities to the earliest date he could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan) used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Acceleration Event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Acceleration Event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. If the Participant is not in receipt of monthly benefit payments under this Plan as of the Acceleration Event, the calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan not attributable to the PEP formula portion (as defined under Section 4.01(c) of the Retirement Plan) shall be based on the Participant's benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall the lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued benefit payable under Section 2.02 not attributable to such PEP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Acceleration Event and without regard to the possibility of any future changes after the Acceleration Event in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made as soon as possible on or after the Acceleration Event. In the event the Participant dies after such Acceleration Event but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

2.06 REEMPLOYMENT OF FORMER PARTICIPANT OR RETIRED PARTICIPANT

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, any payment of benefit hereunder shall cease. Upon his subsequent retirement or termination, his retirement allowance or vested benefit shall be recomputed in accordance with the provisions of Section 4.12 of the Retirement Plan and any benefits then payable hereunder shall be reduced by the Equivalent Actuarial Value (as defined in the Retirement Plan) of any benefit previously paid under the Plan.

ARTICLE III. GENERAL PROVISIONS

3.01 FUNDING

All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Company. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Company.

3.02 DURATION OF BENEFITS

Benefits shall accrue under the Plan on behalf of a Participant only for so long as (a) the provisions of Section 415 or 401(a)(17) of the Code limit the benefits that are payable under the Retirement Plan or (b) the deferrals of compensation under a Deferred Compensation Program or other restrictions referred to in Section 2.02 (such as the exclusion from Compensation of the bonus award paid in 1990 and in early 1991 under an approved Company executive bonus plan for services performed in 1990) reduce such benefits.

3.03 DISCONTINUANCE AND AMENDMENT

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02, hereof.

3.04 TERMINATION OF PLAN

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and

- (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination,
 - (i) the Participant is vested under the Retirement Plan and
 - (ii) such benefits are not at any time otherwise payable under the Retirement Plan because of the limitations imposed by IRC Section 415 or Section 401(a)(17).

All other provisions of this Plan shall remain in effect.

3.05 PLAN NOT A CONTRACT OF EMPLOYMENT

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and to treat him without regard to the effect, which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 FACILITY OF PAYMENT

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefor by a duly appointed legal representative, direct that any benefit payment due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Company and the Plan therefor.

3.07 WITHHOLDING TAXES

The Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 NONALIENATION

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to

garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 FORFEITURE FOR CAUSE

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company or any Associated Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 TRANSFERS

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.
- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Company.
- (c) Notwithstanding any Plan provision to the contrary, if a Participant commences participation in ITT Industries Excess Pension Plan IA or IB ("Excess Pension Plan IA or 1B") any liability with respect to benefits accrued under this Plan on behalf of such Participant shall be transferred to Excess Pension Plan IA or 1B, whichever is appropriate, and the liability under this Plan for such

benefits shall cease as of the date the Participant commences participation in Excess Pension Plan IA or 1B.

3.11 CLAIMS PROCEDURE

(a) SUBMISSION OF CLAIMS

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) DENIAL OF CLAIM

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) CLAIM REVIEW PROCEDURE

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) EXHAUSTION OF REMEDY

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.12 CONSTRUCTION

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

ARTICLE IV. PLAN ADMINISTRATION

4.01 RESPONSIBILITY FOR BENEFIT DETERMINATION

The benefit of a Participant or Beneficiary under this Plan shall be determined by the Committee, as provided in Section 4.02 below.

4.02 DUTIES OF COMMITTEE

The Committee shall calculate, in accordance with Article II, the benefit of each Participant, spouse or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated.

4.03 PROCEDURE FOR PAYMENT OF BENEFITS UNDER THE PLAN

With respect to any benefit to which a Participant, spouse or Beneficiary is entitled under this Plan, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under the Plan and/or any other applicable excess benefit plan.

ITT INDUSTRIES

EXCESS SAVINGS PLAN

AS AMENDED AND RESTATED AS OF JULY 13, 2004

INTRODUCTION

The ITT Excess Savings Plan (the "Plan") was effective as of January 1, 1987. The purpose of the Plan was to provide a means of restoring the contributions lost under the ITT Investment and Savings Plan for Salaried Employees due to the application of the limitations imposed on qualified plans by Section 415 of the Internal Revenue Code.

As of January 1, 1989, the Plan was amended to provide (i) a means for restoring, for an employee participating in the ITT Investment and Savings Plan for Salaried Employees (the "Savings Plan"), the matching and other employer contributions lost under said Plan due to the application of the limitations imposed on qualified plans by Section 401(a)(17) and Section 402(g)(1) of the Internal Revenue Code (the "Code") and (ii) a means of providing such employees with an opportunity to defer a portion of their salary in accordance with the terms of said Plan as hereinafter set forth.

As of January 1, 1995, the Plan was further amended to provide a means of restoring for an employee participating in the ITT Investment and Savings Plan for Salaried Employees matching and other employer contributions lost due to the deferral of base compensation under another nonqualified deferred compensation program. As of December 19, 1995, the Plan was renamed and continued as the ITT Industries Excess Savings Plan.

As of January 1, 1996, the Plan was further amended to solely provide to individuals who are designated as Eligible Employees under the Plan on and after January 1, 1996, a means to restoring the contributions lost under the Savings Plan due to the application of the limitations imposed by Section 415 and 401(a)(17) of the Code and providing such employees with an opportunity to defer a portion of their base salary and to transfer any liabilities not attributable to such benefits to the ITT Industries Deferred Compensation Plan. The Plan was further amended, effective as of (i) January 1, 1997 to provide additional optional forms of distributions and to revise the participation requirements, (ii) July 1, 1997 to revise the eligibility requirements to permit an Eligible Employee to participate in his first year of employment, and (iii) September 1, 1997 to further expand the distribution options available under the Plan.

As of July 13, 2004, the Plan was amended and restated to make certain changes regarding the effect of an Acceleration Event and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries, and to make certain other technical amendments.

ITT INDUSTRIES
EXCESS SAVINGS PLAN
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ITT INDUSTRIES

EXCESS SAVINGS PLAN

ARTICLE I. DEFINITIONS

1.01 "ACCELERATION EVENT" shall mean an event which shall occur if:

- (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value of the Corporation (the "Stock");
- (ii) any person (within the meaning of Section 13(d) of the Act), other than the Corporation or a subsidiary of the Corporation or any employee benefit plan sponsored by the Corporation or a subsidiary of the Corporation, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of the Corporation (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of the Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock);
- (iii) the stockholders of the Corporation shall approve (A) any consolidation, business combination or merger involving the Corporation, other than a consolidation, business combination or merger involving the Corporation in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Corporation (or the corporation resulting from the merger or consolidation or the parent of such corporation) relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) 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 Corporation;

- (iv) there shall have been a change in a majority of the members of the Board of Directors of the Corporation within a 12-month period unless the election or nomination for election by the Corporation's stockholders 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 director at the beginning of such 12-month period; or
 - (v) any person (within the meaning of Section 13(d) of the Act) (other than the Corporation or any subsidiary of the Corporation or any employee benefit plan (or related trust) sponsored by the Corporation or a subsidiary of the Corporation) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.
- 1.02 "ACCOUNTS" shall mean the Deferral Account, the Floor Contribution Account and the Matching Contribution Account.
 - 1.03 "ASSOCIATED COMPANY" shall mean any division, unit, or subsidiary of the Company not participating in the Savings Plan.
 - 1.04 "BENEFICIARY" shall mean the person or persons designated pursuant to the provisions of the Savings Plan to receive benefits under said Savings Plan after a Member's death.
 - 1.05 "CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.
 - 1.06 "COMMITTEE" shall mean the Plan Committee under the Savings Plan.
 - 1.07 "COMPANY" shall mean the Corporation with respect to its employees or any Participating Corporation or Participating Division (as such terms are defined in the Savings Plan) authorized to participate in the Plan by the Corporation, with respect to each of its employees.
 - 1.08 "CORPORATION" shall mean ITT Industries, Inc., an Indiana corporation, (formerly known as ITT Corporation, a Delaware corporation) or any successor by merger, purchase or otherwise.
 - 1.09 "DEFERRAL ACCOUNT" shall mean the bookkeeping account maintained for each Member to record the amounts credited on his behalf under Section 3.01 (a) and earnings on those amounts pursuant to Section 3.02.
 - 1.10 "DEFERRED COMPENSATION" shall mean the amount of Salary deferred under any nonqualified deferred compensation program maintained by the Company other than the Plan.

- 1.11 "EFFECTIVE DATE" shall mean January 1, 1987.
- 1.12 "ELIGIBLE EMPLOYEE" shall mean an Employee of the Company who is eligible to participate in the Plan as provided in Section 2.01.
- 1.13 "EMPLOYEE" shall have the meaning set forth in the Savings Plan.
- 1.14 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.15 "EXCESS MATCHING CONTRIBUTIONS" shall mean the amount of contributions credited on a Member's behalf under Section 3.01(b).
- 1.16 "EXCESS FLOOR CONTRIBUTIONS" shall mean the amount of contributions credited on a Member's behalf under Section 3.01(c).
- 1.17 "FLOOR CONTRIBUTION ACCOUNT" shall mean the bookkeeping account maintained for each Member to record all amounts credited on his behalf under Section 3.01(c) and earnings on those amounts pursuant to Section 3.02.
- 1.18 "MATCHING COMPANY CONTRIBUTION" shall have the meaning set forth in the Savings Plan.
- 1.19 "MATCHING CONTRIBUTION ACCOUNT" shall mean the bookkeeping account maintained for each Member to record all amounts credited on his behalf under Section 3.01(b) and earnings on those amounts pursuant to Section 3.02.
- 1.20 "MEMBER" shall mean each Eligible Employee who participates in the Plan pursuant to Section 2.02.
- 1.21 "PLAN" shall mean this ITT Industries Excess Savings Plan (formerly known as the ITT Excess Savings Plan).
- 1.22 "PLAN YEAR" shall mean the calendar year.
- 1.23 "REPORTING DATE" shall mean the last business day of each calendar month following the Effective Date, or such other day as the Committee may determine. For this purpose, a "business day" is any day in which the New York Stock exchange is open.
- 1.24 "RETIREMENT" shall mean the termination of employment by a Member after the date the Member is eligible for an early, normal or postponed retirement allowance under the ITT Industries Salaried Retirement Plan (formerly known as the ITT Corporation Retirement Plan for Salaried Employees), or would have been eligible had he been a participant in such Plan.

- 1.25 "SALARY" shall mean an Eligible Employee's "Salary" as such term is defined in the Savings Plan disregarding any reduction required due to the application of the Statutory Compensation Limitation. Salary shall be determined before any reduction pursuant to an Eligible Employee's election to make Salary Deferrals under this Plan, but after reduction for deferrals under any other nonqualified deferred compensation program maintained by the Company.
- 1.26 "SALARY DEFERRALS" shall mean the amount a Member has elected to defer pursuant to a Salary Reduction Agreement in accordance with the provisions of Section 3.01 (a).
- 1.27 "SALARY REDUCTION AGREEMENT" shall mean the agreement entered into by the Member pursuant to Section 2.02 under which he elects to defer a portion of his Salary under this Plan.
- 1.28 "SAVINGS" shall have the meaning set forth in the Savings Plan.
- 1.29 "SAVINGS PLAN" shall mean the ITT Industries Investment and Savings Plan for Salaried Employees (formerly known as the ITT Investment and Savings Plan for Salaried Employees), as amended from time to time.
- 1.30 "STATUTORY COMPENSATION LIMITATION" shall mean the limitations set forth in Section 401(a)(17) of the Code as in effect each year for the Savings Plan.
- 1.31 "STATUTORY LIMITATIONS" shall mean the limitations set forth in Section 401(a)(17) and Section 402(g)(1) of the Code.

ARTICLE II. PARTICIPATION

2.01 ELIGIBILITY

- (a) (i) An Employee, whose Salary as of the last day of a calendar year exceeds the Statutory Compensation Limitation in effect for such calendar year, shall be an Eligible Employee and thereby eligible to participate in this Plan with respect to any Plan Year following such calendar year; provided such Eligible Employee is eligible to participate in the Savings Plan during such Plan Year.
 - (ii) Effective for Plan Years ending on and after July 1, 1997, an Employee whose Salary in the first year of his employment (or reemployment) with the Company exceeds the Statutory Compensation Limitation in effect for that year, shall be an Eligible Employee and thereby eligible to participate in this Plan with respect to that Plan Year; provided, such Eligible Employee is eligible to participate in the Savings Plan during such Plan Year.
 - (iii) Notwithstanding the foregoing, an Eligible Employee shall be eligible to have Salary Deferrals credited on his behalf pursuant to Section 3.01(a)(i) with respect to a particular Plan Year if, and only if, the Eligible Employee's Savings under the Savings Plan for that Plan Year have been suspended due to the Statutory Compensation Limitations (or for Plan Years commencing prior to January 1, 1996, the Statutory Limitations). An Eligible Employee shall be notified of his eligibility for participation in the Plan prior to the date the Eligible Employee may first commence participation in the Plan.
- (b) Upon reemployment by the Company, an Employee shall become an Eligible Employee again only upon completing the eligibility requirement described in Section 2.01 (a) in a calendar year ending after his reemployment date.

2.02 PARTICIPATION

- (a) Any Eligible Employee who has met the eligibility requirements of Section 2.01(a)(i) and who wishes to have salary reduction contributions credited to his Deferral Account in a Plan Year must, prior to the beginning of that Plan Year, execute an irrevocable Salary Reduction Agreement with respect to such Plan Year authorizing Salary Deferrals under this Plan in accordance with the provisions of Section 3.01 (a). Notwithstanding the foregoing, any Employee who becomes an Eligible Employee with respect to his first year of employment (or

reemployment) pursuant to the provisions of Section 2.01(a)(ii), and who wishes to have salary reduction contributions credited to his Deferral Account in that Plan Year must, prior to the close of the 30th business day following the date of his employment or reemployment, whichever is applicable, or if later, the close of the business day immediately preceding the date he first becomes eligible to participate in the Savings Plan (or such other date as determined by the Committee), execute an irrevocable Salary Reduction Agreement with respect to such Plan Year authorizing Salary Deferrals under this Plan in accordance with the provisions of Section 3.01 (a).

- (b) Any such salary reduction election made by an Eligible Employee shall remain in effect for subsequent Plan Years, provided the Member is an Eligible Employee during such subsequent Plan Year and, with respect to Salary Deferrals made pursuant to Section 3.01(a)(i), the Eligible Employee's Savings under the Savings Plan for such Plan Year have been suspended due to the Statutory Compensation Limitations (or with respect to Plan Years ending prior to January 1, 1996, the Statutory Limitations), unless modified or revoked by the Eligible Employee prior to the beginning of any subsequent Plan Year for which such modification or revocation is to be effective.
- (c) Notwithstanding the foregoing, if a Member receives a hardship withdrawal of before-tax contributions from the Savings Plan or any other plan which is maintained by the Company or an Associated Company and which meets the requirements of Section 401(k) of the Code (or any successor thereof) and is precluded from making contributions to such 401(k) plan for at least 12 months (six months, effective as of January 1, 2002) after receipt of the hardship withdrawal, the Member's Salary Reduction Agreement, if any, shall be suspended during the 12-month period (six months, effective as of January 1, 2002) commencing on the date the Member receives the hardship withdrawal distribution from the Savings Plan or any other plan maintained by the Company. Any Salary payment which would have been deferred pursuant to the Member's Salary Reduction Agreement, but for the application of this Section 2.02(c), shall be paid to the Member as if he had not entered into the Salary Reduction Agreement.
- (d) As a condition of participation in the salary reduction portion of the Plan, a Member may also be required by the Committee to provide such other information as the Committee may deem necessary to properly administer the Plan.
- (e) An Eligible Employee shall become a Member when contributions are credited on his behalf pursuant to Article 3.

2.03 TERMINATION OF MEMBERSHIP

- (a) A Member's participation in the Plan shall terminate when the vested values of the Member's Accounts under the Plan are totally distributed to or on behalf of the Member.
- (b) Upon reemployment by the Company, a former Member shall become a Member again only upon completing, subsequent to his reemployment, the eligibility and participation requirements of Section 2.01 and 2.02, respectively.

ARTICLE III. EXCESS SAVINGS PLAN CONTRIBUTIONS

3.01 AMOUNT OF CONTRIBUTIONS

For any Plan Year, the amount of contributions to be recorded on the books of the Company on behalf of a Member pursuant to this Article 3 shall be equal to the sum of the Salary Deferrals, the Excess Matching Contributions and Excess Floor Contributions determined under (a), (b) and (c) below:

(a) SALARY DEFERRALS

The amount of Salary Deferrals for each Plan Year shall be equal to the sum of (i) plus (ii) as follows:

- (i) the designated percentage of Salary elected by the Member in his Salary Reduction Agreement, provided that the allocation under the Plan and the reduction in the Member's Salary corresponding to such election shall be made only with respect to Salary (A) otherwise payable to such Member during the Plan Year in excess of the Statutory Compensation Limitation or (B) with respect to Plan Years ending prior to January 1, 1996 otherwise payable to such Member after he has contributed the maximum amount of before-tax contributions for the Plan Year permitted under Section 402(g)(1) of the Code; and
- (ii) the designated percentage of Deferred Compensation elected by the Member in his Salary Reduction Agreement, provided that the allocation under the Plan and the reduction in the Member's Salary corresponding to such election shall be made on a pro rata basis as of each payroll period, without regard to whether the Salary payable to such Member during the Plan Year has exceeded the Statutory Compensation Limitation (or with respect to Plan Years ending prior to January 1, 1996, whether such Member has contributed the maximum amount of before-tax contributions for the Plan Year permitted under Section 402(g)(1) of the Code).

The designated percentage elected by the Member in his Salary Reduction Agreement for a Plan Year must be a uniform percentage, not to exceed six (6%) percent, of both his Deferred Compensation and his Salary, unless and until changed by the Committee. The total Salary Deferral amount elected shall reduce the Member's Salary, and shall not be applied against any amount deferred under any other nonqualified plan maintained by the Company.

(b) EXCESS MATCHING CONTRIBUTIONS

The amount of Excess Matching Contributions for each Plan Year shall be equal to fifty (50%) percent of the Salary Deferrals by the Member for such Plan Year, and shall be credited to the Member's Account at the same time as the Salary Deferrals to which they relate.

(c) EXCESS FLOOR CONTRIBUTIONS

The amount of Excess Floor Contributions for each Plan Year, regardless of whether or not Salary Deferrals are made on behalf of the Member pursuant to paragraph (a) above, shall be equal to the result of (i) minus (ii) as follows:

- (i) an amount equal to one half of one percent of the sum of the Member's Salary and the Member's Deferred Compensation for the Plan Year, minus
- (ii) the amount of Floor Company Contribution (as that term is defined under the Savings Plan) made by the Company on behalf of the Member under the Savings Plan for such Plan Year and allocated to the Member's account under the Savings Plan in such Plan Year.

(d) The contributions recorded on the books of the Company pursuant to paragraphs (a), (b) and (c) above, to the extent they are determined with reference to Salary, shall be credited to a Member's Accounts at the same time as they would have been credited to his accounts under the Savings Plan if not for the application of the Statutory Compensation Limitations (or with respect to Plan Years ending prior to January 1, 1996, the Statutory Limitations).

The contributions recorded on the books of the Company pursuant to paragraphs (a), (b) and (c) above, to the extent they are determined with reference to Deferred Compensation, shall be credited to a Member's Accounts on a pro rata basis as of each payroll period.

(e) Notwithstanding any provisions of the Plan to the contrary, no future Salary Deferrals by a Member shall be permitted and no future Excess Floor or Excess Matching Contributions shall be made on behalf of such Member if such Member is no longer an Eligible Employee.

3.02 INVESTMENT OF ACCOUNTS

A Member shall have no choice or election with respect to the investments of his Accounts. As of each Reporting Date, there shall be credited or debited an amount of earnings or losses on the balance of the Member's Accounts as of such Reporting Date which would have been credited had the Member's Accounts been invested in the Stable Value Fund maintained under the Savings Plan.

3.03 VESTING OF ACCOUNTS

- (a) The Member shall be fully vested in the Salary Deferrals and Excess Floor Contributions (and earnings thereon) made on his behalf under Section 3.01 (a) and (c) respectively. The Member shall vest in the Excess Matching Contributions made on his behalf under Section 3.01(b) (and earnings thereon) at the same rate and under the same conditions at which such contributions would have vested under the Savings Plan had they been contributed thereunder.

In the event the Member terminates employment prior to vesting in all or any part of the Excess Matching Contributions credited on his behalf, such contributions and earnings thereon shall be forfeited and shall not be restored in the event the Member is subsequently reemployed by the Company.

- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, each Member who is employed by the Company or an Associated Company as of the consummation of the Acceleration Event shall become fully vested in the Excess Matching Contributions made on his behalf under Section 3.01(b) (and earnings thereon).

3.04 INDIVIDUAL ACCOUNTS

- (a) The Committee shall maintain, or cause to be maintained, on the book of the Company records showing the individual balances of each Member's Accounts. At least once a year, each Member shall be furnished with a statement setting forth the value of his Accounts.
- (b) Accounts established under this Plan shall be hypothetical in nature and shall be maintained for bookkeeping purposes only so that hypothetical earnings or losses on the amounts credited on a Member's behalf under this Plan can be credited or debited, as the case may be.

3.05 VALUATION OF ACCOUNTS

- (a) The Committee shall value or cause to be valued each Member's Accounts at least quarterly. On each Reporting Date there shall be allocated to the Accounts of each Member the appropriate amount determined in accordance with Section 3.02.
- (b) Whenever an event requires a determination of the value of a Member's Accounts, the value shall be computed as of the Reporting Date immediately preceding the date of the event, except as otherwise specified in this Plan.

ARTICLE IV. PAYMENT OF CONTRIBUTIONS

4.01 COMMENCEMENT OF PAYMENT

- (a) A Member shall be entitled to receive payment of his Deferral Account and his Floor Contribution Account and the vested portion of his Matching Contribution Account as determined under Section 3.03 upon his termination of employment with the Company and all Associated Companies for any reason, other than death. The distribution of such Accounts shall be made as soon as practicable following such termination of employment.
- (b) In the event of the death a Member prior to the full payment of his Accounts, the unpaid portion of his Accounts shall be paid to his Beneficiary as soon as practicable following his date of death.

4.02 METHOD OF PAYMENT

- (a) Except as otherwise provided in paragraph (b) below, payment of a Member's Deferral Account and his Floor Contribution Account and the vested portion of his Matching Contribution Account shall be made in a single lump sum payment.
- (b) Effective on and after January 1, 1997, a Participant may elect by duly completing, executing and filing with the Committee a written election to have the vested portion of his Deferral Account, Floor Contribution Account, and Matching Contribution Account distributed under one of the following methods of payment, in lieu of a lump sum payment:
 - (i) ratable annual cash installments for a fixed period of years as designated on the written election notice not to exceed 20 years (with respect to distributions commencing on or after September 1, 1997, not to exceed the joint life expectancy of the Member and his spouse, if any).
 - (ii) ratable annual cash installments paid over the life expectancy of the Member (or with respect to distributions first commencing on or after September 1, 1997, the joint life expectancy of the Member and his spouse).

However, for this alternate form of payment election to be effective, it must be made by the Member in a calendar year prior to the calendar year in which the Member's termination of employment occurs and a full six months must pass between the date the Member duly makes such election and the Member's termination of employment. Notwithstanding the foregoing, in

the event a Member terminates employment for reasons other than Retirement, the distribution of the vested portion of his Deferral Account, Floor Contribution Account, and Matching Contribution Account shall be made in a single lump sum payment.

During an installment payment period, the Member's Accounts shall continue to be credited with earnings or losses as described in Section 3.02. The amount of each installment shall be determined (1) in the same manner as the applicable installment method is determined under the provisions of the Savings Plan and (2) with respect to an installment determined under clause (ii) above, using the same mortality table as utilized in determining a similar installment under the Savings Plan.

4.03 PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

Upon the occurrence of an Acceleration Event, all Members shall automatically receive the balance of their Accounts in a single lump sum payment. Such lump sum payment shall be made as soon as practicable on or after the Acceleration Event. If the Member dies after such Acceleration Event, but before receiving such payment, it shall be made to his Beneficiary.

ARTICLE V. GENERAL PROVISIONS

5.01 FUNDING

All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Company. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Company.

5.02 NO CONTRACT OF EMPLOYMENT

The Plan is not a contract of employment and the terms of employment of any Member shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Member and all persons who may have or claim any right by reason of his membership shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

5.03 UNSECURED INTEREST

Neither the Company nor the Board of Directors nor the Committee in any way guarantees the performance of the investment fund(s) designated under Section 3.02. No special or separate fund shall be established, and no segregation of assets shall be made, to assure the payments thereunder. No Member hereunder shall have any right, title, or interest whatsoever in any specific assets of the Company. Nothing contained in this 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 a Member or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured creditor of the Company.

5.04 FACILITY OF PAYMENT

In the event that the Committee shall find that a Member is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may direct that any benefit payment due him, unless claim shall have been made therefore by a duly appointed legal representative, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a

person with whom he resides, and any such payment so made shall thereby be a complete discharge of the liabilities of the Company and the Plan for that payment.

5.05 WITHHOLDING TAXES

The Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

5.06 NONALIENATION

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of a person entitled to such benefits.

5.07 TRANSFERS

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Member who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall cease.
- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Member under a plan maintained by such Member's former employer may be transferred to this Plan and upon such transfer become the obligation of the Company.

5.08 CLAIMS PROCEDURE

(a) SUBMISSION OF CLAIMS

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) DENIAL OF CLAIM

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) CLAIM REVIEW PROCEDURE

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that

written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) EXHAUSTION OF REMEDY

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

5.09 CONSTRUCTION

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, to the extent such laws are not superseded by applicable federal laws.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions thereof.

ARTICLE VI. AMENDMENT OR TERMINATION

6.01 RIGHT TO TERMINATE

Notwithstanding any Plan provision to the contrary, the Corporation may, by action of the Board of Directors, terminate this Plan and the related Deferral Agreements at any time. In the event the Plan and related Salary Reduction Agreements are terminated, each Member or Beneficiary shall receive a single sum payment in cash equal to the balance of the Member's Accounts. The single sum payment shall be made as soon as practicable following the date the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Member or Beneficiary under this Plan.

6.02 RIGHT TO AMEND

The Board of Directors or its delegate may amend or modify this Plan and the related Salary Reduction Agreements in any way either retroactively or prospectively. However, except that without the consent of the Member or Beneficiary, if applicable, no amendment or modification shall reduce or diminish such person's right to receive any benefit accrued hereunder prior to the date of such amendment or modification, and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 3.03(b) and 4.03.

ARTICLE VII. ADMINISTRATION

7.01

- (a) The Committee shall have the exclusive responsibility and complete discretionary authority to control the operation, management and administration of the Plan, with all powers necessary to enable it properly to carry out such responsibilities, including, but not limited to, the power to interpret the Plan and any related documents, to establish procedures for making any elections called for under the Plan, to make factual determinations regarding any and all matters arising hereunder, including, but not limited to, the right to determine eligibility for benefits, the right to construe the terms of the Plan, the right to remedy possible ambiguities, inequities, inconsistencies or omissions, and the right to resolve all interpretive, equitable or other questions arising under the Plan. The decisions of the Committee on all matters shall be final, binding and conclusive on all persons to the extent permitted by law.

- (b) To the extent permitted by law, all agents and representatives of the Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

ITT INDUSTRIES EXCESS BENEFIT TRUST

THIS TRUST AGREEMENT, originally made and entered into as of January 1, 1985, as amended and restated as of July 15, 1987, and further amended and restated as of July 1, 1993 and as of July 13, 2004 by ITT INDUSTRIES, INC., a corporation organized under the laws of the State of Indiana (as successor to ITT Corporation), hereinafter referred to as the "Company", and State Street Bank and Trust Company, a Massachusetts banking corporation, hereinafter referred to as the "Trustee."

WITNESSETH THAT:

WHEREAS,

(1) The Company has established, for the benefit of certain employees of the Company, excess benefit plans called the ITT Industries Excess Pension Plan IA and the ITT Industries Excess Pension Plan IB (the "Plans") to provide benefits which the Employee Retirement Income Security Act of 1974, as amended ("ERISA") prevents the Company's tax-qualified defined benefit plans from providing, all as set forth in the Plans;

(2) The Company has established this trust fund to aid it in accumulating the amounts necessary to satisfy its contractual liability to certain participants in the Plans to pay benefits under the terms of the Plans and to afford such Members (as defined below) security (to the extent possible under existing tax laws) approaching that which they would have under the tax-qualified plans but for the ERISA maximum benefit limitations;

(3) The Company has also established, for the benefit of certain employees, a plan to provide additional benefits for a select group of management and highly compensated employees electing retirement under the Company's Enhanced Retirement Program, all as set forth in the ITT Select Management Plan and such other programs of deferred compensation for select groups of management and highly compensated employees as the Company may from time to time adopt, including by amending the Plans (collectively the "Supplemental Plans"). Each participant in the Plans and the Supplemental Plans is hereinafter referred to as a "Member");

(4) The Company wishes to use the trust fund established for the purpose of accumulating amounts necessary to satisfy its contractual liability to Members under the Plans, to accumulate the amounts necessary to satisfy its contractual liability to pay benefits to Members under the terms of the Supplemental Plans and to afford Members the security (to the extent possible under existing tax laws) approaching that which they would have under the tax-qualified plans but for the ERISA and Internal Revenue Code limitations;

(5) The Company presently intends to make contributions to this Trust to aid the Company in meeting its obligations under the Plans and Supplemental Plans, unless and until a Suspension of the Trust, as hereinafter defined, should occur, in which event such Contributions shall be held by the Trustee, and invested, reinvested and distributed, all in accordance with the provisions of this Trust Agreement;

(6) The Plans and the Supplemental Plans provide for the Company to pay all benefits from its general assets to the extent not paid by this Trust, and the establishment of this Trust shall not affect the Company's continuing liability to pay Plans and Supplemental Plans' benefits except that the Company's liability shall be offset by actual benefit payments made by this Trust;

(7) The Company reserved the right to amend this Trust pursuant to Section 13 and has exercised that right by amending and restating this Trust as of July 1, 1993 and July 13, 2004; and

(8) The Trust established by this Trust Agreement is intended to be a "grantor trust" with the result that the corpus and income of the Trust be treated as assets and income of the Company pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended (the "Code");

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Company and the Trustee declare and agree as follows:

SECTION 1. ESTABLISHMENT AND TITLE OF THE TRUST

1.1 The Company hereby establishes with the Trustee a trust to be known as the "ITT Excess Benefit Plan Trust" (hereinafter referred to as the "Trust"), consisting of such sums of money and other property acceptable to the Trustee as from time to time shall be paid or delivered to the Trustee. All such money and other property, all investments and reinvestments made therewith or proceeds thereof and all earnings and profits thereon, less all payments and charges as authorized herein, are hereinafter referred to as the "Trust Fund." The Trust Fund shall be held by the Trustee IN TRUST and shall be dealt with in accordance with the provisions of this Trust Agreement; provided, however, that the Company shall at all times have the power to reacquire the Trust Fund by substituting readily marketable securities of an equivalent value, net of any costs of disposition, and such other property shall, following such substitution, constitute the Trust Fund. The Trust Fund shall be held for the exclusive purpose of providing payments to Members and defraying reasonable expenses of administration in accordance with the provisions of this Trust Agreement until all such payments required by this Trust Agreement have been made; provided, however, that the Trust Fund shall at all times be subject to the claims of creditors of the Company and its subsidiaries who have reduced such claims to judgment and levied execution of such judgments against the Trust Fund in accordance with due process of law.

SECTION 2. ACCEPTANCE BY THE TRUSTEE

2.1 The Trustee accepts the Trust established under this Trust Agreement on the terms and subject to the provisions set forth herein, and it agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement. The Trustee shall be responsible only for contributions actually received by it hereunder. The amount of each contribution by the Company to the Trust Fund shall be determined in the sole discretion of the Company. The Trustee does not assume any responsibility or undertake any duty to enforce payment of any contribution to the Plans or for the adequacy of the Trust Fund to meet and discharge any liabilities under the Plans.

SECTION 3. LIMITATION ON USE OF FUNDS

3.1 No part of the corpus or income of the Trust Fund shall be recoverable by the Company or used for any purpose other than for the exclusive purpose of providing payments to

Members and defraying reasonable expenses of administration in accordance with the provisions of this Trust Agreement until all such payments required by this Trust Agreement have been made; provided, however, that (i) nothing in this Section 3.1 shall be deemed to limit or otherwise prevent the payment from the Trust Fund of expenses and other charges as provided in Sections 8 and 16 of this Trust Agreement or the application of the Trust Fund as provided in Section 6.4(c) of this Trust Agreement if the Trust is finally determined not to constitute a grantor trust and (ii) the Trust Fund shall at all times be subject to claims of creditors of the Company and its subsidiaries who have reduced such claims to judgment and levied execution of such judgments against the Trust Fund in accordance with due process of law. Notwithstanding anything else to the contrary, the Company shall at all times have the power to reacquire the Trust Fund by substituting readily marketable securities of an equivalent value, net of any costs of disposition, and such other property shall, following such substitution, constitute the Trust Fund.

3.2 (a) Notwithstanding anything else herein to the contrary, during the period, if any, in which the Company is either Bankrupt or Insolvent, as defined below, the Trustee shall suspend all payments to Members and apply the Trust Fund for the benefit of the creditors of the Company only as directed by the United States Bankruptcy Court or other court of competent jurisdiction ("Bankruptcy Court"), and shall, to the maximum extent permitted by applicable law, be fully protected in doing so.

(b) For purposes of this Trust Agreement, the Company shall be deemed to be "Bankrupt" if the Trustee has received a copy of a petition, duly filed by the Company with the Bankruptcy Court, for commencement of a voluntary case pursuant to Section 301 (or any successor provision thereof) of the Bankruptcy Reform Act of 1978, as amended ("BRA"), or a petition, duly filed against the Company with the Bankruptcy Court for commencement of an involuntary case pursuant to Section 303 (or any successor provision thereof) of the BRA, together with a copy of the Certificate of Filing, acknowledging such filing. Notwithstanding the foregoing provisions of this Section 3.2(b), the Company shall be deemed to be no longer Bankrupt if the Trustee has received a copy of an order, duly issued by the Bankruptcy Court and filed with the clerk thereof, dismissing such voluntary or involuntary case. The Company shall deliver to the Trustee a copy of any such bankruptcy petition, Certificate of Filing or order of

dismissal within one business day after the date such petition was duly filed with the Bankruptcy Court or clerk thereof.

(c) For purposes of this Trust Agreement, the Company shall be deemed to be "Insolvent" if the Trustee has received a copy of: (i) a written certification, approved by at least two-thirds of the members of the Board of Directors of the Company and agreed and attested to, under penalties of perjury, by the Chief Executive Officer of the Company, to the effect that the Company is not paying its debts (other than debts that are the subject of a bona fide dispute) as they become due or (ii) a written certification by another party, under penalties of perjury, that the Company is not paying its debts (other than such disputed debts) as they become due. Notwithstanding the foregoing provisions of this Section 3.2(c), the Company shall be deemed to be no longer Insolvent if the Trustee has received a copy of the Company's most recent quarterly (unaudited) condensed balance sheet ("Quarterly Report"), or of its most recent annual (audited) consolidated balance sheet ("Annual Report"), reporting that the Company's total assets exceed its total liabilities and its current assets exceed its current liabilities as of a date on or after the date of such written certification. The Company shall deliver to the Trustee a copy of each Quarterly Report and Annual Report and of any certification approved by the Board of Directors under the procedures set forth above in this Section 3.2(c) within one business day after the date such report is released to anyone not employed by, or affiliated with, the Company or the date such certification is approved.

(d) In the event payments to Members are not made pursuant to this Section 3.2 and subsequently resume because the Company has been determined to be no longer Bankrupt or Insolvent or by order of the Bankruptcy Court, the first payment to Members after payments are resumed shall include (unless otherwise ordered by the Bankruptcy Court) all arrearages, including interest at the Interest Rate defined in Section 6.2(a)(iii).

(e) Notwithstanding Section 13.1 to the contrary, this Section 3.2 may not be amended by the Company except to comply with any applicable federal law, rule or regulation, including those promulgated by the Department of Labor, Securities and Exchange Commission, the Internal Revenue Service or the Treasury Department.

SECTION 4. DUTIES AND POWERS OF THE PFTIC, TRUSTEE, AND INVESTMENT MANAGER WITH RESPECT TO INVESTMENTS

4.1 The Trustee shall invest and reinvest the principal and income of the Trust Fund and keep the Trust Fund invested, without distinction between principal and income, in accordance with the Investment Guidelines attached hereto as Exhibit A.

4.2 Except as otherwise required by applicable law, all assets of the Trust Fund may be commingled for investment purposes.

4.3 The ITT Industries Pension Fund Trust and Investment Committee ("PFTIC") may from time to time by written instrument delivered to the Trustee direct the Trustee to segregate all or a specified portion of the Trust Fund into a separate account (the "Directed Account") and invest it in accordance with the directions of one or more Investment Managers as that term is defined in Section 4.6 of this Trust Agreement, appointed by the PFTIC.

4.4 Supervision of the Investment Manager shall be the exclusive responsibility of the Company. Notwithstanding anything to the contrary in this Agreement, the Trustee shall be under no duty or obligation to review or to question any direction of the Investment Manager or to review the securities or other property held in a Directed Account with respect to prudence, proper diversification of the Trust Fund assets or compliance with the Investment Guidelines or any limitation on the Investment Manager's authority under the terms of the Plan, any agreement entered into between the Company and the Investment Manager or imposed by applicable law or to make suggestions to the Company on an Investment Manager with respect to the investment and reinvestment of any Directed Account.

4.5 The Trustee shall invest and reinvest the Directed Account only to the extent and in the manner directed by the Investment Manager. All directions given by the Investment Manager to the Trustee may be in writing, signed by an officer (or a partner) of the Investment Manager, or by such other person or persons as may be designated by an officer (or a partner) of the Investment Manager, may be given orally by such person or may be transmitted to the Trustee by such other means of communication as the Investment Manager, with the consent of the Trustee, may deem appropriate or necessary. In performing its investment duties, the Investment Manager shall have, with respect to the Directed Account, all of the powers of the

Trustee listed in Sections 4 and 5 of this Trust Agreement (other than paragraphs (e) and (g) through (1) of Section 5.1). If the Trustee is notified in writing by the PFTIC that the Investment Manager has resigned, was removed or is no longer a qualified Investment Manager, as defined in Section 4.6 of this Trust Agreement, the PFTIC can appoint the Trustee as investment manager, however, until the Trustee accepts the appointment or a new investment manager is appointed, the Company assumes investment responsibility for the Directed Account appointed by the PFTIC. In the event the Trustee assumes investment responsibility for any assets of a Directed Account, the Trustee shall not be liable for any losses to the Trust Fund resulting from the disposition of any investment made by an Investment Manager or for the holding of any illegal or unmarketable securities or for the holding of any other asset acquired by the Investment Manager if the Trustee is unable to dispose of such investment because of any Securities laws restrictions or if any orderly liquidation of such investment is difficult under prevailing conditions or for failure to comply with any investment or diversification limitations imposed upon the Investment Manager to for any other violation of the terms of this Agreement.

4.6 Any Investment Manager may from time to time and at any time issue orders for the purchase or sale of securities directly to a broker or dealer and the Trustee upon request from the Investment Manager shall execute and deliver appropriate trading authorization. Notification of the issuance of each such order shall be given promptly to the Trustee by the Investment Manager, and the execution of each such order shall be confirmed by the broker to the Investment Manager and to the Trustee. Such notification shall be authority to the Trustee to receive securities purchased against payment therefor and to deliver securities sold against receipt of the proceeds therefrom, as the case may be, in accordance with the custom and practices of the securities industry. It is specifically understood by the Company that when the Trustee is instructed to deliver property against payment, delivery of the property and receipt of payment may not be simultaneous. Unless the Trustee participates knowingly in, or knowingly undertakes to conceal, an act or omission of the Investment Manager, knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager with respect to the Plan or Supplemental Plans, the Trustee shall not be liable for any act or omission of the Investment Manager and shall not be under any obligation to invest or otherwise manage the assets of the Plan or Supplemental Plans that are subject to the management of the Investment Manager and, to the maximum extent permitted by applicable law, the Trustee shall have no liability or responsibility for acting in accordance with, or not acting in the absence of, any

written direction of the Investment Manager, or subject to Section 4.4 of this Trust Agreement, failing to act in the absence of any such direction. Provided however, the Trustee shall not be deemed to have "participated" in a breach by an Investment Manager for the purposes of this Section 4.5 as a result of the performance by the Trustee of any custodial, reporting recording, and bookkeeping functions with respect to any assets of the Plan or Supplemental Plan managed by an Investment Manager or as a result of settling purchase and sale transactions entered into by the Investment Manager or to have "knowledge" of any such breach as a result of the information received by the Trustee in the normal course in performing such functions or settling such transactions. The Company agrees, to the extent permitted by law, to indemnify the Trustee and hold it harmless from and against any claim or liability that may be asserted against it, otherwise than on account of the Trustee's willful misconduct or negligence in performing the express terms of this Agreement by reason of the Trustee's taking or refraining from taking any action in accordance with this Section 4.5, including, without limiting the generality of the foregoing, any claim or liability that may be asserted against the Trustee on account of failure to receive securities purchased, or failure to deliver securities sold, pursuant to orders issued by the Investment Manager directly to a broker or dealer.

4.7 As used herein, "Investment Manager" shall mean an investment manager registered as an investment adviser under the Investment Advisers Act of 1940, a bank as defined in that Act or an insurance company which is qualified to manage, acquire or dispose of assets under the laws of more than one state of the United States.

SECTION 5. ADDITIONAL POWERS AND DUTIES OF THE TRUSTEE

5.1 The Trustee shall have the following additional powers and authority with respect to all property constituting a part of the Trust Fund except to the extent such powers have been conferred upon an Investment Manager pursuant to Section 4.4 hereof:

5.2 (a) To sell, exchange or transfer any such property at public or private sale for cash or on credit and grant options for the purchase or exchange thereof.

(b) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to any such property, and to consent to or

oppose any such plan or any action thereunder, or any contract, lease, mortgage, purchase, sale or other action by any corporation or other entity.

(c) To deposit any such property with any protective, reorganization or similar committee; to delegate discretionary power to any such committee; and to pay part of the expenses and compensation of any such committee and any assessments levied with respect to any property so deposited.

(d) To exercise any conversion privilege or subscription right available in connection with any such property; to oppose or to consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, company or association, or to the sale, mortgage, pledge or lease of the property of any corporation, company or association any of the securities of which may at any time be held in the Trust Fund and to do any act with reference thereto, including the exercise of options, the making of agreements or subscriptions and the payment of expenses, assessments or subscriptions, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other property which it may so acquire.

(e) To commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings; to settle, compromise or submit to arbitration, any claims, debts or damages, due or owing to or from the Trust.

(f) To exercise, personally or by general or limited power of attorney, any right, including the right to vote, appurtenant to any securities or other such property

(g) To borrow money from any lender in such amounts and upon such terms and conditions as shall be deemed advisable or proper to carry out the purposes of the Trust and to pledge any securities or other property for the repayment of any such loan.

(h) To hold any mortgage in its own name or in the name of a nominee, with or without the addition of words indicating that such mortgage is held in a fiduciary capacity, and to cause to be formed a corporation, partnership, trust or other entity to hold title to any mortgage with the aforesaid powers, all upon such terms and conditions as may be deemed advisable; to renew or extend or participate in the renewal or extension of any mortgage, and to

agree to a reduction in the rate of interest on any mortgage or to any other modification or change in the terms of any mortgage or of any guarantee pertaining thereto, in any manner and to any extent that may be deemed advisable for the protection of the Trust or the preservation of any covenant or condition of any mortgage or in the performance of any guarantee, or to enforce any default in such manner and to such extent as may be deemed advisable; and to exercise and enforce any and all rights of foreclosure, to bid on any property on foreclosure, to take a deed in lieu of foreclosure with or without paying a consideration therefor and in connection therewith to release the obligation on the bond secured by such mortgage, and to exercise and enforce in any action, suit or proceeding at law or in equity any rights or remedies in respect of any such mortgage or guarantee.

(i) To engage any legal counsel, including counsel to the Company, any enrolled actuary, or any other suitable agents, to consult with such counsel, enrolled actuary, or agents with respect to the construction of this Trust Agreement, the duties of the Trustee hereunder, the transactions contemplated by this Trust Agreement or any act which the Trustee proposes to take or omit, to rely upon the advice of such counsel, enrolled actuary or agents, and to pay its reasonable fees, expenses and compensation.

(j) To register any securities held by it in its own name or in the name of any custodian of such property or of its nominee, including the nominee of any system for the central handling of securities, with or without the addition of words indicating that such securities are held in a fiduciary capacity, to deposit or arrange for the deposit of any such securities with such a system and to hold any securities in bearer form.

(k) To make, execute and deliver, as Trustee, any and all deeds, leases, notes, bonds, guarantees, mortgages, conveyances, contracts, waivers, releases or other instruments in writing necessary or proper for the accomplishment of any of the foregoing powers.

(l) To hold any portion of the Trust Fund in cash pending investment, or for the payment of expenses and benefits, without liability for interest.

(m) Upon the instructions of the Company, to transfer assets of the Trust Fund to an investment company or mutual fund, for which the Trustee, Investment Manager or an

affiliate of the Investment Manager provides, for compensation, custodial, advisory or other services. Payments by the Trustee and Funding by the Company

SECTION 6. PAYMENTS BY THE TRUSTEE AND FUNDING BY THE COMPANY

6.1 The establishment of the Trust and the payment or delivery to the Trustee of money or other property acceptable to the Trustee shall not vest in any Member any right, title or interest in and to assets of the Trust Fund or any payments.

6.2 (a) "Payment Schedule" shall mean a schedule listing all Members and containing the information described below in this Section 6.2(a) as of January 1 of the calendar year with respect to which the Payment Schedule was delivered to the Trustee (the "Payment Schedule Date") and such additional dates as are indicated below: (For purposes of this Trust and the Payment Schedule, the term "Member" shall include the beneficiary of a Member, if any, or other person or entity, entitled to payments from the Trust in the event of the Member's death, as determined pursuant to Section 6.4 of this Trust Agreement, wherever the context so requires.)

(i) The Trust Benefit for each Member and, if the Member is not receiving payments under the Plans as of the Payment Schedule Date, the Member's Trust Benefit as of January 1 of each of the next two succeeding calendar years. For purposes of this Trust and the Payment Schedule, the "Trust Benefit" shall mean (A) in the case of a Member who is receiving payments under the Plans as of the Payment Schedule Date, the monthly payment and (B) in the case of a Member who is not receiving payments as of the Payment Schedule Date, the monthly amount payable under the Plans expressed as a single life annuity commencing (1) at age 65 if any benefit was accrued under the Plan at the applicable Payment Schedule Date, and (2) if the Member would qualify for an immediate benefit under the Plans upon termination of employment on the applicable calculation date, at such calculation date. Such Trust Benefits shall be calculated based on:

- (A) the terms of the Plans and the Federal tax law in effect on the Payment Schedule Date;
- (B) the Member's Benefit Service and Compensation under the Plan as of the Payment Schedule Date;
and

- (C) the Member's projected age and projected Eligibility Service under the Plan on the applicable calculation date.

(ii) The Present Value of each Member's accrued benefit under the Plans. For purposes of this Trust and the Payment Schedule, "Present Value" shall mean the actuarial value of a Member's accrued benefit under the Plan as of the Payment Schedule Date calculated pursuant to the provisions of Financial Accounting Standards Board Opinion Number 36 ("FASB 36") for purposes of the Company's annual financial statements or, if FASB 36 is modified or eliminated after December 31, 1984, calculated on the basis of the methodology of FASB 36 in effect on December 31, 1984 for such purposes and the applicable actuarial assumptions used in funding the Retirement Plan for Salaried Employees of ITT Corporation (the "ITT Salaried Retirement Plan"); provided, however, that Members will be assumed to retire no later than age 65 and in no event shall the interest rate used in determining Present Values for the 1984, 1985 or 1986 Payment Schedules exceed 9.25 percent per annum, compounded annually.

(iii) The "Interest Rate", which is the actuarial interest rate used in Section 6.2(a)(ii) of this Trust Agreement.

(iv) For Members who are receiving payments under the Plan as of the Payment Schedule Date, the form and other relevant information necessary to calculate benefits payable under the Plan.

(v) Each Member's address and taxpayer identification number.

(vi) Each Member's spouse or other beneficiary under the Plan or other person or entity entitled to payments under the Plan in the event of the Member's death. (For purposes of this Trust Agreement, the term "spouse" shall mean the spouse of a Member as determined under the Plan.) If the Member is receiving pension payments as of the Payment Schedule Date and has validly elected under the Plan a single life annuity, such election shall be indicated on the Payment Schedule.

(vii) Such other relevant information as may be required by the Actuary.

For purposes of this Trust and the Payment Schedule, "Actuary" shall mean the enrolled actuary for the ITT Salaried Retirement Plan or, in the event that such enrolled actuary is an employee of the Company or its subsidiaries, an independent enrolled actuary who is not an employee of the Company or its subsidiaries and who is selected by the Trustee.

(b) Attached as Exhibit B is the Payment Schedule for 1984. The Company shall provide the Trustee with a revised Payment Schedule for each subsequent calendar year no later than December 31 of that year. Each revised Payment Schedule shall constitute a revocation of the immediately preceding Payment Schedule, provided that: (i) the Company has made the contribution, if any, required by Section 6.3 of this Trust Agreement and (ii) the Actuary certifies that, based on all the information provided to the Actuary, (A) the revised Payment Schedule accurately reflects the Trust Benefit of each Member as of the Payment Schedule Date and such additional dates as are indicated in Section 6.2(a) of this Trust Agreement, (B) any reductions in the Trust Benefit of a Member from the amount indicated in the previous Payment Schedule are due to the application of the ERISA maximum benefit limitations, or Social Security benefits (or the tax rules for integration of such benefits), or election of optional pre-retirement death benefits, or to deaths which the Trustee has confirmed by receiving a copy of the death certificate from the Company, and (C) the Present Values included in the revised Payment Schedule have been calculated in accordance with Section 6.2(a) of this Trust Agreement.

(c) The Company may not modify, revoke or alter the Payment Schedule, or substitute a revised Payment Schedule, except in accordance with Section 6.2(b) of this Trust Agreement. However, the Company may from time to time notify the Trustee of (i) changes of addresses listed on the Payment Schedule and (ii) changes in a Member's beneficiary under the Plan and such new beneficiary shall be treated, for purposes of this Trust, as designated on the Payment Schedule.

6.3 With respect to each calendar year for which a revised Payment Schedule is delivered to the Trustee, the Company shall contribute to the Trust not less than the amount certified by the Actuary as necessary to maintain the Trust on a fully funded basis as of the first day of the month immediately preceding the month in which the revised Payment Schedule is

delivered to the Trustee in accordance with Section 6.2(b) of this Trust Agreement (the "Valuation Date"). For purposes of this Section 6.3(a), the Trust shall be deemed to be "fully funded" if the aggregate fair market value of the Trust Fund as of the Valuation Date equals or exceeds (A) the aggregate Present Values included in the revised Payment Schedule as of the Payment Schedule Date, credited with interest between the Payment Schedule Date and the Valuation Date at the Interest Rate specified in the revised Payment Schedule, plus (B) the expenses and other charges, an estimate of which shall be provided by the Trustee to the Actuary, which have been accrued and not paid or which the Trustee reasonably expects to be incurred by the Trust as provided in Sections 8 and 16 of this Trust Agreement during the current and the next succeeding three calendar years. The contribution required with respect to a revised Payment Schedule shall be made by the Company no later than the date such Payment Schedule was delivered to the Trustee.

6.4 Subject to Sections 6.4(c), 6.4(d), 6.4(e) and 6.5 of this Trust Agreement, the Trustee shall make payments, commencing with the payments due under the Plan for March, 1985, pursuant to the following provisions of this Section 6.4 and shall, to the maximum extent permitted by applicable law, be fully protected in doing so.

(a) (i) The amount specified or determined from the instructions in the Payment Schedule then in effect shall be paid by the Trustee to each Member listed thereon as receiving pension payments in the form and at the time or times specified or determined from the instructions in the Payment Schedule. If the Member shall not then be living, the Trustee shall pay the beneficiary, if any, confirmed by the Company to the Trustee as designated in accordance with the Plan. If the Company shall not make such a confirmation, the Trustee shall pay the beneficiary on the Payment Schedule then in effect. However, if a person claiming to be the Member's beneficiary under the Plan notifies the Trustee of such claim, the Trustee shall pay such claimant if (i) after written notice by the Trustee to the Company of such claim the Company shall consent in writing to payment to such claimant or (ii) such claimant shall obtain a final judicial determination binding upon the Company and the Trustee establishing the validity of such claim. The Trustee is authorized to withhold making payments until such consent is given or such final judicial determination is obtained.

(ii) The Trustee shall file with the Company a written report of each payment made pursuant to this Section 6.4(a) within 30 days after making the payment.

(b) (i) The amount submitted by the Company to the Trustee, with the Member's concurrence, as confirmed by an Affidavit in substantially the form of Exhibit C attached hereto, as payable in accordance with the terms of the Plan or, if such concurrence as confirmed by such Affidavit is not obtained, the amount certified by the Actuary to the Trustee as payable in accordance with the terms of the Plan or otherwise indicated as payable in accordance with the terms of the Trust pursuant to Section 6.4(b)(iii) of this Trust Agreement shall be paid by the Trustee to a Member who, as of the Payment Schedule Date, was not receiving payments under the Plan but is listed with a Trust Benefit on the Payment Schedule then in effect, in the form and at the time or times specified in such submission or certification or in the Payment Schedule, whichever is applicable.

(ii) At any time, any Member may independently request the Trustee to commence payments in accordance with the terms of the Plan by delivering to the Trustee two duly executed and notarized Affidavits in substantially the form of Exhibit D attached hereto. Upon receipt of such Affidavits the Trustee shall request a calculation of the Member's benefit under the Plan from the Actuary and shall pay the amount certified by the Actuary to the Trustee as payable in accordance with the terms of the Plan or otherwise indicated as payable in accordance with the terms of the Trust pursuant to Section 6.4(b)(iii) of this Trust Agreement in the form and at the time specified in such certification or in the Payment Schedule, whichever is applicable. The Trustee shall send one Affidavit to the Company promptly following receipt by the Trustee.

(iii) Upon receipt of the Affidavits described in Section 6.4(b)(ii) of this Trust Agreement, or if the Member's concurrence to the Company's submission is not obtained pursuant to Section 6.4(b)(i) of this Trust Agreement, the Trustee shall obtain from the Company the relevant information necessary to calculate the amount payable to the Member in accordance with the terms of the Plan. The Company agrees to furnish to the Trustee all information required by the Actuary to perform such calculation. The Trustee shall furnish such information to the Actuary, shall request the

Actuary to certify the amount payable to the Member and the date payments should commence in accordance with the terms of the Plan based on such information, and shall deliver a copy of such information and request to the Member. However, in the event the Company fails to provide the necessary information, or if the Member notifies the Trustee that the information provided by the Company is inaccurate or incomplete, the Trustee shall immediately commence monthly payments equal to the larger of (i) the amount certified by the Actuary to the Trustee as payable in accordance with the Plan based upon the Trust Benefit indicated on the Payment Schedule then in effect or (ii) the amount, if any, certified by the Actuary to the Trustee as payable in accordance with the Plan based on the information supplied to the Actuary by the Company. Such payments shall continue unless and until (1) the Trustee is able to obtain a satisfactory certification from the Actuary concurred to by the Member of the amount payable to the Member in accordance with the terms of the Plan based on additional information provided by the Company or (2) the Member obtains a final judicial determination binding upon the Company and the Trustee of the amount payable to the Member in accordance with the terms of the Plan. If the Trustee obtains such a satisfactory certification or the Member obtains such judicial determination, the amount paid to the Member from the Trust shall be adjusted retroactively to the amount so certified or judicially determined, to the extent funds are available.

(iv) In the event of a Member's death, the Affidavits required by this Section 6.4 shall be delivered by, and the Trustee shall pay, the beneficiary, if any, or other person or entity entitled to payments from the Trust in the event of the Member's death, if any, as designated or determined in accordance with the Plan and confirmed by the Company to the Trustee. Upon receipt of such Affidavits the Trustee shall send a copy of such Affidavits to the Company and obtain from the Company the relevant information necessary to calculate the amount payable to the beneficiary or other person or entity in accordance with the terms of the Plan. The Company agrees to furnish to the Trustee all information required by the Actuary to perform such calculation. The Trustee shall furnish such information to the Actuary, shall request the Actuary to certify the amount payable to the beneficiary or other entity and the date payments should commence in accordance with the terms of the Plan based on such information, and shall

deliver a copy of such information and request to the beneficiary or other person or entity. However, in the event the Company fails to provide the necessary information, or if the beneficiary or other person or entity notifies the Trustee that the information provided by the Company is inaccurate or incomplete, the Trustee shall pay the beneficiary indicated on the Payment Schedule then in effect. However, if a person claiming to be the Member's beneficiary or other person or entity entitled to payments from the Trust in the event of the Member's death under the Plan, notifies the Trustee of such claim, the Trustee shall pay such claimant if (i) after written notice by the Trustee to the Company of such claim, the Company shall in writing (A) acknowledge such claim is valid and is in accord with the terms of the Plan and (B) consent to payment to such claimant or (ii) such claimant shall obtain a final judicial determination binding upon the Company and the Trustee establishing the validity of such claim. The Trustee is authorized to withhold making payments until such consent is given or such final judicial determination is obtained.

(v) The Trustee shall file with the Company a written report of each payment made to a Member pursuant to this Section 6.4(b) within 30 days after making such payment.

(c) Notwithstanding anything contained in Sections 6.4(a) or 6.4(b) of the Trust Agreement to the contrary, if at any time the Trust finally is determined by the Internal Revenue Service (the "IRS") not to be a "grantor trust" with the result that the income of the Trust Fund is not treated as income of the Company pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended, or if a tax is finally determined by the IRS or by counsel to the Trustee, to be payable by one or more Members in respect of any vested interest in the Trust Fund prior to payment of such interest to such Member or Members, then the Trust shall immediately terminate and the entire Trust Fund (less any expenses or costs due under Sections 8 and 16 of this Trust Agreement) shall be paid by the Trustee to the trust established as part of the ITT Salaried Retirement Plan as a contribution by the Company. Such contribution shall be designated for the separate account maintained in that trust for retiree medical benefits (to the extent the contribution is deductible by the Company for federal income tax purposes) and the remainder, if any, shall be designated for the account maintained for retirement benefits.

Upon termination of the Trust pursuant to this Section, no Member shall be entitled to any further payments from the Trust.

(d) If the Trustee determines that the Trust Fund is insufficient to provide for the full monthly payment to one or more Members in accordance with Section 6.4(a) or 6.4(b) of this Trust Agreement then, except as provided in Section 12 of this Trust Agreement, the amount to each such Member at that time shall be reduced in proportion to the ratio which the aggregate fair market value of the Trust Fund bears to the aggregate amount otherwise payable at that time to all such Members, and any Member who thereafter presents an Affidavit to the Trustee shall not be entitled to any payment from the Trust Fund.

(e) Notwithstanding anything else in this Section 6.4 to the contrary, in the event of a Suspension of the Trust, as defined in Section 12.2(a) of this Trust Agreement, the amount payable to a Member shall be reduced pursuant to the requirements of Section 12.2(c) of this Trust Agreement.

(f) Notwithstanding anything in this Trust Agreement to the contrary, the Company shall remain primarily liable under the Plan to pay benefits. However, the Company's liability under the Plan may be reduced or offset to the extent the Trust makes Plan payments.

6.5 The Trustee shall deduct from each payment under Section 6.4 any Federal, State or local withholding or other taxes or charges which the Trustee is from time to time required to deduct under applicable laws.

6.6 The Company may from time to time elect to include the amount payable to one or more Members under the Supplemental Plans on a revised Payment Schedule delivered to the Trustee in accordance with Section 6.2(b). In the event that the Company makes such an election, then, with respect to such Members, the term Plan shall be deemed to include the Supplemental Plans for all purposes in this Trust Agreement except Section 12.2(a)(i). Once the Company has included the amount payable to one or more Members under the Supplemental Plans on a revised Payment Schedule, then any reductions in the Trust Benefit of Members with respect to the Supplemental Plans in subsequent revised Payment Schedules will constitute a revocation of the immediately preceding Payment Schedule, only if such revised Payment

Schedule complies with the terms and conditions of Section 6.2(b), and the Company certifies to the Trustee that such reduction is based on all information provided to the Actuary, that any such reduction is due to changes in the annual compensation that may be taken into account in determining benefits under tax-qualified retirement plans or changes in other statutory or regulatory imposed limitations on tax-qualified retirement plans. Any amendment of this Section 6.6 shall not result in a reduction of any Member's Trust Benefit.

6.7 The establishment of the Trust and the payment on delivery to the Trustee of money or other property acceptable to the Trustee shall not give to any Member rights to payment greater than those of a general unsecured creditor of the Company.

6.8 The Company shall certify to the Trustee the amount of Federal State or local withholding or any other taxes or charges which are required to be deducted from the amount payable to any member pursuant to Section 6.5 hereof.

6.9 For purposes of this Article 6, the Trustee may rely upon, and shall be fully protected in relying upon, certificates furnished to the Trustee by the Actuary. The Trustee shall have no duty or obligation to make any independent determination or calculation and may assume that such certifications are correct and in accordance with the terms of the plan and the Supplemental Plans.

SECTION 7. THIRD PARTIES

7.1 A third party dealing with the Trustee shall not be required to make inquiry as to the authority of the Trustee to take any action nor be under any obligation to follow the proper application by the Trustee of the proceeds of sale of any property sold by the Trustee or to inquire into the validity or propriety of any act of the Trustee.

SECTION 8. TAXES, EXPENSES AND COMPENSATION

8.1 The Company shall from time to time pay taxes of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of the Trust Fund, the income or any property forming a part thereof, or any security transaction pertaining thereto. To the extent that any taxes lawfully levied or assessed upon the Trust Fund are not paid by the Company, the Trustee shall pay such taxes out of the Trust Fund. The Trustee shall

contest the validity of taxes in any manner deemed appropriate by the Company or its counsel, but at Company expense, but only if it has received an indemnity bond or other security satisfactory to it to pay any such expense. In the alternative, the Company may itself contest the validity of any such taxes.

8.2 Any reasonable expenses incurred by the Trustee on its own behalf or upon the request of the Member pursuant to Section 6.4(b)(ii) of this Trust Agreement or of a beneficiary or other person or entity pursuant to Section 6.4(b)(iv) of this Trust Agreement for actuarial services including those rendered by the Actuary pursuant to the Trust shall be paid by the Company. To the extent that such services are not paid by the Company, the Trust may pay for such services out of the Trust Fund.

8.3 Any other reasonable expenses incurred by the Trustee in the performance of its duties under this Trust Agreement, including legal fees, shall be paid by the Company. If the Company does not pay such expenses, the Trust may pay for such expenses out of the Trust Fund. The Trustee's entitlement to reimbursement hereunder shall not be affected by the resignation or removal of the Trustee or by the termination of the Trust. Upon the direction of the Company, the Trustee shall pay investment management fees from the Trust Fund.

8.4 The Company will pay the Trustee such reasonable compensation for its services as may be agreed upon in writing from time to time by the Company and the Trustee, or, absent such agreement, such reasonable compensation as may be determined from the Trustee's published fee schedules for similar trusts or services. Such compensation shall be charged against and paid from the Trust Fund to the extent the Company does not pay such compensation.

SECTION 9. ADMINISTRATION AND RECORDS

9.1 The Trustee shall keep or cause to be kept accurate and detailed accounts of any investments, receipts, disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by the Company. All such accounts, books and records shall be preserved (in original form, or on micro-film, magnetic tape or any other similar process) for such period as

the Trustee may determine, but the Trustee may only destroy such accounts, books and records after first notifying the Company in writing of their intention to do so and transferring to the Company any of such accounts, books and records requested.

9.2 Within 30 days after the close of any monthly or quarterly period with respect to which the Company or the PFTIC may direct the Trustee to account, within 30 days after the close of each calendar year, and within 30 days after the removal or resignation of the Trustee or the termination of the Trust, the Trustee shall file with the Company and the PFTIC a written account setting forth all investments, receipts, disbursements and other transactions effected by it during such monthly or quarterly period as directed by the Company or the PFTIC, or during the preceding calendar year, or during the period from the close of the preceding calendar year to the date of such removal, resignation or termination, including a description of all investments and securities purchased and sold with the cost or net proceeds of such purchases or sales and showing all cash, securities and other property held at the end of such calendar year or other period. Upon the expiration of 90 days from the completion of Company's annual audit, the Trustee shall to the maximum extent permitted by applicable law be forever released and discharged from all liability and accountability with respect to the propriety of its acts and transactions shown in such account except with respect to any such acts or transactions as to which the Company shall file with the Trustee written objections.

9.3 The Trustee shall from time to time permit an independent public accountant selected by the Company (except one to whom the Trustee has reasonable objection) to have access during ordinary business hours to such records as may be necessary to audit the Trustee's accounts.

9.4 As of the last day of each calendar year, the fair market value of the assets held in the Trust Fund shall be determined. Within 30 days after the close of each calendar year, the Trustee shall file with the Company and the PFTIC the written report of the determination of such fair market value of the assets held in the Trust Fund.

9.5 Nothing contained in this Trust Agreement shall be construed as depriving the Trustee or the Company of the right to have a judicial settlement of the Trustee's accounts, and upon any proceeding for a judicial settlement of the Trustee's accounts or for instructions the

only necessary parties thereto in addition to the Trustee shall be the Company and the Members listed on the Payment Schedule then in effect.

9.6 In the event of the removal or resignation of the Trustee, the Trustee shall deliver to the successor trustee copies of all records which shall be required by the successor trustee to enable it to carry out the provisions of this Trust Agreement.

9.7 In addition to any returns required of the Trustee by law, the Trustee shall prepare and file such tax reports and other returns as the Company and the Trustee may from time to time agree.

SECTION 10. REMOVAL OR RESIGNATION OF THE TRUSTEE AND DESIGNATION OF SUCCESSOR TRUSTEE

10.1 At any time the Company may remove the Trustee with or without cause, upon at least 60 days' notice in writing to the Trustee; provided, however, that after (i) the occurrence of an Acceleration Event or (ii) the occurrence of a Potential Acceleration Event the Company may not remove the Trustee without the consent of a majority of the Members; provided, further, that (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event.

10.2 The Trustee may resign at any time upon at least 60 days' notice in writing to the Company.

10.3 In the event of such removal or resignation, the Trustee shall duly file with the Company a written account as provided in Section 9.2 above for the period since the last previous annual accounting, listing the investments of the Trust and any uninvested cash balance thereof, and setting forth all receipts, disbursements, distributions and other transactions respecting the Trust not included in any previous account, and if written objections to such account are not filed as provided in Section 9.2, the Trustee shall to the maximum extent permitted by applicable law be forever released and discharged from all liability and accountability with respect to the propriety of its acts and transactions shown in such account.

10.4 Within 60 days after any such notice of removal or resignation of the Trustee, the Company shall designate a successor Trustee qualified to act hereunder; provided, however, that

such successor Trustee is a bank which is a member of the Federal Reserve System and is one of the fifty largest banking corporations in the United States based upon net assets. In the event that the Company fails to designate a successor Trustee within 60 days after the Trustee's resignation or removal, the Trustee shall select a successor Trustee pursuant to this Section 10.4. Each such successor Trustee, during such period as it shall act as such, shall have the powers and duties herein conferred upon the Trustee, and the word "Trustee" wherever used herein, except where the context otherwise requires, shall be deemed to include any successor Trustee. Upon designation of a successor Trustee and delivery to the resigned or removed Trustee of written acceptance by the successor Trustee of such designation, such resigned or removed Trustee shall promptly assign, transfer, deliver and pay over to such Trustee, in conformity with the requirements of applicable law, the funds and properties in its control or possession then constituting the Trust Fund.

10.5 Upon the appointment and acceptance by, and transfer of assets to a successor Trustee, Trustee shall have no further responsibilities under this Trust Agreement. The Company hereby agrees to hold the Trustee harmless from and against all taxes, expenses, (including counsel fees) liabilities, claims, damages, actions, suits or other charges incurred by or assessed against it as successor Trustee, as a direct or indirect result of any act or omission of a predecessor trustee.

SECTION 11. ENFORCEMENT OF TRUST AGREEMENT AND LEGAL PROCEEDINGS

11.1 The Company shall have the right to enforce any provision of this Trust Agreement, and, any Member shall have the right as a beneficiary of the Trust to enforce any provision of this Trust Agreement that affects the right, title and interest of such Member in the Trust. In any action or proceedings affecting the Trust the only necessary parties shall be the Company, the Trustee and the Members and, except as otherwise required by applicable law, no other person shall be entitled to any notice of service or process. Any judgment entered in such an action or proceeding shall to the maximum extent permitted by applicable law be binding and conclusive on all persons having or claiming to have any interest in the Trust.

11.2 In the event the Trustee is notified that a creditor of the Company or of a subsidiary of the Company shall seek to enforce a judgment by executing a lien or other

encumbrance against the Trust Fund, the Trustee shall promptly give notice thereof in writing to all Members listed on the Payment Schedule then in effect as soon as is reasonably practicable.

11.3 In the event the Trustee is notified pursuant to Section 3.2 that the Company is Bankrupt or Insolvent, the Trustee shall promptly give notice thereof in writing to all Members listed on the Payment Schedule then in effect as soon as is reasonably practicable.

SECTION 12. TERMINATION AND SUSPENSION

12.1 The Trust shall terminate when all payments which have or may become payable pursuant to the terms of the Trust have been made (or the Trust Fund has been exhausted, whether by payments from the Trust, as a result of a validly executed lien by a creditor of the Company or of a subsidiary of the Company in enforcement of a judgment in accordance with due process of law or the terms thereof, or by direction of the Bankruptcy Court) and any remaining assets shall then be paid by Trustee to the Company.

12.2 (a) The following events shall result in a "Suspension of the Trust":

(i) The Trustee receives notification, in a form acceptable to it, that the Plan has been terminated by the Company;

(ii) The Trustee is notified by the Company of the Company's intention to discontinue contributions to the Trust; or

(iii) The lapse of two calendar years ending December 31, following the last calendar year for which both a revised Payment Schedule and a sufficient contribution necessary to maintain the Trust on a "fully funded" basis were received (no later than December 31 of said last calendar year) by the Trustee in accordance with Sections 6.2 and 6.3 of this Trust Agreement.

The "Suspension Date" means the first day of the month after the Suspension of the Trust.

(b) Promptly after a Suspension of the Trust, the Trustee shall establish individual accounts for each Member and allocate the Trust Fund among such accounts in proportion to the Present Value of each Member's accrued benefit under the Plan indicated on

the Payment Schedule then in effect, credited with interest between the Payment Schedule Date and the Suspension Date at the Interest Rate specified in the Payment Schedule and reduced, but not below zero, for the total payments, if any, made by the Trustee to the Member between the Payment Schedule Date and the Suspension Date.

(c) (i) The amount payable to a Member subsequent to the Suspension Date shall be based solely on the Trust Benefit listed on the Payment Schedule then in effect as of the January 1 coincident with or immediately prior to the Suspension Date (even if such Trust Benefit is less than the amount payable under the Trust immediately prior to the Suspension Date) and shall be payable only from the assets allocated to the Member's account. The amount, form, time for commencement, duration of such payments and applicable early retirement or reduction factors shall be determined by the Company with the Member's concurrence or by the Actuary in accordance with the terms of the Plan in effect on the Payment Schedule Date. (However, the beneficiary of a Member or other person or entity entitled to payments from the Trust in the event of the Member's death shall be determined pursuant to Section 6.4 of this Trust Agreement.) The value of each account shall be adjusted at least quarterly to reflect the effect of income received and accrued, realized and unrealized profits and losses, expenses and other costs of maintaining the Trust as provided in Sections 8 and 16 of this Trust Agreement, and all other transactions of the preceding calendar quarter. Such adjustments shall be made by (i) deducting the total of all payments made from the account during such quarter and (ii) adding or deducting, as the case may be, such proportion of each such item as the value of the account as of the beginning of the quarter bears to the total value of all accounts as of the beginning of the quarter.

(ii) In the event that there are assets remaining in a Member's account after all payments pursuant to this Section 12.2(c) have been made to that Member, the Trustee shall reallocate such assets to the accounts of the other Members in the same manner that the earnings of the Trust are allocated to each Member's account.

(d) At any time on or after a Suspension of the Trust the Company may direct the Trustee in writing to purchase, from an insurance company licensed to do business in New York and rated "A+" or "Excellent" by Best's Insurance Report, or a comparable rating guide

acceptable to the Trustee, paid-up cash value annuity contracts which replicate, to the maximum extent possible, the payment options available under the Plan, providing for the payment of each Member's Trust Benefit pursuant to Section 12.2(c) of this Trust Agreement, provided that the Trust Fund is sufficient to (i) purchase such annuity contracts providing for the payment of all such Trust Benefits and (ii) establish a reasonable reserve which the Trustee shall determine to be sufficient to provide for all accrued and future expenses and other costs of maintaining the Trust as provided in Sections 8 and 16 of this Trust Agreement until all payments have been made under such annuity contracts. The Trustee shall hold such annuity contracts in accordance with this Trust Agreement until all payments are made thereunder, and such annuity contracts shall remain part of the Trust Fund. After the purchase of such annuity contracts providing for the payment of all such Trust Benefits, any remaining assets in the Trust Fund not consisting of such annuity contracts or such reasonable reserve shall be paid by the Trustee to the Company. The Trust shall terminate when all payments are made under such annuity contracts and any remaining assets shall be paid by the Trustee to the Company.

SECTION 13. AMENDMENTS

13.1 The Company may from time to time amend or modify, in whole or in part, any or all of the provisions of this Trust Agreement (except Sections 1, 3.1, 4.1, 6.1, 6.2, 6.3, 6.4, 6.5, 8.4, 10.4, 11.1, 11.2, 12 and 13 and all Exhibits to this Trust Agreement) with the written consent of the Trustee, but without the consent of any Member, and provided that any amendment does not cause the Trust to not constitute a grantor trust as defined in Section 6.4(c).

13.2 The Company and the Trustee shall execute such supplements to, or amendments of, this Trust Agreement as shall be necessary to give effect to any such amendment or modification.

SECTION 14. NON-ALIENATION

14.1 Except insofar as applicable law may otherwise require and subject to Sections 1.1 and 3.1 and 3.2 of this Trust Agreement, (i) no amount payable to or in respect of any Member at any time under the Trust shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind, any attempt to so alienate, sell, transfer, assign, pledge, attach, charge or otherwise

encumber any such amount, whether presently or thereafter payable, shall be void; and (ii) the Trust Fund shall in no manner be liable for or subject to the debts or liabilities of any Member.

SECTION 15. COMMUNICATIONS

15.1 Communications to the Company and the PFTIC shall be addressed to 4 West Red Oak Lane, White Plains, NY 10604, Attention: Secretary; provided, however, that upon the Company's written request, such communications shall be sent to such other address as the Company may specify.

15.2 Communications to the Trustee shall be addressed to State Street Bank and Trust Company, 2 World Financial Center, 225 Liberty Street, 24th Floor, New York, NY 10281, provided, however, that upon the Trustee's written request, such communications shall be sent to such other address as the Trustee may specify.

15.3 No communication shall be binding on the Trustee until it is received by the Trustee, and no communication shall be binding on the Company until it is received by the Company.

15.4 Any action of the Company or the PFTIC pursuant to this Trust Agreement, including all orders, requests, directions, instructions, approvals and objections of the Company or the PFTIC to the Trustee, shall be in writing signed, respectively, on behalf of the Company by any duly authorized officer of the Company and on behalf of the PFTIC by any member of the PFTIC. Any action by a Member, or a Member's spouse or other beneficiary or the legal representative of a Member's estate shall be in writing. The Trustee may rely on, and will be fully protected with respect to any such action taken or omitted in reliance on, any information, order, request, direction, instruction, approval, objection, list and Payment Schedule delivered to the Trustee by the Company, the PFTIC or, to the extent applicable under this Trust Agreement, by a Member, a member's spouse or other beneficiary or the legal representatives of the Member's estate.

SECTION 16. MISCELLANEOUS PROVISIONS

16.1 This Trust Agreement shall be binding upon and inure to the benefit of the Company and the Trustee and their respective successors and assigns.

16.2 The Company shall pay and shall protect, indemnify and save harmless the Trustee and its officers, employees and agents from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses (including, without limitation, attorneys' fees and expenses) of any nature arising from or relating to any action by or any failure to act by the Trustee, its officers, employees and agents or the transactions contemplated by this Trust Agreement, including, but not limited to, any claim made by a Member or his beneficiary with respect to payments made or to be made by the Trustee, any claim made by the Company or its successor, whether pursuant to a sale of assets, merger, consolidation, liquidation or otherwise, that this Trust Agreement is invalid or ultra vires, except to the extent that any such loss, liability, action, suit, judgment, demand, damage, cost or expense has been determined by final judgment of a court of competent jurisdiction to be the result of the gross negligence or willful misconduct of the Trustee, its officers, employees or agents. To the extent that the Company has not fulfilled its obligations under the foregoing provisions of this Section the Trustee shall be reimbursed out of the assets of the Trust Fund or may set up reasonable reserves for the payment of such obligations. To the maximum extent permitted by applicable law, no personal liability whatsoever shall attach to or be incurred by any employee, officer or director of the Company, as such, under or by reason of the terms or conditions contained in or implied from this Trust Agreement.

16.3 The Trustee assumes no obligation or responsibility with respect to any action required by this Trust Agreement on the part of the Company or the Actuary.

16.4 The Actuary shall be entitled to rely upon the accuracy of any information provided hereunder by the Company or the Trustee.

16.5 Each Member shall file with the Trustee such pertinent information concerning himself, and any other person as the Trustee shall specify, and no person shall have any rights or be entitled to any benefits under the Trust unless such information is filed by or with respect to him.

16.6 The Company shall from time to time certify to the Trustee the membership of the PFTIC. The PFTIC shall from time to time certify to the Trustee the person or persons authorized to act for the PFTIC and provide the Trustee with such information regarding the

PFTIC as the Trustee may reasonably request. The Trustee may continue to rely on any such certification until notified to the contrary.

16.7 Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which the Trustee may be a party, or any corporation to which all or substantially all the trust business of the Trustee may be transferred shall be the successor of the Trustee hereunder without the execution or filing of any instrument or the performance of any act.

16.8 Titles to the Sections of this Trust Agreement are included for convenience only and shall not control the meaning or interpretation of any provision of this Trust Agreement.

16.9 To the maximum extent consistent with applicable federal law, this Trust Agreement and the Trust established hereunder shall be governed by and construed, enforced, and administered in accordance with the laws of the State of New York and the Trustee shall be liable to account only in the courts of that state.

16.10 This Trust Agreement may be executed in any number of counterparts, each of which shall be deemed to be the original although the others shall not be produced.

16.11 All payment authorizations relating to the Trust require the signature of two persons. Both signatures shall be that of members of the Pension Administration Committee, of which one member is from the Controllers Department.

IN WITNESS WHEREOF, this Trust Agreement has been duly executed by the parties hereto as of the day and year first above written.

ITT INDUSTRIES, INC. through the
ITT INDUSTRIES PENSION FUND TRUST
AND INVESTMENT COMMITTEE

By: /s/ Donald Foley

Title: Member

Attest:

/s/ Clayton Young

Secretary: PFTIC

STATE STREET BANK AND TRUST
COMPANY, as TRUSTEE

By: /S/ Frank Epper

Title: Vice President

Attest:

/s/ Karan Lawler

Vice President:

Seal

STATE OF NEW YORK)
 : ss:
COUNTY OF NEW YORK)

On this 4th day of November, 2004, before me personally came Donald Foley, to me known, who, being by me duly sworn, said that he resides at 12 Mead Mews, Cos Cobb, CT; that he is a Member of the ITT Industries Pension Fund Trust and Investment Committee, a committee authorized to act for ITT Industries, Inc., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Peter A. Timpano Jr.

Notary Public

STATE OF NEW YORK)
 : ss:
COUNTY OF NEW YORK)

On this 4th day of November, 2004, before me personally came Frank Eipper, to me known, who, being by me duly sworn, did depose and say that he resides at 31 Fairmont Avenue, Stamford, CT; that he is the Vice President of State Street Bank and Trust Company, one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed his name thereto by like order.

/s/ Daniel Sachs

Notary Public

EXHIBIT A

INVESTMENT GUIDELINES FOR THE ITT INDUSTRIES EXCESS BENEFIT PLAN TRUST

OBJECTIVE

The investment objective is the stabilization of unit value over a three-year time horizon while achieving a total rate of return in excess of that available in a money market fund. In addition, a specific objective is the production of a positive total rate of return in every quarterly period. To achieve these goals the Trust Fund is to invest in a variety of domestic and Eurodollar issues, utilizing floating rate notes, and will limit the maximum maturity of any fixed rate investment to seven years.

PHILOSOPHY

The investment philosophy is based on the objective of principal stabilization as well as the belief that fixed income portfolios must be actively managed to adjust for and take advantage of changes in the outlook for interest rates, relative value between market sectors, and credit status. Most of the rate of return will consist of coupon income, but opportunities to realize trading profits will arise within shifting market conditions. These opportunities should be used. Since income is compounded in the fund, the reinvestment factor will be an important factor and implies that at times discount issues will be used, even though the emphasis will be on current coupons. Adjustments in portfolio structure and holdings should be made only where a readily identifiable improvement will result, and to ensure the ability to make these adjustments when called for, holdings will be confined to higher grade, marketable issues. Because most opportunities in the bond market are short-lived, the Trustee or Investment Manager should have discretion to act on his own judgment, subject to the specific investment parameters listed below.

INVESTMENT PARAMETERS

1. Obligations of the United States of America and the various Federal Agencies can be held without limitation, including evidences of ownership of a proportionate interest in (i) specified direct obligations of the United States of America or (ii) specified obligations the principal of and interest on which are unconditionally and fully guaranteed by the United States of America, which obligations described in (i) or (ii) are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.
2. Exposure in any one category of fixed rate corporate debt (industrial, utility, finance; etc.) is limited to a maximum 35% of the total par value of the fund, excluding securities with one year or less to maturity.
3. Purchases are limited to issues with at least \$50 million outstanding. (Exceptions may be considered on a case-by-case basis in the event this limitation precludes unusually attractive situations.)

4. Purchases are limited to a maximum 5% of any one issue and 10% of the total par value of the fund in any one company.
5. Purchases of fixed coupon securities are limited to issues with a maximum maturity of seven years; provided, however. Adjustable Rate Securities are not subject to this seven year maximum limit.
6. For short-term investments, obligations issued or guaranteed by the United States of America or any Agencies thereof are acceptable, as well as evidences of ownership of a proportionate interest in (i) specified direct obligations of the United States of America or (ii) specified obligations the principal of and interest on which are unconditionally and fully guaranteed by the United States of America, which obligations described in (i) or (ii) are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, together with commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investment Service and Master Notes with corporations holding commercial paper ratings of A-1 or P-1.

Also acceptable are Domestic CDs, London Eurodollar CDs, London Dollar Time Deposits, CDs of U.S. branches of foreign banks (known as Yankee CDs), repurchase agreements adequately collateralized by obligations of the United States of America or its Agencies and bankers' acceptances guaranteed by U.S. banks, which CDs, time deposits or bankers' acceptance are issued or guaranteed by the fifty-five largest U.S. banks and by the fifty largest foreign banks. These instruments must be monitored by the Trustee or the Investment Manager as to quality. Also acceptable are savings account certificates of deposit and other types of time or demand deposits with any domestic financial institution operated, maintained by, or affiliated with the Trustee which bear a reasonable rate of interest.

Maturities may in no event exceed fifteen months and prudent standards of liquidity, diversification and credit quality must be maintained.

7. A minimum 25% of the par value of the fund shall be maintained in short-term investments.
8. Exposure to both Eurodollar and Domestic floating rate notes shall be limited to a maximum of 75% of the total par value of the fund.
9. Within the above parameters, additional limitations by these quality ratings, or comparable quality ratings, are:

AAA and AA	up to 100% of the total par value of the fund
A	up to 25% of the total par value of the fund

The fund will not invest in issues lower than A.

EXHIBIT C

AFFIDAVIT

CONFIRMATION OF CALCULATION

I do hereby solemnly state that I, _____, make this affidavit under the terms of the ITT Industries Excess Benefit Plan Trust and I hereby acknowledge that I have received a copy of the attached calculation of my entitlement under the ITT Industries Excess Benefit Plan and such other plans, if any, which ITT has elected to include in the Trust. I concur in said calculation and am entitled in accordance with the terms of said Plan or Plans to commence receiving payments, as provided in said calculation.

Signature

STATE OF NEW YORK)
 : ss:
COUNTY OF NEW YORK)

On this _____ day of _____, _____, before me
personally came _____, to me
known, who, being by me duly sworn, did depose and say that he resides
at _____, and that the
statements herein are all materially correct.

Notary Public

EXHIBIT D

AFFIDAVIT

I, _____, under penalties of perjury,
do hereby solemnly state and agree:

Eligibility for Payment

That I make this affidavit under the terms of the ITT Industries Excess Benefit Plan Trust in order to request the Trustee of said Trust to make monthly payments to me in the form and amount to which I am entitled under the ITT Industries Excess Benefit Plan and the Supplemental Plans which ITT has elected to include in the Trust (collectively, the "Plan"), as indicated below (check one):

That I am a Member of the Plan and my retirement from ITT Industries, Inc., is scheduled to commence on _____; or

That I am the beneficiary of _____, who was a Member of the Plan, and whose date of death is confirmed by the attached copy of Member's death certificate.

And that I am entitled to commence receiving payments in accordance with the terms of the Plan.

Signature

STATE OF NEW YORK)
 : ss:
COUNTY OF NEW YORK)

On this _____ day of _____, _____,
before me personally came _____, to me
known, who, being by me duly sworn, did depose and say that he resides
at _____, and that the statements
herein are all materially correct.

Notary Public

CERTIFICATION OF STEVEN R. LORANGER PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Steven R. Loranger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ITT Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN R. LORANGER

Steven R. Loranger
President and Chief Executive Officer

Date: November 5, 2004

CERTIFICATION OF EDWARD W. WILLIAMS PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Edward W. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ITT Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD W. WILLIAMS

Edward W. Williams
Senior Vice President and Chief
Financial Officer

Date: November 5, 2004

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ITT Industries, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Loranger, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec.906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN R. LORANGER

Steven R. Loranger
President and
Chief Executive Officer

November 5, 2004

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ITT Industries, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward W. Williams, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to sec. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD W. WILLIAMS

Edward W. Williams
Senior Vice President and
Chief Financial Officer

November 5, 2004

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.