

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 15, 2004

ITT INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Indiana (State or other jurisdiction of incorporation)	1-5672 (Commission File Number)	13-5158950 (I.R.S. Employer Identification No.)
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4 West Red Oak Lane White Plains, New York (Address of principal executive offices)	10604 (Zip Code)
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Registrant's telephone number, including area code: (914) 641-2000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

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

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

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

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

Not Applicable

(Former name or former address, if changed since last report)

ITEM 1.01. Entry into a Material Definitive Agreement

On December 15, 2004, ITT Industries, Inc. (ITT) entered into a financing arrangement with Rexus L.L.C (Rexus), and Air Bail S.A.S. and RBS Lombard, Inc. as the investors. Pursuant to a participation agreement among ITT, Rexus and the investors and a master lease agreement and certain lease supplements between Rexus, as lessor, and ITT, as lessee, ITT transferred certain real property owned by ITT to Rexus, an entity wholly owned by the investors, for a total consideration of \$120 million, and Rexus leased such properties back to ITT. The proceeds will be used for general corporate purposes. The leases have a term of ten years and the total amount payable by ITT under all of the leases, including the interest component of the lease payments, is approximately \$160 million. The properties involved in the sale-leaseback transaction include facilities owned by ITT in Fort Wayne, Indiana, Cheektowaga, New York, Colorado Springs, Colorado, Archbold, Ohio, Morton Grove, Illinois, and Chicago, Illinois.

The parties intend that for (i) financial accounting purposes with respect to ITT, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the lease arrangement will be treated as a financing arrangement, (2) Rexus will be deemed a lender making a loan to ITT which loan is secured by the properties, and (3) ITT will be treated as the owner of the properties and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the properties for such tax purposes. Lease payments during the term of the leases will be paid yearly in arrears in amounts sufficient to satisfy ITT's obligations under the master lease. ITT will also pay supplemental rent from time to time to cover administrative costs of the lessor and other amounts that may be due the lessor or the investors. ITT will remain responsible for operating, repairing, insuring and maintaining the leased properties, the payment of taxes due on the properties, and all costs, expenses and liabilities incurred in connection with the properties.

ITT's obligations under the leases are unconditional and absolute, without set-off, counterclaim or recoupment rights, and are secured by a collateral assignment of its leasehold interests as well as by a lien on its facility in Clifton, New Jersey which was not included in the sale-leaseback arrangements described above.

The participation agreement includes covenants of ITT that are usual and customary for agreements of this type, including covenants requiring the provision of financial reports to the lessor, maintaining insurance on each of the properties, and limitations on mergers and sales of assets, liens and further sale and leaseback transactions. The participation agreement also requires that ITT will not permit its ratio of consolidated earnings to consolidated interest expense to be less than 3.75 to 1.0.

In the event of a default by ITT under the master lease, the lessor may, among other things, declare the entire remaining amounts under the leases due and payable, terminate the master lease and expel ITT from the properties.

At the end of the lease term, ITT retains the right to repurchase all (but not less than all) of the leased properties from the lessor for total consideration of one dollar.

Copies of the participation agreement, master lease and lease supplements are attached as Exhibits 10.1 through 10.10 and are incorporated herein by reference. The foregoing summaries of the terms of the participation agreement, master lease and supplemental leases do not purport to be complete and are qualified in their entirety by reference to each of the participation agreement, master lease and the supplemental leases.

ITEM 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information set forth above in Item 1.01 regarding ITT's entry into a participation agreement, master lease and related lease supplements, each dated as of December 15, 2004, is hereby incorporated into Item 2.03(a) by reference.

ITEM 9.01. Financial Statements and Exhibits

(c) Exhibits

- 10.1 Participation Agreement, dated as of December 15, 2004, by and among ITT Industries, Inc., Rexus L.L.C., Air Bail S.A.S. and RBS Lombard, Inc.
- 10.2 Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C.
- 10.3 Mortgage, Security Agreement and Financing Statement (including Fixture Filing), and Supplement and Short Form/Memorandum of Lease, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Fort Wayne, Indiana)
- 10.4 Mortgage, Security Agreement and Financing Statement (including Fixture Filing), dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Cheektowaga, New York)
- 10.5 Lease Supplement and Short Form/Memorandum of Lease, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Cheektowaga, New York)
- 10.6 Mortgage, Security Agreement and Financing Statement (including Fixture Filing), and Supplement and Short Form/Memorandum of Lease, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Colorado Springs, Colorado)
- 10.7 Open-End Mortgage, Security Agreement and Financing Statement (including Fixture Filing), and Supplement and Short Form/Memorandum of Lease, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Archbold, Ohio)
- 10.8 Mortgage, Security Agreement and Financing Statement (including Fixture Filing), and Supplement and Short Form/Memorandum of Lease, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Morton Grove, Illinois)
- 10.9 Mortgage, Security Agreement and Financing Statement (including Fixture Filing), and Supplement and Short Form/Memorandum of Lease, dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with respect to property located in Chicago Illinois)
- 10.10 Mortgage, Security Agreement and Financing Statement (including Fixture Filing), dated as of December 15, 2004, between ITT Industries, Inc. and Rexus L.L.C. (with

respect to property located in Clifton, New Jersey)

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 hereunto duly authorized.

ITT INDUSTRIES, INC.

By: /s/ Kathleen S. Stolar

Kathleen S. Stolar

Its: Vice President, Secretary
and Associate General Counsel

Date: December 20, 2004

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PARTICIPATION AGREEMENT

Dated as of December 15, 2004

among

ITT INDUSTRIES, INC.,
as Lessee,

REXUS L.L.C.,
as Lessor,

and

AIR BAIL S.A.S.
and
RBS LOMBARD, INC.,
as Investors,

AIR BAIL S.A.S.,
Arranger

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PARTICIPATION AGREEMENT

This PARTICIPATION AGREEMENT (as amended, supplemented, amended and restated or otherwise modified from time to time, this "Participation Agreement"), dated as of December 15, 2004, is entered into by and among ITT INDUSTRIES, INC., an Indiana corporation, as Lessee (the "Lessee"); REXUS L.L.C., a Delaware limited liability company, as Lessor (the "Lessor"); and AIR BAIL S.A.S., a French corporation duly registered as a Societe par Actions Simplifiee ("Air Bail"), and RBS LOMBARD, INC., a New York corporation ("RBS" and, collectively with Air Bail, the "Investors"), as Investors.

WITNESSETH:

WHEREAS, subject to the terms and conditions hereof, on the Acquisition Date the Lessor will purchase from the Lessee or its Subsidiaries the real properties described on Schedule III hereto under the heading "Leased Properties";

WHEREAS, the Lessor desires to lease each Leased Property to the Lessee, and the Lessee desires to lease each Leased Property from the Lessor;

WHEREAS, each Investor is willing to make a capital contribution to the Lessor for the purpose of permitting the Lessor to acquire the Properties and pay certain Transaction Expenses in connection therewith;

WHEREAS, to secure the obligations of the Lessee under the Lease and the other Operative Documents, the Lessee will grant to the Lessor a first priority Lien on each Property (including each Mortgaged Property);

NOW THEREFORE, in consideration of the mutual agreements contained in this Participation Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in Appendix A to the Master Lease dated as of the date hereof, between the Lessee and the Lessor, for all purposes hereof (as such Appendix A may be amended, supplemented, amended and restated or otherwise modified from time to time, "Appendix A to the Master Lease"); and the rules of interpretation set forth in Appendix A to the Master Lease shall apply to this Participation Agreement.

ARTICLE II

DOCUMENTATION DATE

Section 2.1. Documentation Date. The Documentation Date (the "Documentation Date") shall be deemed to have occurred and all rights and obligations of the parties to the Operative Documents

Participation Agreement

(each subject to any conditions specified therein) shall be in effect, upon satisfaction or waiver of each of the following conditions precedent:

(a) Participation Agreement. This Participation Agreement shall have been duly authorized, executed and delivered by the parties hereto.

(b) Master Lease. The Master Lease shall have been duly authorized, executed and delivered by the parties thereto.

(c) Lessor LLC Agreement. The Lessor LLC Agreement shall have been duly authorized, executed and delivered by the parties thereto.

(d) Lessor Administration Agreement. The Lessor Administration Agreement shall have been duly authorized, executed and delivered by the parties thereto.

(e) Corporate Documents; Certificates. The Lessee shall have delivered, or shall have caused to be delivered, to the Lessor and each Investor the following:

(i) Incumbency Certificate. An incumbency certificate, executed by the Secretary or Assistant Secretary of the Lessee, which shall identify by name and title and bear the signature of the officers of the Lessee authorized to sign the Operative Documents to which the Lessee is or shall be a party, upon which certificate the Lessor, and the Investors shall be entitled to rely until informed of any change in writing by the Lessee.

(ii) Articles of Incorporation. Copies of its articles of incorporation, certified to be true and complete as of a recent date by the appropriate governmental authority of the jurisdiction of its incorporation or existence.

(iii) Resolutions. A certificate executed by the Lessee certifying that the execution and delivery of each Operative Document to which the Lessee is or is to be a party and the effectuation of the transactions contemplated therein have been duly authorized.

(iv) Bylaws. A copy of the Lessee's bylaws certified by its secretary or assistant secretary as of the Documentation Date to be true and correct and in full force and effect as of such date.

(v) Good Standing. A copy of a certificate of good standing for the Lessee, certified as of a recent date by the Secretary of State of the State of Indiana.

(f) Lessor Organizational Documents; Certificates. The Lessor shall have delivered, or shall have caused to be delivered to each of the other parties hereto the following:

(i) Certificate of the Lessor. A certificate, executed by the Lessor certifying that the execution and delivery of each of the Operative Documents to which the Lessor is a party has been authorized pursuant to Section 8.02 of the Lessor LLC Agreement.

(ii) Certificate of Formation. Copies of the Lessor's Certificate of Formation, certified as of a recent date by the Secretary of State of the State of Delaware.

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(iii) Good Standing. A certificate of good standing for the Lessor, certified as of a recent date by the Secretary of State of the State of Delaware.

(g) Opinions of Counsel. An opinion of counsel for the Lessee (which may be the Lessee's internal counsel) addressed to the Lessor and each of the Investors, covering the matters set forth in Exhibit A and such other matters as the Lessor or any Investor may reasonably request.

(h) Representations and Warranties; Lessee Officer's Certificate. On the Documentation Date, the representations and warranties of each of the parties hereto contained in Sections 8.1, 8.2, 8.3 and 8.4 shall be true and correct as though made on and as of such date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date, and the Lessee shall have delivered an officer's certificate to such effect with respect to its representations and warranties.

(i) No Lease Default. No Lease Default or Lease Event of Default shall have occurred and be continuing on the Documentation Date.

(j) Governmental Approvals. All Governmental Actions required by any Applicable Law for the purpose of authorizing the Lessee, the Lessor and each Investor to enter into the Operative Documents shall have been obtained or made and be in full force and effect.

(k) Litigation. No action or proceeding shall have been instituted or threatened, nor shall any governmental action be instituted or threatened before any Governmental Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Governmental Authority, (x) to set aside, restrain, enjoin or prevent the performance of this Participation Agreement or any transaction contemplated hereby or by any other Operative Document or (y) that, in the reasonable opinion of the Lessor, could be expected to have a Material Adverse Effect or have a material adverse effect on the rights and remedies of the Lessor or any Investor under the Operative Documents, the ability of the Lessee to perform its obligations under the Operative Documents or the Fair Market Sales Value, utility, condition or residual value of any real property described on Schedule III hereto.

(l) Applicable Law. In the reasonable opinion of the Lessor, no change shall have occurred or been proposed in Applicable Law affecting the Lessee, the Lessor, any Investor, the Lessor Administrator or any Property that would make it uneconomic or illegal for any party to any Operative Document to participate in any of the transactions contemplated by the Operative Documents or otherwise would prohibit the consummation of any transaction contemplated by the Operative Documents or expand the duties, obligations and risks of the Lessor or any Investor.

(m) Withholding Tax Forms. The Lessor shall have delivered (or caused to be delivered) to the Lessee a properly completed and signed U.S. Internal Revenue Service ("IRS") form W-9.

All documents and instruments required to be delivered pursuant to this Section 2.1 shall be delivered at the offices of Jones Day in London, England or at such other location as may be determined by the Lessor and in such quantities as shall be reasonably requested.

ARTICLE III

PURCHASE OF PROPERTIES BY LESSOR

Section 3.1. Purchase and Lease. Subject to the conditions and terms hereof, on the Acquisition Date the Lessor shall take the following actions with respect to each Property described under the heading "Leased Properties" on Schedule III hereto at the written request of the Lessee:

(a) the Lessor shall pay the Original Property Cost for each such Property to the Seller thereof as the purchase price therefor;

(b) the Lessor shall acquire each such Property from the Seller thereof; and

(c) the Lessor shall lease each such Property to the Lessee under the Master Lease and the respective Lease Supplements.

Notwithstanding any other provision hereof, (i) no Property Cost shall be paid by the Lessor with respect to any Property after the Acquisition Date, (ii) the Lessor shall not be obligated to pay any Property Cost with respect to any Property if, after giving effect thereto, the Aggregate Property Cost would exceed the Lessor Commitment Amount, and (iii) the Acquisition Date shall not occur after December 30, 2004.

Section 3.2. Lessor Commitment. Subject to the conditions and terms hereof, on the Acquisition Date the Lessor shall acquire each Property described under the heading "Leased Properties" on Schedule III hereto by paying to the Seller in immediately available funds an amount equal to the Original Property Cost for such Property. Notwithstanding any other provision hereof, the Lessor shall not be obligated to pay any Original Property Cost if, after giving effect to such payment, the Aggregate Property Cost would exceed the Lessor Commitment Amount.

Section 3.3. Investors' Commitments. Subject to the conditions and terms hereof, on the Acquisition Date each Investor shall make a capital contribution to the Lessor in an amount equal to such Investor's Commitment Percentage of the aggregate Original Property Costs of the Properties being acquired on the Acquisition Date. Notwithstanding any other provision hereof, no Investor shall be obligated to make any capital contribution to the Lessor if, after giving effect to the proposed capital contribution, the aggregate outstanding amount of such Investor's capital contributions would exceed such Investor's Commitment Percentage of the Lessor Commitment Amount.

Section 3.4. Procedures for Acquisition Date. (a) The Lessee shall give the Lessor prior written notice pursuant to an Acquisition Date Notice substantially in the form of Exhibit B (the "Acquisition Date Notice"), which Acquisition Date Notice shall be delivered not later than 10:00 a.m. (New York time), three (3) Business Days prior to the proposed Acquisition Date. The Acquisition Date Notice shall set forth (i) the proposed Acquisition Date, (ii) the Property or Properties to be acquired by the Lessor, (iii) the Seller of each Property being acquired, (iv) a certification by the Lessee that all conditions to be satisfied by the Lessee set forth in the Operative Documents to which the Lessee is a party with respect to the payment by the Lessor of the applicable Property Cost have been fully and completely satisfied to the extent required to be satisfied by the Lessee, and (v) wire transfer instructions for the disbursement of the proceeds of such Original Property Cost to the Lessee or to such other Persons specified in the Acquisition Date Notice. Subject to timely delivery of the Acquisition Date Notice and the other terms and conditions of the Operative Documents, each Investor shall make its Commitment Percentage of the requested Original Property Cost available to the Lessor at the Account by 2:00 p.m., (New York time), on the requested Acquisition Date, and the Lessor shall make such amounts available to the Persons and accounts as the Lessee shall have indicated in the Acquisition Date Notice.

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(a) Except as the Lessor may otherwise agree in writing, amounts paid by the Lessor on the Acquisition Date shall be used solely to pay the purchase price for each Property or to pay or reimburse the Lessee for Transaction Expenses, as the case may be.

(b) The Lessor shall, immediately upon its receipt of the Acquisition Date Notice from the Lessee, deliver a copy of the Acquisition Date Notice to each Investor.

(c) The Go Dark Value and Original Property Cost (including allocated Transaction Expenses) for each Leased Property acquired on the Acquisition Date and each Mortgaged Property upon which a Lien is granted to the Lessor on the Acquisition Date shall be as set forth on Schedule III hereto.

ARTICLE IV

OVERDUE AMOUNTS; RENT PAYMENTS; FEES

Section 4.1. Overdue Amounts; Application of Rent Payments, etc. (a) If all or any portion of the Aggregate Property Cost, any Accrual Rent, Fixed Rent, Supplemental Rent or any other amount payable hereunder shall not be paid when due (whether at stated maturity, acceleration thereof or otherwise), such overdue amount shall bear interest at a rate per annum which is equal to the Overdue Rate.

(a) All Basic Rent and Supplemental Rent paid by the Lessee under the Lease from time to time shall be applied as set forth in Article VII.

(b) If not repaid sooner, the Aggregate Property Cost shall be repaid in full on the Scheduled Lease Termination Date.

Section 4.2. Structuring Fee. The Lessee agrees to pay to the Arranger on the Acquisition Date the Structuring Fee in accordance with the Arrangement Letter.

Section 4.3. Place and Manner of Payments. Except as otherwise specifically provided herein, all payments by the Lessee hereunder, under the Master Lease or under any other Operative Document shall be made to the Lessor (or, in the case of Supplemental Rent owing under Article XIII, directly to the Person entitled thereto), in Dollars in immediately available funds, without offset, deduction, counterclaim or withholding of any kind (except as provided in Section 12.3(a)), to the Account in New York, New York not later than 10:00 a.m. (New York time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Lessee shall, at the time it makes any payment under any Operative Document, specify to the Lessor the Basic Rent, Property Cost, Termination Price, Termination Base Amount, Fees, Supplemental Rent or other amounts payable by the Lessee hereunder to which such payment is to be applied (and in the event that it fails so to specify, or if such application would be inconsistent with the terms hereof, the Lessor shall apply such payment in such manner as the Lessor may determine to be appropriate in respect of obligations owing by Lessee subject to the terms of Article VII). Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next Business Day (subject to accrual of interest and fees for the period of such extension); provided that if the next Business Day falls in the next calendar year, payment shall instead be due on the preceding Business Day.

Section 4.4. Sharing of Payments. The Investors agree among themselves that, in the event that the Lessor or any Investor shall obtain payment in respect of any obligation owing to the Lessor or to

Participation Agreement

such Investor under the Operative Documents through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Investor under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro rata share of such payment as provided for in this Participation Agreement and the Lessor LLC Agreement, such Investor shall promptly purchase from the other Investor a participation in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Investors share such payment in accordance with their respective ratable shares as provided for in the Lessor LLC Agreement. The Investors further agree among themselves that if payment to an Investor obtained by such Investor through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Investor which shall have shared the benefit of such payment shall, by repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Investor whose payment shall have been rescinded or otherwise restored. The Lessee agrees that any Investor so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such participation as fully as if such Investor were a holder of such obligation in the amount of such participation. Except as otherwise expressly provided herein, if any Investor shall fail to remit to any other Investor an amount payable by such party to such other Investor pursuant to the Operative Documents on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Lessor at a rate per annum equal to the Overnight LIBOR. If under any applicable bankruptcy, insolvency or other similar law, any Investor receives a secured claim in lieu of a setoff to which this Section 4.4 applies, such Investor shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Investors under this Section 4.4 to share in the benefits of any recovery on such secured claim.

ARTICLE V

AMOUNTS DUE UNDER THE LEASE

Section 5.1. Amounts Due Under the Lease. Anything herein or elsewhere to the contrary notwithstanding, it is the intention of the Lessee, the Lessor and the Investors that: (i) the amount and timing of installments of Basic Rent due and payable from time to time from the Lessee under the Lease shall be equal to the sum of (x) the aggregate payments due and payable as Accrual Rent on each Scheduled Payment Date and (y) the aggregate payments due and payable as Fixed Rent on each Scheduled Payment Date; (ii) if the Lessee elects to purchase or becomes obligated to purchase all of the Properties under the Lease or elects the Return Option, the Lease Balance with respect thereto and all other obligations of the Lessee owing to the Lessor and the Investors shall be due and payable in full by the Lessee on the date set forth in the Lease; (iii) upon a Lease Event of Default resulting in an acceleration of the Lessee's obligation to purchase the Lessor's interest in each Property under the Lease, the amounts then due and payable by the Lessee under the Lease shall include all amounts necessary to pay in full the Lease Balance plus all other amounts then due from the Lessee under the Operative Documents (and the Lessee agrees that, in any such event, it will pay such amounts regardless of whether the Lease is then in effect); and (v) if the Lessee elects to terminate or is required to purchase or terminate any Property pursuant to Section 15.1 or 19.1 of the Master Lease, the amounts then due and payable by the Lessee shall include all amounts necessary to pay the Termination Base Amount or Termination Price (as applicable) of such Property together with all Rent allocable thereto.

ARTICLE VI

CONDITIONS TO ACQUISITION DATE OR REPLACEMENT DATE

Section 6.1. Acquisition Date or Replacement Date. The closing date with respect to the Lessor's acquisition of the real properties described under the heading "Leased Properties" on Schedule III hereto shall occur on a Business Day on or after the Documentation Date on which all the conditions precedent thereto set forth in this Section 6.1 shall have been satisfied or waived by the applicable parties as set forth herein (such date, the "Acquisition Date"). The obligation of the Lessor to acquire the real properties described under the heading "Leased Properties" on Schedule III hereto and to pay the Property Costs therefor and the obligation of each Investor to make any related capital contribution to the Lessor on the Acquisition Date, are subject to satisfaction or waiver of the conditions precedent set forth in Section 2.1 and the following conditions precedent, and the obligation of the Lessor to acquire any Replacement Property and terminate the Lease with respect to any Terminated Property in connection therewith, is subject to the satisfaction or waiver of the following conditions precedent:

(a) Acquisition Date Notice. In the case of the Acquisition Date, the Lessor shall have received a fully executed counterpart of the Acquisition Date Notice in accordance with Section 3.4. Each of the delivery of the Acquisition Date Notice and the acceptance of the Original Property Costs shall constitute a representation and warranty by the Lessee that on the Acquisition Date (both immediately before and after giving effect to the payment of the Property Cost and the application of the proceeds thereof), the statements made in Section 8.2 are true and correct.

(b) [INTENTIONALLY OMITTED]

(c) Environmental Audit. At least ten (10) Business Days prior to the Acquisition Date or Replacement Date (as applicable), the Lessor shall have received an Environmental Audit performed by an environmental consultant reasonably acceptable to the Lessor and either addressed to the Lessor and each Investor or accompanied by a letter allowing such Persons to rely thereon with respect to each Subject Property and in form and substance reasonably satisfactory to the Lessor and stating that the applicable assessment has revealed no evidence of Recognized Environmental Conditions in connection with the site except for specified matters, which matters the Lessor and the Lessee reasonably agree are not material. If such Environmental Audit reveals the need for additional review or testing, the Lessee shall have provided such additional assessments as are recommended by such consultant.

(d) Property Survey. With respect to each Replacement Date, the Lessee shall have delivered to each of the Lessor and each Investor on or prior to such Replacement Date an ALTA/ASCM (Urban) Survey of each Subject Property in form and substance acceptable to such Persons.

(e) Title Abstracts. On or prior to the Acquisition Date or Replacement Date (as applicable), the Lessee shall have delivered to the Lessor a complete title report for each Subject Property (each, a "Title Abstract") that shall be dated down to the Acquisition Date or such Replacement Date (as applicable) and shall identify and include copies of all liens, mortgages, encumbrances, easements, covenants, leases, agreements and other items affecting the Subject Property, include a legal description, a tax lot and tax block for the Subject Property and provide evidence that all real estate and other taxes with regard to the Subject Property are current and fully paid. Such Title Abstract must be in all respects acceptable to the Lessor and provide evidence reasonably satisfactory that, immediately prior to the conveyance of the Subject

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Property to the Lessor by the Seller, the Seller had fee simple title to the Subject Property subject only to matters approved by the Lessor in its reasonable discretion. Title insurance will not be required and the Lessor will rely upon the Lessee's title indemnity set forth in Section 13.5.

(f) Evidence of Insurance. The Lessor shall have received evidence that the insurance maintained by the Lessee with respect to the Subject Property satisfies the requirements set forth in Article XIII of the Master Lease, setting forth the respective coverage, limits of liability, carrier, policy number and period of coverage.

(g) Representations and Warranties. On the Acquisition Date or Replacement Date (as applicable), the representations and warranties of the Lessee set forth in Section 8.2 shall be true and correct; provided that a failure of any representation or warranty of the Lessee to be true and correct on the Acquisition Date or Replacement Date (as applicable) shall not be a condition precedent to the Lessee's performance of its obligations under the Operative Documents.

(h) Responsible Officer's Certificate. The Lessor and each Investor shall have received a Responsible Officer's Certificate of the Lessee, addressed to the Lessor and each Investor and dated the Acquisition Date or Replacement Date (as applicable), stating that (w) to such Responsible Officer's knowledge after reasonable inquiry, the representations and warranties of the Lessee contained in Section 8.2 are true and correct on and as of the Acquisition Date or such Replacement Date (as applicable); (x) to such Responsible Officer's knowledge after reasonable inquiry, no Lease Default or Lease Event of Default has occurred and is continuing; (y) to such Responsible Officer's knowledge after reasonable inquiry, each Operative Document to which the Lessee is a party is in full force and effect with respect to it; and (z) to such Responsible Officer's knowledge after reasonable inquiry, the Lessee has duly performed and complied with all conditions contained herein or in any other Operative Document required to be performed and complied with by it on or prior to the Acquisition Date or Replacement Date, as the case may be.

(i) Government Approvals. All necessary Governmental Actions required by any Applicable Law (including pursuant to any Environmental Laws) as of the Acquisition Date or Replacement Date for the purpose of authorizing the Lessor to acquire the applicable Leased Property (or, in the case of a Mortgaged Property, to acquire the Lien on such Property) shall have been obtained or made and be in full force and effect, including, in the case of the Clifton Property, in accordance with the requirements of ISRA if ISRA is applicable. The Lessee shall take all actions, at its sole cost and expense, to obtain a written determination issued by the NJDEP authorizing the Transactions to occur with respect to the Clifton Property, including, without limitation, a Remediation In Progress Waiver under N.J.S.A. 13:I K-11.5 and N.J.A.C. 7:26B-5.4; provided, that the Lessee shall provide to the Lessor a copy of any submission to the NJDEP of any application or any other document intended to secure a written determination from the NJDEP.

(j) Deed. With respect to each Subject Property that is a Leased Property, the Lessor shall have received, at least three (3) Business Days prior to the Acquisition Date or Replacement Date (as applicable), a copy of the proposed Deed with respect to such Subject Property, and on or prior to the Acquisition Date or Replacement Date (as applicable), such Deed duly executed conveying fee simple title to such Property to the Lessor, containing customary seller's warranties in the applicable jurisdiction and subject only to Permitted Property Liens, together with any transfer and recordation tax forms necessary or appropriate to record the same. The legal description, tax lot designation and zoning of the Land relating to each Subject Property shall be reasonably acceptable to the Lessor.

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(k) Fees and Transaction Expenses. All Fees then due and payable pursuant to Section 4.2 shall have been paid. All Transaction Expenses due and payable by the Lessee to the Arranger, the Lessor and the Investors for which invoices shall have been received by the Lessee shall have been paid. Jones Day, as special counsel for Air Bail S.A.S., shall have received, to the extent then invoiced, payment in full in cash of all Transaction Expenses payable to such counsel pursuant to Section 9.1.

(l) Lease Supplement; Lessor Mortgage. On or prior to the Acquisition Date or Replacement Date (as applicable), the Lessee shall have delivered to the Lessor (x) in the case of a Subject Property that is a Leased Property, the original counterpart of the Lease Supplement executed by the Lessee and the Lessor with respect to the Subject Property and (y) in the case of a Subject Property that is a Mortgaged Property, a Lessor Mortgage covering such Subject Property and in form and substance reasonably satisfactory to the Lessor.

(m) Financing Statements. On or prior to the Acquisition Date or Replacement Date (as applicable), the Lessee shall have delivered all UCC financing statements relating to the Subject Property as the Lessor may reasonably request in order to protect the interests of the Lessor under the Lease relating to the Subject Property to the extent the Master Lease constitutes a security agreement.

(n) Recordation of Lessor Mortgage; Lessor Financing Statements. The Lessor shall have received (x) evidence reasonably satisfactory to it that each of (i) the applicable Lease Supplement and any other instrument constituting a Lessor Mortgage and (ii) the Financing Statements relating to the Subject Property has been, or is being, recorded or filed in a manner sufficient to properly perfect its interests therein.

(o) UCC Search Results. The Lessor shall have received copies of file search reports from the Uniform Commercial Code filing officer (i) in the jurisdiction in which each Subject Property is located, (ii) in the jurisdiction in which the chief executive office of the Lessee is located and (iii) in the State of Indiana, setting forth the results of such Uniform Commercial Code file searches.

(p) No Lease Default. There shall not have occurred and be continuing any Lease Default or Lease Event of Default and no Lease Default or Lease Event of Default will have occurred after giving effect to the acquisition of the Subject Property (or, in the case of a Mortgaged Property, the granting of a Lien on such Property to the Lessor).

(q) Opinion of Counsel and of Local Counsel to the Lessee. The Lessor and each Investor shall have received (i) an opinion of counsel qualified with respect to the laws of the jurisdiction in which the Subject Property is situated, addressed to the Lessor and each Investor, substantially in the form of Exhibit C (or in such other form that is acceptable to the Lessor and each Investor) and (ii) if requested by the Lessor, opinions from such other counsel and covering such issues as the Lessor may reasonably request.

(r) Good Standing Certificates. The Lessee shall have delivered to the Lessor and each Investor a certificate of good standing (or its equivalent) to the effect that it is qualified to do business in the jurisdiction where the Subject Property is located.

(s) [INTENTIONALLY OMITTED]

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(t) Available Commitments. After giving effect to the applicable payment of Property Cost on the Acquisition Date, the requirements set forth in Sections 3.2 and 3.3 with respect to commitment limits shall not be violated.

(u) Additional Matters. On the Acquisition Date or Replacement Date (as applicable), the Lessor and each Investor shall have received such additional documents and instruments related to the acquisition, financing and mortgage (as applicable) of the Subject Property as any of them shall reasonably request in order to establish the rights and interests of the Lessor and the Investors intended to be created under the Operative Documents in respect of the Subject Property.

All documents and instruments required to be delivered pursuant to this Section 6.1 shall be delivered at the offices of Jones Day in London, England, or at such other location as may be determined by the Lessor and the Lessee and in such quantities as shall be reasonably requested, and the Lessor and each Investor hereby agree that delivery of any document or instrument to such offices or other location shall constitute delivery to the Lessor and each Investor for all purposes of the Operative Documents.

ARTICLE VII

APPLICATIONS OF PAYMENTS

Section 7.1. Basic Rent. Each payment of (x) Basic Rent and (y) Supplemental Rent representing payment of interest on overdue installments of Basic Rent received by the Lessor shall be applied first, to payment of accrued and unpaid interest at the Overdue Rate then owing on any Basic Rent or Supplemental Rent not paid when due, second to payment of accrued and unpaid Accrual Rent then due and owing and third, to the Fixed Rent then due and owing.

Section 7.2. Purchase Payments by the Lessee; Reallocation of Property Costs. Any payment received by the Lessor as a result of:

(a) the purchase of any Property in accordance with Section 18.1 or 18.2 of the Master Lease, or

(b) compliance with the obligation to purchase all of the Properties in accordance with Section 16.2(g) of the Master Lease, or

(c) the payment of the Termination Base Amount, Termination Price or other purchase price with respect to any Property in accordance with Section 15.1 or 19.1 of the Master Lease,

shall be applied by the Lessor first to payment of accrued and unpaid Accrual Rent then due and owing, second to any Fixed Rent then due and owing, third, to the payment of the Termination Indemnity Amount (if any) payable in connection with such payment, fourth to the payment of the Property Cost of the applicable Property (if such Property is a Leased Property), fifth to the payment of the Property Cost of each other Property that is a Leased Property, on a pro rata basis (based on the Original Property Cost of each such Leased Property), and sixth any excess remaining thereafter shall be distributed in accordance with Section 7.4(a).

Upon any payment of the Termination Price or Termination Base Amount with respect to any Property, the Property Costs of the Leased Properties subject to the Master Lease after giving effect to

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such termination shall be reallocated on a pro rata basis (based on the Go Dark Value of each such Leased Property) so that, immediately after giving effect to such reallocation, the Aggregate Property Cost equals an amount equal to (x) the Aggregate Property Cost immediately prior to such payment of Termination Price or Termination Base Amount minus (y) the Termination Base Amount included in such Termination Price (in the case of a payment of Termination Price) or such Termination Base Amount (in the case of a payment of Termination Base Amount).

Section 7.3. Supplemental Rent. All payments of Supplemental Rent received by the Lessor (excluding any amounts payable pursuant to the preceding provisions of this Article VII or Section 7.4 below) shall be distributed promptly by the Lessor upon receipt thereof to the Persons entitled thereto pursuant to the Operative Documents.

Section 7.4. Application of Payments after Lease Event of Default. (a) During the continuance of a Lease Event of Default and subject to clause (b) below, all amounts of Rent and all other amounts (including proceeds from any sale of the Properties) received by the Lessor shall be applied by the Lessor in the following order of priority:

first, so much of such payment or amount as shall be required to pay or reimburse the Lessor and the Lessor Administrator for any tax, fees, expense, indemnification or other loss incurred by the Lessor or the Lessor Administrator (to the extent incurred in connection with any duties as the Lessor or the Lessor Administrator), shall be distributed to the Lessor and the Lessor Administrator without priority of one over the other in accordance with the amount of such payment or payments payable to each such Person;

second, so much of such payments or amounts as shall be required to pay to the Lessor and the Lessor Administrator the amounts payable to them pursuant to any expense reimbursement or indemnification provisions of the Operative Documents shall be distributed to the Lessor and the Lessor Administrator without priority of one over the other in accordance with the amount of such payment or payments payable to each such Person;

third, so much of such payments or amounts as shall be required to pay to the Investors the amounts payable to them pursuant to any expense reimbursement or indemnification provisions of the Operative Documents shall be distributed to the Investors without priority of one over the other in accordance with the amount of such payment or payments payable to each such Person;

fourth, to accrued and unpaid interest at the Overdue Rate then owing on any Basic Rent or Supplemental Rent not paid when due;

fifth, for application to pay in full all accrued and unpaid Accrual Rent then owing;

sixth, for application to pay in full the Termination Indemnity Amount (if any) for each Property;

seventh, for application to pay in full the Aggregate Property Cost;

eighth, to the Lessor for any other amounts payable to it under the Operative Documents, including all Supplemental Rent then owing to the Lessor;

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ninth, to the Investors for any other amounts payable to them under the Operative Documents, including all other Supplemental Rent not covered by any other clause in this paragraph (a) then owing pro rata based on the amounts payable; and

tenth, the balance, if any, of such payment or amounts remaining thereafter shall be promptly distributed to, or as directed by, the Persons entitled thereto by Applicable Law.

(b) All payments received and amounts realized by the Lessor in connection with any Casualty or Condemnation during the continuance of a Lease Event of Default shall be applied by the Lessor as follows:

(i) in the event that the Lessor elects pursuant to Section 14.2(a) of the Master Lease to pay all or a portion of such amounts to the Lessee for the repair of damage caused by such Casualty or Condemnation in accordance with Section 14.2 of the Master Lease, then such amounts shall be distributed to the Lessee in accordance with Section 14.2 of the Master Lease, and

(ii) in the event that the Lessor elects pursuant to Section 14.2(a) of the Master Lease to apply all or a portion of such amounts to the purchase price of the related Property, then such amounts shall be distributed in accordance with clause (a) of this Section 7.4.

Section 7.5. Casualty and Condemnation Amounts. Subject to Section 7.4(b), any amounts payable to the Lessor as a result of a Casualty or Condemnation pursuant to Section 14.2 of the Master Lease shall be distributed as follows:

(a) all amounts payable to the Lessee in accordance with Section 14.2(a) or 14.2(f) of the Master Lease shall be distributed to the Lessee, and

(b) all amounts that are to be applied to the purchase price of the related Property in accordance with Section 14.2(a) and Article XV of the Master Lease shall be applied by the Lessor in accordance with Section 7.2.

Section 7.6. Other Payments. (a) Except as otherwise provided in clause (b) below, any payment received by the Lessor for which no provision as to the application thereof is made in the Operative Documents or elsewhere in this Article VII (including any balance remaining after the application in full of amounts to satisfy any expressed provision) shall be distributed in accordance with the Lessor LLC Agreement.

(a) All payments received and amounts realized by the Lessor under the Master Lease or otherwise with respect to the Properties to the extent received or realized at any time after the indefeasible payment in full of the Lease Balance and any other amounts due and owing to the Lessor or the Investors under or in connection with the Operative Documents, shall be distributed forthwith by the Lessor in the order of priority set forth in Section 7.4(a).

(b) Any payment received by the Lessor for which provisions as to the application thereof is made in an Operative Document but not elsewhere in this Article VII shall be distributed forthwith by the Lessor to the Person and for the purpose for which such payment was made in accordance with the terms of such Operative Document.

Section 7.7. Payments to Account. All payments made to the Lessor pursuant to the Operative Documents shall be made to the Account.

ARTICLE VIII

REPRESENTATIONS

Section 8.1. Representations of the Lessee. The Lessee hereby represents and warrants to the Lessor, each Investor and the Arranger that:

(a) Organization; Powers. Each of the Lessee and each of the Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (iii) is qualified to do business in every jurisdiction where such qualification is required, except where the failure so to qualify would not result in a Material Adverse Effect, and (iv) in the case of the Lessee, has the corporate power and authority to execute, deliver and perform its obligations under the Operative Documents to which it is a party and to incur the Obligations hereunder and thereunder.

(b) Authorization. The execution, delivery and performance by the Lessee of each Operative Document to which it is or will be a party and the incurrence of the Obligations thereunder (collectively, the "Transactions") (i) have been or, upon execution and delivery thereof, will be duly authorized by all requisite corporate action and (ii) will not (x) violate (A) any provision of any law, statute, rule or regulation (including the Margin Regulations) or of the certificate of incorporation or other constitutive documents or by-laws of the Lessee, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which the Lessee is a party or by which it or any of its property is or may be bound, (y) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any such indenture, agreement or other instrument or (z) result in the creation or imposition of any lien upon any property or assets of the Lessee.

(c) Enforceability. This Participation Agreement and each other Operative Document to which the Lessee is a party constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms.

(d) Governmental Approvals. No action, consent or approval of, registration or filing with or other action by any Governmental Authority, other than those which have been taken, given or made, as the case may be, is or will be required with respect to the Lessee in connection with the Transactions.

(e) Financial Statements.

(i) The Lessee's consolidated balance sheet and consolidated statements of income, cash flows and changes in shareholders' equity as of and for the year ended December 31, 2003, and the Lessee's consolidated condensed income statements, consolidated condensed balance sheets and consolidated condensed statement of cash flows for the nine months ended September 30, 2004, in each case as posted (or hyperlinked) on the Lessee's internet home page located at www.itt.com on the Closing Date, present fairly, in all material respects, the consolidated combined financial condition and the results of operations of the Lessee and the Subsidiaries as of such dates and for such periods in accordance with GAAP.

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(ii) As of the Documentation Date and as of the Acquisition Date, there has been no material adverse change in the consolidated financial condition of the Lessee and the Lessee Subsidiaries taken as a whole from the financial condition reported in the financial statements referenced in paragraph (i) of this Section 8.1(e).

(f) Litigation; Compliance with Laws.

(i) As of the Documentation Date, there are no actions, proceedings or investigations filed or (to the knowledge of the Lessees) threatened or affecting the Lessee or any Subsidiary in any court or before any Governmental Authority or arbitration board or tribunal which question the validity or legality of this Participation Agreement, the Master Lease or any other Operative Document, the Transactions or any action taken or to be taken pursuant to this Participation Agreement, the Lease or any other Operative Document and no order or judgment has been issued or entered restraining or enjoining the Lessee or any Subsidiary from the execution, delivery or performance of this Participation Agreement, the Lease or any other Operative Document nor is there any other action, proceeding or investigation filed or (to the knowledge of the Lessee or any Subsidiary) threatened against the Lessee or any Subsidiary in any court or before any Governmental Authority or arbitration board or tribunal which would be reasonably likely to result in a Material Adverse Effect or materially restrict the ability of the Lessee to comply with its obligations under the Operative Documents to which it is a party.

(ii) Neither the Lessee nor any Subsidiary is in violation of any law, rule or regulation (including any law, rule or regulation relating to the protection of the environment or to employee health or safety), or in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default would be reasonably likely to result in a Material Adverse Effect.

(iii) No exchange control law or regulation materially restricts the Lessee from complying with its obligations in respect of the Obligations or otherwise under the Operative Documents.

(g) Federal Reserve Regulations. (i) Neither the Lessee nor any Subsidiary that will receive proceeds of any Property Costs paid hereunder is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(ii) No part of the proceeds of any Original Property Costs paid by the Lessor will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry Margin Stock or to refund indebtedness originally incurred for such purpose, or for any other purpose which entails a violation of, or which is inconsistent with, the provisions of the Margin Regulations.

(h) Investment Company Act; Public Utility Holding Company Act. The Lessee is not (i) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 (the "1940 Act") or (ii) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

(i) Full Disclosure; No Material Misstatements. None of the representations or warranties made by the Lessee in connection with this Participation Agreement as of the date

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such representations and warranties are made or deemed made, and no report, financial statement or other information furnished by or on behalf of the Lessee to the Lessor, any Investor or the Arranger pursuant to or in connection with this Participation Agreement or the other Operative Documents, contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or will be made, not misleading.

(j) Taxes. Each of the Lessee and each of the material Subsidiaries have filed or caused to be filed all federal, state and local tax returns which are required to be filed by them, and have paid or caused to be paid all Taxes shown to be due and payable on such returns or on any assessments received by any of them, other than any Taxes or assessments the validity of which is being contested in good faith by appropriate proceedings, and with respect to which appropriate accounting reserves have to the extent required by GAAP been set aside. No liens for Taxes have been imposed on or with respect to any Property.

(k) Employee Pension Benefit Plans. The present aggregate value of accumulated benefit obligations of all unfunded and underfunded pension plans of the Lessee and its Subsidiaries (based on those assumptions used for disclosure in corporate financial statements in accordance with GAAP) did not, as of December 31, 2003, exceed by more than \$645,000,000 the value of the assets of all such plans. Of such \$645,000,000, \$185,000,000 is primarily attributable to employee pension plans in countries where the funding of such obligations is not required or customary and \$101,000,000 relates primarily to domestic pension plans where funding is not permitted under current tax regulations. In these cases the Lessee has recorded book reserves to meet the obligations. Trust assets totaling approximately \$23,100,000 have been established to provide for certain of the foregoing domestic pension benefits, however, because of restrictions relating to bankruptcy or insolvency, such funds are not included in the funded amount of plans for purposes of GAAP.

(l) Information Delivered to Appraiser. All information heretofore furnished by the Lessee in writing to the Lessor, the Investors, the Arranger and any appraiser of any Property in connection with an Appraisal with respect to the intended use and operation of the Properties for purposes of or in connection with this Participation Agreement and the other Operative Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Lessee in writing to any such Person or to any such appraiser will be, complete and correct in all material respects taken as a whole.

(m) Name, Location, Etc. As of the Documentation Date, the Lessee's (i) exact name as such name appears in its certificate of formation is ITT Industries, Inc., (ii) jurisdiction of organization is the State of Indiana and (iii) chief executive office and principal place of business are located at 4 West Red Oak Lane, White Plains, NY 10604.

(n) Liens. The Lessor Mortgage with respect to the Subject Property creates, or upon its execution will create, a valid security interest in and mortgage lien on the Subject Property purported to be covered thereby in favor of the Lessor, and upon recordation of such Lessor Mortgage and the Lessor Financing Statements relating to the Subject Property, such security interest and mortgage lien will constitute first priority perfected security interests and mortgage liens, prior to all Liens other than Permitted Property Liens and no Property shall be encumbered by any Liens not identified in Title Abstracts approved in writing by the Lessor.

(o) Offer of Securities, etc. Neither the Lessee nor any Person authorized to act on their behalf has, directly or indirectly, (i) offered any interest in the Properties (or, if such sale or

offer would be integrated with the sale or offer of such interest in the Properties, any other interest similar thereto) for sale to any Person or (ii) solicited from any Person any offer to acquire any interest in the Properties (or any such other interest), in either case in violation of the Securities Act.

(p) Compliance with Law and Insurance Requirements. The contemplated use of each Subject Property by the Lessee and its agents, assignees, employees, lessees, sublessees, licensees, tenants and subtenants shall be in material compliance with all Applicable Law (including all zoning and land use laws and Environmental Laws) and Insurance Requirements, except for such Applicable Law as it shall be contesting in good faith by appropriate proceedings. There is no action, suit or proceeding (including any proceeding in condemnation or eminent domain or under any Environmental Law) pending or, to Lessee's actual knowledge, threatened with respect to it, or the Subject Property that materially adversely affects the title to, or the use, operation or value of, the Subject Property.

(q) Utilities, etc. All utilities required to adequately service the applicable Improvements for each Subject Property in accordance with its intended use will be available pursuant to adequate permits (including any that may be required under applicable Environmental Laws). No Casualty has had a Material Adverse Effect or a material adverse effect on the rights and remedies of the Lessor or any Investor under the Operative Documents, the ability of the Lessee to perform its obligations under the Operative Documents or the Fair Market Sales Value, utility, condition or residual value of any Subject Property. Each Subject Property has available all material services of public facilities and other utilities necessary for use and operation of such Property for its intended purpose, including adequate water and electricity. All utilities serving the Subject Property are located in, and access to such Property is provided by, either public rights-of-way abutting such Property or Appurtenant Rights. All material licenses, approvals, authorizations, consents, permits (including building, demolition and Environmental Permits, licenses, approvals, authorizations and consents), easements and rights-of-way, including proof and dedication, required for (x) the use, treatment, storage, transport, disposal or disposition of any Hazardous Material on, at, under or from the Subject Property during the construction of the Improvements thereon, and (y) construction of Modifications (if any) on each Subject Property have been obtained from the appropriate Governmental Authorities having jurisdiction or from private parties, as the case may be. The Lessee has obtained all appropriate Governmental Action, and has and will keep in full force and effect, all material operating permits, in each case to the extent necessary to allow for each Subject Property to be operated in accordance with its intended use.

(r) Deed. The Deed for each Subject Property that is or is to be a Leased Property is sufficient to convey to the Lessor good and marketable title to such Property (subject to any Permitted Property Liens).

(s) Insurance. The Lessee will, on or before the Acquisition Date, have obtained insurance coverage covering the Subject Property that meets the requirements set forth in Article XIII of the Master Lease, and such coverage shall be in full force and effect.

(t) Flood Hazard Areas. Except as otherwise identified on the applicable survey, plat or map with respect to the Subject Property delivered pursuant to Section 6.1(d), no portion of the Subject Property will be located within an area identified as a special flood hazardous area by the Federal Emergency Management Agency.

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(u) Title. The representations and warranties of the Lessee set forth in Section 13.5(a) are true and correct.

Section 8.2. Representations on the Acquisition Date and each Replacement Date. The Lessee represents and warrants to the other parties hereto as of the Acquisition Date and as of each Replacement Date as follows:

(a) Representations and Warranties. The Lessee's representations and warranties set forth in Section 8.1 are true and correct on and as of the Acquisition Date or applicable Replacement Date, as the case may be, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date.

(b) No Lease Default, etc. The Lessee is in compliance with its obligations under the Operative Documents and there exists no Lease Default or Lease Event of Default. No Lease Default or Lease Event of Default will occur as a result of, or after giving effect to, (i) in the case of a Subject Property that is a Mortgaged Property, the granting of the Liens under the Lessor Mortgages on the Acquisition Date or Replacement Date (as applicable) or (ii) in the case of a Subject Property that is a Leased Property, the purchase of such Leased Property on the Acquisition Date or the replacement of the applicable Property on the Replacement Date, as the case may be.

(c) Liens. The Lessee has not permitted any Liens to be placed against any Property other than Permitted Property Liens.

(d) Advance. The applicable conditions precedent to the closing date for the applicable acquisition or replacement of Property set forth in Article VI have been satisfied (to the extent required to be satisfied by the Lessee).

Section 8.3. Warranties and Representations of the Lessor. The Lessor hereby represents and warrants to the Lessee that:

(a) The Lessor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited liability company power and authority to execute and deliver, and to perform its obligations under, the Operative Documents to which it is a party.

(b) The Operative Documents to which it is, or will be, a party have been duly authorized by all requisite limited liability company action, have been duly executed and delivered by the Lessor, and constitute, and each other Operative Document to which Lessor is a party when executed and delivered by Lessor will constitute, the valid and binding obligations of the Lessor enforceable against the Lessor in accordance with the respective terms thereof, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Neither the execution and delivery of the Operative Documents, the consummation of the transactions contemplated thereby nor the fulfillment of or compliance with the provisions thereof will require consent, approval, authorization, filing, registration or

Participation Agreement

qualification under or conflict with or violate any Applicable Law that applies to the Lessor or any of its property, except as contemplated by the Operative Documents.

(d) The Lessor is not and will not be funding the Property Costs hereunder, and is not performing its obligations under the Operative Documents, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA, or "plan" (as defined in Section 4975(e)(1) of the Code).

(e) The Lessor is participating in the Transactions for its own account and not with a view toward redistribution; provided that disposition of its rights hereunder shall remain in its control and the foregoing shall not affect the ability of the Lessor to assign, transfer or sell participations in its rights in accordance with the Operative Documents.

(f) Lessor Liens. There are no Lessor Liens on any Property or any part thereof, and the execution, delivery and performance by the Lessor of the Operative Documents to which it is or will be a party will not subject any Property or any part thereof to any Lessor Liens.

Section 8.4. Representations of each Investor. Each Investor represents and warrants to the other parties hereto that:

(a) Source of Funds. Such Investor is not and will not be making its capital contributions to the Lessor under the Lessor LLC Agreement, and is not performing its obligations under the Operative Documents, with the assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA) which is subject to Title I of ERISA, or "plan" (as defined in Section 4975(e)(1) of the Code).

(b) Status. Such Investor is an Affiliate of a commercial bank, branch or agency of a foreign bank or other similar financial institution.

(c) Acquisition for Investment. Each Investor is participating in the Transactions for its own account and not with a view toward redistribution; provided that disposition of its rights hereunder shall remain in its control and the foregoing shall not affect the ability of any Investor to assign or sell participations in its rights in accordance with the Operative Documents.

(d) Lessor Liens. There are no Lessor Liens attributable to such Investor on any Property or any part thereof, and the execution, delivery and performance by such Investor of the Operative Documents to which it is or will be a party will not subject any Property or any part thereof to any Lessor Liens attributable to such Investor.

ARTICLE IX

PAYMENT OF CERTAIN EXPENSES

The Lessee agrees, for the benefit of the Arranger, the Lessor and each Investor, that:

Section 9.1. Transaction Expenses and Other Fees and Expenses. (a) The Lessee shall pay, or cause to be paid, from time to time all Transaction Expenses in respect of the transactions on the Documentation Date, the Acquisition Date, each Termination Date and each Replacement Date.

(b) The Lessee shall pay or cause to be paid when due the Fees.

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(c) The Lessee shall pay or cause to be paid, on demand, (i) all reasonable out-of-pocket expenses of the Lessor, the Lessor Administrator, each Investor and the Arranger (including reasonable attorneys' fees and legal expenses) incurred in connection with this Participation Agreement, the other Operative Documents and the transactions contemplated hereby and thereby, (ii) all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Lessor, the Lessor Administrator, each Investor and the Arranger in connection with any future amendments, supplements or waivers with respect to any of the Operative Documents, whether or not such amendments, supplements or waivers are ultimately entered into or given, (iii) all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Lessor, the Lessor Administrator, each Investor and the Arranger in connection with any purchase, termination or replacement of any Property by the Lessee or any other Person pursuant to the Master Lease and (iv) all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Lessor, the Lessor Administrator, any Investor or the Arranger in respect of (A) the enforcement or protection of any of their rights or remedies against the Lessee under any of the Operative Documents or (B) the negotiation of any restructuring or "work-out" with the Lessee, whether or not consummated, of any Obligations of the Lessee.

Section 9.2. Brokers' Fees and Stamp Taxes. The Lessee shall pay or cause to be paid any brokers' fees and any and all stamp, transfer and other similar taxes, fees and excise, if any, including any interest and penalties, which are payable in connection with the transactions contemplated by this Participation Agreement and the other Operative Documents.

Section 9.3. Lessor LLC Agreement and Related Obligations. The Lessee shall pay, without duplication of any other obligation of the Lessee to pay any such amount under the Operative Documents, before the due date thereof, all costs, expenses and other amounts required to be paid by the Lessor under the Lessor LLC Agreement or the Lessor Administration Agreement, or for which the Lessor is responsible under the Lessor LLC Agreement or the Lessor Administration Agreement, including (i) all direct costs and expenses related to the activities of the Lessor (other than the fees and expenses of counsel retained by each Shareholder with respect to the preparation and negotiation of the Lessor LLC Agreement), including the fees and expenses of The Corporation Trust Company, (ii) the nonrefundable administration fee payable to the Lessor Administrator during the period commencing on the Acquisition Date and ending on the Expiration Date in the amount of \$10,000 per annum (payable annually in advance) and (iii) the fees, costs and expenses of the U.S. Auditor (as defined in the Lessor LLC Agreement) in connection with the preparation of records, books and accounts for the Lessor. All amounts payable by the Lessee pursuant to this Section 9.3 shall be paid directly to the Account.

ARTICLE X

OTHER COVENANTS AND AGREEMENTS

Section 10.1. Affirmative Covenants of the Lessee. The Lessee hereby covenants and agrees with the Lessor, each Investor and the Arranger that so long as this Participation Agreement shall remain in effect or any portion of the Lease Balance or any other amounts payable hereunder or under the other Operative Documents shall be unpaid, unless the Lessor shall otherwise consent in writing, it will, and will cause each of the Lessee Subsidiaries to:

(a) Existence. Do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, except as expressly permitted under Section 10.2(a); provided, however, that nothing in this Section shall prevent the abandonment or termination of the existence, rights or franchises of any Subsidiary or any rights

Participation Agreement

or franchises of the Lessee if such abandonment or termination is in the best interests of the Lessee and is not disadvantageous in any material respect to the Lessor or the Investors.

(b) Business and Properties. Comply in all material respects with all applicable laws, rules, regulations and orders of any Governmental Authority (including any of the foregoing relating to the protection of the environment or to employee health and safety), whether now in effect or hereafter enacted; and at all times maintain and preserve all property material to the conduct of its business and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

(c) Financial Statements, Reports, etc.

(i) Furnish to the Lessor (whether submitted in hard copy or by making publicly available), within 120 days after the end of each fiscal year, its consolidated balance sheet and the related consolidated statements of income and cash flows showing its consolidated financial condition as of the close of such fiscal year and the consolidated results of its operations during such year, all audited by Deloitte & Touche or other independent certified public accountants of recognized national standing selected by the Lessee and accompanied by an opinion of such accountants to the effect that such consolidated financial statements fairly present its financial condition and results of operations on a consolidated basis in accordance with GAAP (it being agreed that the requirements of this paragraph may be satisfied by the delivery pursuant to paragraph (iv) below of an annual report on Form 10-K containing the foregoing);

(ii) Furnish to the Lessor (whether submitted in hard copy or by making publicly available), within 90 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheet and related consolidated statements of income, cash flow and stockholders' equity, showing its consolidated financial condition as of the close of such fiscal quarter and the consolidated results of its operations during such fiscal quarter and the then elapsed portion of the fiscal year, all certified by one of its Financial Officers as fairly presenting its financial condition and results of operations on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments (it being agreed that the requirements of this paragraph may be satisfied by the delivery pursuant to paragraph (iv) below of a quarterly report on Form 10-Q containing the foregoing);

(iii) Furnish to the Lessor, within 120 days after the end of each fiscal year and within 90 days after the end of each of the first three fiscal quarters of each fiscal year, a certificate of a Financial Officer certifying that, to the best of such Financial Officer's knowledge, no Lease Event of Default or Lease Default has occurred or, if such a Lease Event of Default or Lease Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(iv) Furnish to the Lessor (whether submitted in hard copy or by making publicly available), promptly after the same become publicly available, copies of all reports on forms 10-K, 10-Q and 8-K filed by it with the SEC, or any Governmental Authority succeeding to any of or all the functions of the SEC, or, in the case of the Lessee, copies of all reports distributed to its shareholders, as the case may be;

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(v) Furnish to the Lessor, promptly, from time to time, such other information as the Lessor or any Investor shall reasonably request; and

(vi) Furnish to the Lessor, within 120 days after the end of each fiscal year and within 90 days after the end of each of the first three fiscal quarters of each fiscal year, calculations of the financial test referred to in Section 10.2(d).

The requirements of clauses (i), (ii) and (iv) above may be satisfied by the posting of such documents on the Lessee's internet homepage located at www.itt.com or the SEC's homepage on the internet; provided, that such documents are in a format that is downloadable and printable.

(d) Insurance. Without limitation of the Lessee's obligations under Article XIII of the Master Lease, keep its insurable properties adequately insured at all times by financially sound and reputable insurers, and maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies similarly situated and in the same or similar businesses (it being understood that the Lessee and its Subsidiaries may self-insure to the extent customary with companies similarly situated and in the same or similar businesses).

(e) Obligations and Taxes. Pay and discharge promptly when due all taxes, assessments and governmental charges imposed upon it or upon its income or profits or in respect of its property, as well as all other material liabilities, in each case before the same shall become delinquent or in default and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside.

(f) Litigation and Other Notices. Give to the Lessor and each Investor prompt written notice of the following:

(i) the filing or commencement of, or any written threat or written notice of intention of any person to file or commence, any action, suit or proceeding which could reasonably be expected to result in a Material Adverse Effect; and

(ii) any change in any of the Ratings.

(g) Maintaining Records; Access to Properties and Inspections. Maintain financial records in accordance with GAAP and, upon reasonable notice, at all reasonable times, permit any authorized representative designated by the Lessor to visit and inspect the properties of the Lessee and of any material Lessee Subsidiary and to discuss the affairs, finances and condition of the Lessee and any material Lessee Subsidiary with a Financial Officer of the Lessee and such other officers as the Lessee shall deem appropriate.

(h) Use of Proceeds. Use the proceeds of the Property Costs paid by the Lessor only for purposes not inconsistent with the Lessee's representation set forth in Sections 8.1(b) and 8.1(g)(ii).

(i) Notice of Defaults. Promptly and in any event within fifteen (15) days after the occurrence of each Lease Default or Lease Event of Default continuing on the date of such statement, deliver to the Lessor and each Investor a statement of a Responsible Officer of the Lessee specifying the nature and extent of such Lease Default or Lease Event of Default and the action (if any) that is proposed to be taken with respect thereto.

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(j) Visitation and Inspection of the Properties. At any reasonable time and from time to time, the Lessee shall permit the Lessor, any Investor and any agents or representatives thereof to visit and inspect the Properties upon reasonable notice to the Lessee (except that no such notice will be required to be given during the existence and continuance of a Lease Event of Default); provided, however, that (x) no such visit or inspection shall include any "cleared areas" that require United States government security clearances unless the applicable agent or representative conducting the inspection has received such required security clearances and (y) any visit or inspection by an individual that is not a U.S. citizen or permanent resident will require notification of the Lessee's security office and will be limited to plant-approved public tour areas (the restrictions described in this proviso, collectively, the "DOD Restrictions"). Any visit to a Property pursuant to this Section 10.1(j) shall be at the sole risk and expense of the visiting party unless a Lease Event of Default has occurred and is continuing, in which case any such visit shall be at the sole expense of the Lessee.

(k) Compliance with ISRA. If ISRA is applicable, the Lessee shall take all actions, at its sole cost and expense, to maintain Compliance with ISRA with respect to the Clifton Property. "Compliance with ISRA" shall mean performance by the Lessee of any requirements imposed under ISRA as a result of the Transactions. The ISRA process shall be deemed completed upon the receipt by the Lessee of an NFA Letter, as defined by N.J.S.A. 13:I K-9(e); with respect to the ISRA proceeding related to the Transactions, and full satisfaction of any and all conditions or requirements established by NJDEP in such NFA Letter.

(l) Title Abstract for Clifton Property; Title Insurance for Properties.

(i) The Lessee will furnish to the Lessor, not later than ninety (90) days after the Closing Date, a new Title Abstract for the Clifton Property, which Title Abstract shall be dated down to a date after the Closing Date and shall identify no Liens (including any easements, covenants, leases, agreements or other items), claims or lawsuits affecting the Clifton Property other than Permitted Property Liens.

(ii) If the Lessee's senior unsecured debt rating falls below "BBB - " (in the case of S&P) or below "Baa3" (in the case of Moody's), or if either Moody's or S&P shall cease to provide a rating for the Lessee's senior unsecured debt, then, in any such case, the Lessee shall (x) notify the Lessor of such downgrade or such cessation immediately and in any event no later than five (5) Business Days after the occurrence thereof and (y) upon the request of the Lessor, obtain a Title Insurance Policy within fifteen (15) Business Days after such request with respect to each Property specified by the Lessor that is then subject to the Master Lease (as a Leased Property or as a Mortgaged Property) and had a Go Dark Value in excess of \$7,000,000. Each Title Insurance Policy required under this Section 10.1(l) (ii) shall be in an amount not less than the then outstanding Termination Base Amount of each applicable Property.

Section 10.2. Negative Covenants. The Lessee covenants and agrees with the Lessor and each Investor that so long as this Participation Agreement shall remain in effect or any portion of the Lease Balance or any other amounts payable hereunder or under the other Operative Documents shall be unpaid, unless the Lessor shall otherwise consent in writing, it will not, and will not cause or permit any of the Lessee Subsidiaries to:

(a) Consolidations, Mergers, and Sales of Assets. Consolidate or merge with or into any other person or sell, lease or transfer all or substantially all of its property and assets, or agree to do any of the foregoing, unless (i) no Lease Default or Lease Event of Default has occurred and is continuing or

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would have occurred immediately after giving effect thereto, and (ii) in the case of a consolidation or merger involving the Lessee and in which the Lessee is not the surviving corporation or, in the case where the Lessee sells, leases or transfers all or substantially all of its property and assets, the surviving corporation or person purchasing, leasing or receiving such property and assets is organized in the United States of America or a state thereof and agrees to be bound by the terms and provisions applicable to the Lessee hereunder.

(b) Limitations on Liens. Without limitation of the Lessee's agreements set forth in Section 11.1 of the Master Lease, create, suffer to be created, or assume (directly or indirectly) any mortgage, pledge or other lien upon any Principal Property, or permit any Restricted Subsidiary to create, suffer to be created, or assume (directly or indirectly) any mortgage, pledge or other lien upon any Principal Property; provided, however, that this covenant shall not apply to any of the following:

(i) any mortgage, pledge or other lien on any Principal Property hereafter acquired, constructed or improved by the Lessee or any Restricted Subsidiary which is created or assumed to secure or provide for the payment of any part of the purchase price of such property or the cost of such construction or improvement, or any mortgage, pledge or other lien on any Principal Property existing at the time of acquisition thereof; provided, however, that the mortgage, pledge or other lien shall not extend to any Principal Property theretofore owned by the Lessee or any Restricted Subsidiary;

(ii) any mortgage, pledge or other lien on any Principal Property existing on the date of this Participation Agreement as described in Schedule 10.2(b);

(iii) any mortgage, pledge or other lien existing upon any property of a company which is merged with or into or is consolidated into, or substantially all the assets or shares of capital stock of which are acquired by, the Lessee or a Restricted Subsidiary, at the time of such merger, consolidation or acquisition; provided that such mortgage, pledge or other lien does not extend to any other Principal Property, other than improvements to the property subject to such mortgage, pledge or other lien;

(iv) any pledge or deposit to secure payment of workers' compensation or insurance premiums, or in connection with tenders, bids, contracts (other than contracts for the payment of money) or leases;

(v) any pledge of, or other lien upon, any assets as security for the payment of any tax, assessment or other similar charge by any Governmental Authority or public body, or as security required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or right;

(vi) any pledge or lien necessary to secure a stay of any legal or equitable process in a proceeding to enforce a liability or obligation contested in good faith by the Lessee or a Restricted Subsidiary or required in connection with the institution by the Lessee or a Restricted Subsidiary of any legal or equitable proceeding to enforce a right or to obtain a remedy claimed in good faith by the Lessee or a Restricted Subsidiary, or required in connection with any order or decree in any such proceeding or in connection with any contest of any tax or other governmental charge; or the making of any deposit with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation in order to entitle the Lessee or a Restricted Subsidiary to maintain self-insurance or to participate in any fund in connection with workers' compensation, unemployment insurance, old age pensions or

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other social security or to share in any provisions or other benefits provided for companies participating in any such arrangement or for liability on insurance of credits or other risks;

(vii) any mechanics', carriers', workmen's, repairmen's, or other like liens, if arising in the ordinary course of business, in respect of obligations which are not overdue or liability for which is being contested in good faith by appropriate proceedings;

(viii) any lien or encumbrance on property in favor of the United States of America, or of any agency, department or other instrumentality thereof, to secure partial, progress or advance payments pursuant to the provisions of any contract;

(ix) any mortgage, pledge or other lien securing any indebtedness incurred in any manner to finance or recover the cost to the Lessee or any Restricted Subsidiary of any physical property, real or personal, which prior to or simultaneously with the creation of such indebtedness shall have been leased by the Lessee or a Restricted Subsidiary to the United States of America or a department or agency thereof at an aggregate rental, payable during that portion of the initial term of such lease (without giving effect to any options of renewal or extension) which shall be unexpired at the date of the creation of such indebtedness, sufficient (taken together with any amounts required to be paid by the lessee to the lessor upon any termination of such lease) to pay in full at the stated maturity date or dates thereof the principal of and the interest on such indebtedness;

(x) any mortgage, pledge or other lien securing indebtedness of a Restricted Subsidiary to the Lessee or a Restricted Subsidiary, provided in the case of any sale or other disposition of such indebtedness by the Lessee or such Restricted Subsidiary, such sale or other disposition shall be deemed to constitute the creation of another mortgage, pledge or other lien not permitted by this clause (x);

(xi) any mortgage, pledge or other lien affecting property of the Lessee or any Restricted Subsidiary securing indebtedness of the United States of America or a State thereof (or any instrumentality or agency of either thereof) issued in connection with a pollution control or abatement program required in the opinion of the Lessee to meet environmental criteria with respect to manufacturing or processing operations of the Lessee or any Restricted Subsidiary and the proceeds of which indebtedness have financed the cost of acquisition of such program;

(xii) the renewal, extension, replacement or refunding of any mortgage, pledge, lien, deposit, charge or other encumbrance permitted by the foregoing provisions of this covenant upon the same property therefore subject thereto, or the renewal, extension, replacement or refunding of the amount secured thereby, provided that in each case such amount outstanding at that time shall not be increased;

(xiii) any other mortgage, pledge or other lien, provided that immediately after the creation or assumption of such mortgage, pledge or other lien, the total of (x) the aggregate principal amount of indebtedness of the Lessee and all Restricted Subsidiaries secured by all mortgages, pledges and other liens created or assumed under the provisions of this clause (xiii), plus (y) the aggregate amount of Capitalized Lease-Back Obligations of the Lessee and Restricted Subsidiaries under the entire unexpired terms of all leases entered into in connection with sale and lease-back transactions which would have been precluded by the provisions of Section 10.2(c) but for the satisfaction of the condition set forth in clause (ii) thereof, shall not exceed an amount equal to 5% of Consolidated Net Tangible Assets; or

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(xiv) any security interest or lien related to cash collateralization of L/C Exposures (as defined in the Existing Credit Agreement) pursuant to Article VI of the Existing Credit Agreement.

The lease of any property by the Lessee or a Restricted Subsidiary and rental obligations with respect thereto (whether or not arising out of a sale and lease-back of properties and whether or not in accordance with GAAP such property is carried as an asset and such rental obligations are carried as indebtedness on the Lessee's or a Restricted Subsidiary's balance sheet) shall not in any event be deemed to be the creation of a mortgage, pledge or other lien.

(c) Limitations on Sale and Leaseback Transactions. In the case of the Lessee or any Restricted Subsidiary, enter into any arrangement with any person providing for the leasing by the Lessee or any Restricted Subsidiary of any Principal Property (except for temporary leases for a term of not more than three years and except for leases between the Lessee and a Restricted Subsidiary or between Restricted Subsidiaries), which property has been or is to be sold or transferred by the Lessee or such Restricted Subsidiary to such person more than 120 days after the acquisition thereof or the completion of construction and commencement of full operation thereof, unless either (i) the Lessee shall apply an amount equal to the greater of the Fair Value of such property or the net proceeds of such sale, within 120 days of the effective date of any such arrangement, to the retirement (other than any mandatory retirement or by way of payment at maturity) of Indebtedness or to the acquisition, construction, development or improvement of properties, facilities or equipment used for operating purposes which are, or upon such acquisition, construction, development or improvement will be, a Principal Property or a part thereof; or (ii) at the time of entering into such arrangement, such Principal Property could have been subjected to a mortgage, pledge or other lien securing indebtedness of the Lessee or a Restricted Subsidiary in a principal amount equal to the Capitalized Lease-Back Obligations with respect to such Principal Property under paragraph (xiii) of Section 10.2(b).

(d) Consolidated EBITDA to Consolidated Interest Expense. Permit the ratio of (i) Consolidated EBITDA to (ii) Consolidated Interest Expense, each as calculated for any period of the four prior consecutive fiscal quarters, to be less than 3.75 to 1.0.

Section 10.3. Covenants of the Lessor. Each of the Lessor and each Investor hereby severally agrees that, until payment in full of the Lease Balance or such other time as the Master Lease shall have terminated with respect to all of the Properties:

(a) it will not create, incur, assume or suffer to exist any Lessor Lien attributable to it upon any Property, or upon the Master Lease, the Lease Supplements or any other Operative Document; and

(b) it will, at its own cost and expense, promptly take such action as may be necessary duly to discharge, or to cause to be discharged, all Lessor Liens on the Properties and its rights under the Operative Documents attributable to it; provided that such Person may contest any such Lessor Lien in good faith and by appropriate proceedings so long as such contest shall not involve (x) any injunction of, or interference with, the Lessee's use, possession or operation of any Property, (y) any risk of criminal liability being imposed on the Lessee or (z) any material risk of foreclosure, forfeiture or loss of any Property or any material part thereof.

Section 10.4. Release of Property. If the Lessee shall at any time (i) purchase any affected Property pursuant to Section 15.1 of the Master Lease, (ii) exercise its Termination Option with respect to any Property, (iii) exercise its Replacement Option with respect to any Property or (iv) purchase (or cause to be purchased) all of the Leased Properties in accordance with the Master Lease, and in each case, the

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Lessee satisfies each of the obligations and conditions set forth in the Master Lease for the release of a Property therefrom, then, upon payment by the Lessee of all amounts required to be paid by the Lessee in connection therewith and the application of such payments pursuant to Article VII, including all amounts due and owing pursuant to Article XIII of this Participation Agreement, the applicable purchased Property, Terminated Property or replaced Property (as the case may be) shall be released from the Liens created by the Operative Documents (including any Liens created by the Lease Supplement or other Lessor Mortgage covering such Property), and the Lessor and each Investor shall, at the sole cost and expense of the Lessee, execute and deliver such instruments as the Lessee may reasonably request to effectuate and evidence such releases.

ARTICLE XI

CERTAIN AGREEMENTS

Section 11.1. Certain Restrictions on Access. The Lessor and each Investor specifically acknowledge that (a) certain portions of the Properties may be subject to (i) United States government export control regulations and (ii) the National Industrial Security Policy Operating Manual procedures and (b) notwithstanding any legal right of the Lessor and the Investors, access to the Properties shall be limited as set forth in Section 10.1(j).

Section 11.2. Permitted Tax Disclosure. Notwithstanding anything herein to the contrary, any party to this Participation Agreement (and any employee, representative or other agent of any party to this Participation Agreement) may disclose to any and all persons, without limitation of any kind: (a) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by the Operative Documents and any facts that may be relevant to understanding the United States federal or state income tax treatment of such transactions ("tax treatment"); and (b) all materials of any kind (including opinions or other tax analyses) that are provided to such party (or any employee, representative or other agent of such party) relating to such tax treatment and tax structure. However, such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

ARTICLE XII

TRANSFERS OF INVESTORS' AND LESSOR'S INTERESTS

Section 12.1. Assignments. (a) Each Investor may, without the prior written consent of the Lessee, assign or otherwise transfer all or a portion of its Lessor Interest to one or more transferees in accordance with Article X of the Lessor LLC Agreement; provided that the name and address of the transferee shall be provided to the Lessee at the time of the transfer for recordation in its books and records. Upon the effectiveness of any such assignment or other transfer, the transferee of such Lessor Interest shall become an "Investor" for all purposes of the Operative Documents and, to the extent of such transfer, the assigning Investor shall be relieved of its obligations hereunder to the extent of the Lessor Interest being assigned or otherwise transferred.

(b) The Lessor may, with the prior written consent of the Lessee (which consent shall not be unreasonably withheld or delayed), assign all of its rights and obligations hereunder to any Person pursuant to an assignment agreement in form and substance reasonably satisfactory to the Lessee; provided that the name and address of such Person shall be provided to the Lessee at the time of the transfer for recordation in its books and records. Any assignment hereunder shall be effective on the

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effective date of the applicable assignment agreement. The Lessor shall make such filings and give such notices as shall be necessary to evidence such assignment in all public offices where filings have been made under the Operative Documents, and the Lessee shall cooperate with the Lessor in effecting such filings and notices. Upon the effectiveness of any such assignment, the assignee shall become the "Lessor" for all purposes of the Operative Documents and the assignor shall be relieved of its obligations hereunder. The Lessee shall not be responsible for any costs or expenses incurred in connection with an assignment of all or any of the Lessor's rights and obligations pursuant to this Section 12.1, and the Lessor (or its assignee) shall pay all such costs and expenses, including (x) any and all Taxes and fees incurred in recording, registering or filing any document or instrument, or giving any notices in connection with any such assignment and (y) all reasonable costs and expenses (including legal expenses) incurred by the Lessee in connection with such assignment. In connection with any assignment pursuant to this Section 12.1(b), the Lessee will, promptly upon the request of the Lessor, execute and deliver an acknowledgment of such assignment and the succession of the transferee to all rights and obligations of the transferor Lessor under the Operative Documents in such form as the transferee may reasonably request.

Section 12.2. Participations. Each Investor may sell, transfer, grant or assign participations in all or any part of such Investor's interests and obligations hereunder; provided that (i) such selling Investor shall remain an "Investor", for all purposes under the Operative Documents (such selling Investor's obligations under the Operative Documents remaining unchanged) and the sub-participant shall not constitute an Investor, (ii) no such sub-participant shall have, or be granted, rights to approve any amendment or waiver relating to the Operative Documents except to the extent any such amendment or waiver would (A) reduce the principal of or rate of interest or fees in respect of any investment in which the sub-participant is participating, (B) postpone the date fixed for any payment of principal (including extension of the Expiration Date or the date of any mandatory prepayment), interest or fees in which the sub-participant is participating, or (C) release all or substantially all of the collateral or guarantees (except as expressly provided in the Operative Documents) supporting any of the investment in which the sub-participant is participating, (iii) sub-sub-participations by the sub-participant (except to an Affiliate, parent company or Affiliate of a parent company of the sub-participant) shall be prohibited and (iv) written notice of each such participation is given to the Lessee and the name and address of the sub-participant shall be provided to the Lessee at the time of the participation for recordation in its books and records. In the case of any such participation, the sub-participant shall not have any rights under the Operative Documents (the sub-participant's rights against the selling Investor in respect of such participation to be those set forth in the participation agreement with such Investor creating such participation) and all amounts payable by the Lessee hereunder shall be determined as if such Investor had not sold such participation; provided, however, that such sub-participant shall be entitled to receive additional amounts under Sections 13.7, 13.8 and 13.9 on the same basis as if it were an Investor (but only to the extent that the Investor would have been entitled to receive such additional amounts with respect to the interest participated had it not sold such participation). The Lessee shall not be responsible for any costs or expenses incurred by any Investor in connection with a sale, transfer, grant or assignment of participations pursuant to this Section 12.2.

Section 12.3. Withholding Taxes; Pledge Under Regulation A. (a) If the assignee of any Investor pursuant to Section 12.1 or the subparticipant of any Investor pursuant to Section 12.2 is (i) not a citizen or resident of the United States of America, (ii) not a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or (iii) not an estate or trust that is subject to federal income taxation regardless of the source of its income (each, a "Non-U.S. Transferee"), then such Non-U.S. Transferee shall deliver upon the request of the Lessee (or cause to be delivered) to each of the Lessor and the Lessee one of the following properly completed and signed U.S. tax forms: (i) an IRS form W-8ECI (or successor applicable form) or (ii) an IRS form W-8BEN (or successor applicable form) certifying its foreign status and, if applicable, claiming

an exemption under a U.S. tax treaty for all income payable to such Non-U.S. Transferee under the Operative Documents. If a Non-U.S. Transferee fails, upon request by the Lessee, to deliver one of the above valid forms, the Lessee may (notwithstanding Section 13.6) withhold the applicable amount of U.S. income tax on payments it makes to (or to the Lessor on behalf of) the Non-U.S. Transferee, and the Non-U.S. Transferee shall not be entitled to indemnification under Section 13.4 for the U.S. withholding taxes so imposed. If the assignee of any Investor pursuant to Section 12.1 or the subparticipant of any Investor pursuant to Section 12.2 is not a Non-U.S. Transferee (each, a "U.S. Transferee"), then such U.S. Transferee shall deliver (or cause to be delivered) to each of the Lessor and the Lessee a properly completed and signed U.S. tax form W-9.

(a) The Lessor and each Investor may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Article XII, disclose to such assignee or participant or proposed assignee or participant, any information relating to the Lessee or the transactions under the Operative Documents, subject to appropriate confidentiality requirements relating to such information.

(b) Anything in this Article XII to the contrary notwithstanding, any Investor may without the consent of Lessee or the Lessor, assign and pledge all or any portion of its investment in the transactions contemplated hereby to any Federal Reserve Bank, the United States Treasury or to any other financial institution as collateral security pursuant to Regulation A of the F.R.S. Board and any operating circular issued by the Federal Reserve System and/or the Federal Reserve Bank or otherwise; provided, any payment by the Lessee for the benefit of the assigning or pledging Investor shall be deemed to satisfy the Lessee's obligations with respect thereto.

ARTICLE XIII

INDEMNIFICATION

Section 13.1. General Indemnification. (a) The Lessee agrees to assume liability for, and to indemnify, protect, defend, save and keep harmless each Indemnitee, on an After Tax Basis, from and against any and all Claims that may be imposed on, incurred by or asserted against such Indemnitee (whether because of action or omission by such Indemnitee or otherwise, except as set forth in Section 13.1(b) below), whether or not such Indemnitee shall also be indemnified as to any such Claim by any other Person and whether or not such Claim arises or accrues prior to the Documentation Date or after the Expiration Date, in any way relating to or arising out of the transactions contemplated by this Participation Agreement and the other Operative Documents, including:

(i) any of the Operative Documents and any amendment, modification or waiver in respect thereof;

(ii) the Properties or any part thereof or interest therein;

(iii) the purchase, design, construction, preparation, installation, inspection, delivery, nondelivery, acceptance, rejection, ownership, management, possession, operation, rental, lease, sublease, repossession, maintenance, repair, alteration, modification, addition or substitution, storage, transfer of title, redelivery, use, financing, refinancing, disposition, operation, condition, sale (including any sale pursuant to Section 16.2(e) or 16.2(g) of the Master Lease or any sale, purchase or termination pursuant to Article XV, XVIII or XIX of the Master Lease), return or other disposition of all or any part or any interest in the Properties or the imposition of any Lien thereon, including: (1) Claims or penalties arising from any violation of law or in tort (on the basis of strict liability or otherwise), (2) latent or other defects, whether or not discoverable, (3)

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any Claim based upon a violation or alleged violation of the terms of any restriction, easement, condition or covenant or other matter affecting title to any Property, (4) the making of any Modifications in violation of any standards imposed by any insurance policies required to be maintained by Lessee or Lessee pursuant to the Lease which are in effect at any time with respect to any Property or any part thereof, (5) any Claim for patent, trademark or copyright infringement with respect to any Property, and (6) Claims arising from any public improvements with respect to any Property resulting in any change or special assessments being levied against any Property or any plans to widen, modify or realign any street or highway adjacent to any Property, or any Claim for utility "tap-in" fees;

(iv) the breach or, to the extent a Claim actually arises as a result thereof, the alleged breach, by the Lessee of any covenant, representation or warranty made by it in any Operative Document or any certificate required to be delivered by it by any Operative Document;

(v) the retaining or employment of any broker, finder or financial advisor (other than the Arranger) by the Lessee to act on its behalf in connection with this Participation Agreement or any other Operative Document;

(vi) the existence of any Lien on or with respect to any Property, any Improvements, any Basic Rent or Supplemental Rent, title thereto, or any interest therein including any Liens which arise out of the possession, use, occupancy, construction, repair or rebuilding of any Property or by reason of labor or materials furnished or claimed to have been furnished to the Lessee, or any of its contractors or agents or by reason of the financing of any personalty or equipment purchased or leased by the Lessee or Modifications constructed by the Lessee;

(vii) any ground lease, sublease or any other lease or arrangement (including any structure involving a local tax abatement structure or acquisition of equity interests in entities which directly or indirectly own a Property) pursuant to which the Lessor acquires its interest in any Property; and

(viii) any failure by the Lessee to pay all amounts of Rent as and when the same become due, including any Claims incurred by the Lessor in connection with any draw made by it on an overdraft facility for the purpose of paying amounts owing to any other Person.

(b) Notwithstanding the terms of clause (a) of this Section 13.1, the Lessee shall not be required to indemnify any Indemnitee under this Section 13.1 for any Claim to the extent arising or resulting from (1) the willful misconduct or gross negligence of such Indemnitee (it being understood that the Lessee shall be required to indemnify an Indemnitee even if the ordinary (but not gross) negligence of such Indemnitee caused or contributed to such Claim), (2) a breach by such Indemnitee of any agreement entered into in connection with the assignment or participation of any interest of such Indemnitee under the Operative Documents, (3) acts or events occurring in respect of any Property in the period after the Lessee shall have returned such Property to the Lessor in full compliance with all requirements of the Master Lease to the extent not resulting from any act or event otherwise covered by this indemnity that occurred during the period that the Lessee leased such Property, (4) the failure of such Indemnitee to comply with laws applicable to banks or their affiliates generally or the failure of such Indemnitee to file any notice, report, filing or other document required by any Governmental Authority regulating banks or their affiliates in connection with such Indemnitee's execution of, and participation in the transactions contemplated by, the Operative Documents, (5) Taxes or Impositions (it being understood and agreed by the parties hereto that all Claims relating to Taxes or Impositions shall be governed solely by the provisions of Section 13.4) or (6) as to the Lessor, the failure of the Lessor to distribute in accordance with this Participation Agreement and the Lessor LLC Agreement (as applicable) any amounts received

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and distributable by it thereunder so long as such amounts were received in accordance with the Operative Documents. It is expressly understood and agreed that the indemnity provided for herein shall survive the expiration or termination of and shall be separate and independent from any remedy under the Lease or any other Operative Document.

Section 13.2. Environmental Indemnity. Without limitation of the other provisions of this Article XIII, the Lessee hereby agrees (at all times, whether or not the Lease Term shall have commenced) to indemnify, hold harmless and defend each Indemnitee from and against any and all Claims (including Governmental Authority Claims and third party Claims for personal injury or real or personal property damage), losses (including, to the extent the Termination Base Amount therefor has not been fully paid, any loss of value of the Property related thereto), damages (including any consequential damages), liabilities, fines, penalties, charges, administrative and judicial proceedings (including informal proceedings) and orders, judgments, Remedial Action, requirements, enforcement actions of any kind, and all reasonable and documented costs and expenses incurred in connection therewith (including reasonable and documented attorneys' and/or paralegals' fees and expenses), including all costs incurred in connection with any investigation or monitoring of site conditions or any clean-up, remedial, removal or restoration work by any federal, state or local Governmental Authority, in any way relating to or arising in whole or in part, out of (or alleged to in any way relate to or arise in whole or in part out of):

(a) the presence on or under any Property of any Hazardous Materials, or any Releases of any Hazardous Materials on, under, from or onto any Property;

(b) any activity, including construction, carried on or undertaken on or off any Property, and whether by the Lessee or any predecessor in title or any employees, agents, contractors or subcontractors of the Lessee or any predecessor in title, or any other Persons (including such Indemnitee), in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Materials that at any time are located or present on or under or that at any time migrate, flow, percolate, diffuse or in any way move onto or under any Property;

(c) loss of or damage to any property or the environment (including clean-up costs, response costs, remediation and removal costs, costs of corrective action, costs of financial assurance, fines and penalties and natural resource damages), or death or injury to any Person, and all expenses associated with the protection of wildlife, aquatic species, vegetation, flora and fauna, and any mitigative action required by or under Environmental Laws arising from any Property or related thereto;

(d) any Claim concerning lack of compliance with Environmental Laws at any Property, or any act or omission causing an Environmental Violation that requires remediation or would allow any Governmental Authority to record a Lien on the land records of any Property; or

(e) any residual contamination on or under any Land, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials on or relating to any Land, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances,

provided, however, that the Lessee shall not be required to indemnify any Indemnitee under this Section 13.2 for (i) any Claim to the extent resulting from the willful misconduct or gross negligence of such Indemnitee (it being understood that the Lessee shall be required to indemnify an Indemnitee even if the ordinary (but not gross) negligence of such Indemnitee caused or contributed to such Claim) or

(ii) any Claim to the extent attributable solely to acts, circumstances or events occurring in the period after the Lessee shall have returned all of the Leased Properties to the Lessor in full compliance with the provisions of the Operative Documents to the extent not resulting from any act or event otherwise covered by this indemnity that occurred during the period that the Lessee leased the Leased Properties. It is expressly understood and agreed that the indemnity provided for herein shall survive the expiration or termination of and shall be separate and independent from any remedy under the Lease or any other Operative Document.

Section 13.3. Proceedings in Respect of Claims. In case any action, suit or proceeding shall be brought against any Indemnitee in respect of Claims indemnifiable under Sections 13.1 or 13.2, such Indemnitee shall promptly notify the Lessee of the commencement thereof, and the Lessee shall be entitled, at the Lessee's expense, to participate in, and, to the extent that the Lessee desires to, assume and control the defense thereof; provided, however, that if the Lessee shall have exercised its rights to control the defense of such Claim to the exclusion of the applicable Indemnitee, the Lessee shall have acknowledged in writing its obligation to fully indemnify such Indemnitee in respect of such action, suit or proceeding, and the Lessee shall keep such Indemnitee fully apprised of the status of such action, suit or proceeding and shall provide such Indemnitee with all information with respect to such action, suit or proceeding as such Indemnitee shall reasonably request, and provided, further, that the Lessee shall not be entitled to assume and control the defense of any such action, suit or proceeding if and to the extent that, (A) in the reasonable opinion of such Indemnitee's counsel, (x) such action, suit or proceeding involves any risk of imposition of criminal liability or will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Property Lien) on the Properties or any part thereof or any interference with the payment of Rent unless, in the case of civil liability only, the Lessee shall have posted a bond or other security reasonably satisfactory to the relevant Indemnitees in respect of such risk or (y) the control of such action, suit or proceeding would involve an actual or potential conflict of interest, (B) such proceeding involves Claims not fully indemnified by the Lessee that the Lessee and the Indemnitee have been unable to sever from the indemnified claim(s), or (C) a Lease Event of Default has occurred and is continuing. The Indemnitee will join in the Lessee's efforts to sever such action. In the event that an Indemnitee has assumed control of any such proceeding, it shall keep the Lessee fully apprised of the status of such action, suit or proceeding and shall provide the Lessee with all information with respect to such action, suit or proceeding as the Lessee may reasonably request. The Indemnitee may participate at its own expense and with its own counsel in any proceeding conducted by the Lessee in accordance with the foregoing. The Lessee shall not enter into any settlement or other compromise with respect to any Claim which is entitled to be indemnified under Section 13.1 or 13.2 without prior written consent of the Indemnitee, which consent shall not be unreasonably withheld in the case of a money settlement not involving an admission of liability of such Indemnitee.

Each Indemnitee shall at the expense of the Lessee supply the Lessee with such information and documents reasonably requested by the Lessee as are necessary or advisable for the Lessee to participate in any action, suit or proceeding to the extent permitted by Section 13.1 or 13.2. Unless a Lease Event of Default shall have occurred and be continuing, no Indemnitee shall enter into any settlement or other compromise with respect to any Claim that is entitled to be indemnified under Section 13.1 or 13.2 without the prior written consent of the Lessee, unless such Indemnitee waives its rights to be indemnified under Section 13.1 or 13.2, as the case may be, with respect to such Claim.

Upon payment in full of any Claim by the Lessee pursuant to Section 13.1 or 13.2 to or on behalf of an Indemnitee, the Lessee, without any further action, shall be subrogated to any and all claims that such Indemnitee may have relating thereto (other than claims in respect of insurance policies maintained by such Indemnitee at its own expense), and such Indemnitee shall execute such instruments of assignment and conveyance, evidence of claims and payment and such other documents, instruments and agreements as may be necessary to preserve any such claims and otherwise cooperate with the Lessee and

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give such further assurances as are necessary or advisable to enable the Lessee vigorously to pursue such claims.

Any amount payable to an Indemnatee pursuant to Section 13.1 or 13.2 shall be paid to such Indemnatee promptly upon receipt of a written demand therefor from such Indemnatee, accompanied by a written statement describing in reasonable detail the basis for such indemnity and the computation of the amount so payable.

Section 13.4. General Tax Indemnity.

(a) Indemnification. Without limitation of the rights of any Tax Indemnatee under any other indemnification provision of this Article XIII, the Lessee shall pay and assume liability for, and does hereby agree to indemnify, protect and defend each Property and all Tax Indemnitees, and hold them harmless against, all Impositions on an After Tax Basis. The determination of all Impositions to be paid or indemnified against by the Lessee on an After Tax Basis shall be made (in good faith) by the Tax Indemnatee. Such determination shall state with reasonable clarity and detail the basis for such determination and shall, absent manifest error, be final and conclusive and binding on the Lessee.

(b) Contests. If any claim shall be made against any Tax Indemnatee or if any proceeding shall be commenced against any Tax Indemnatee (including a written notice of such proceeding) for any Imposition as to which the Lessee may have an indemnity obligation pursuant to this Section 13.4, or if any Tax Indemnatee shall determine that any Imposition to which the Lessee may have an indemnity obligation pursuant to this Section 13.4 may be payable, such Tax Indemnatee shall promptly (and in any event, within thirty (30) days) notify the Lessee in writing (provided that failure to so notify the Lessee within thirty (30) days shall not alter such Tax Indemnatee's rights under this Section 13.4 except to the extent such failure precludes the ability to conduct a contest of the applicable Impositions) and, so long as no Lease Default or Lease Event of Default has occurred and is continuing, shall not take any action with respect to such claim, proceeding or Imposition without the written consent of the Lessee (such consent not to be unreasonably withheld or unreasonably delayed) for thirty (30) days after the receipt of such notice by the Lessee; provided, however, that in the case of any such claim or proceeding, if such Tax Indemnatee shall be required by Applicable Law to take action prior to the end of such thirty (30) day period, such Tax Indemnatee shall, in such notice to the Lessee, so inform the Lessee and such Tax Indemnatee shall not take any action with respect to such claim, proceeding or Imposition without the consent of the Lessee (such consent not to be unreasonably withheld or unreasonably delayed) for 10 days after the receipt of such notice by the Lessee unless such Tax Indemnatee shall be required by Applicable Law to take action prior to the end of such ten (10) day period, provided, further, however, that the failure of the Tax Indemnatee to give notice referred to in this sentence shall not diminish Lessee's obligations hereunder except to the extent that such failure precludes Lessee from contesting such claim.

The Lessee shall be entitled for a period of thirty (30) days from receipt of such notice from such Tax Indemnatee (or such shorter period as such Tax Indemnatee has notified the Lessee is required by Applicable Law for such Tax Indemnatee to commence such contest), to request in writing that such Tax Indemnatee contest the Imposition, at the Lessee's sole expense. If (x) such contest can be pursued in the name of the Lessee and independently from any other proceeding involving a Tax liability of such Tax Indemnatee for which the Lessee has not agreed to indemnify such Tax Indemnatee, (y) such contest must be pursued in the name of such Tax Indemnatee, but can be pursued independently from any other proceeding involving a Tax liability of such Tax Indemnatee for which the Lessee has not agreed to indemnify such Tax Indemnatee or (z) such Tax Indemnatee so requests, then the Lessee shall be permitted to control the contest of such claim, provided that in the case of any such contest, if such Tax Indemnatee reasonably determines that such contest by the Lessee could have an adverse impact on the business or operations of such Tax Indemnatee and provides a written explanation to the Lessee of such

determination, such Tax Indemnitee may elect to control or reassert control of the contest. In all other claims relating to Impositions requested to be contested by the Lessee, such Tax Indemnitee shall control the contest of such claim, acting through counsel reasonably acceptable to the Lessee. Notwithstanding anything to the contrary contained herein, in no event shall the Lessee be permitted to pursue or continue any contest (or such Tax Indemnitee be required to pursue or continue any contest) of any Imposition or claim thereof through any action, suit or proceeding (A) if such Tax Indemnitee provides the Lessee with a legal opinion of independent counsel reasonably acceptable to the Lessee that such action, suit or proceeding involves a risk of imposition of criminal liability or could involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Property Lien) on any Property or any part thereof or any interference with the payment of Rent unless, with respect to civil liability only, the Lessee shall have posted a bond or other security reasonably satisfactory to the relevant Tax Indemnitee in respect of such risk, (B) if any Lease Default or Lease Event of Default has occurred and is continuing, (C) unless the Lessee shall have agreed to pay and shall pay to such Tax Indemnitee on demand and on an After-Tax Basis all reasonable out-of-pocket costs, losses and expenses that such Tax Indemnitee may incur in connection with contesting such Imposition or claim thereof, including all reasonable legal, accounting and investigatory fees and disbursements as well as the Impositions which are the subject of such contest to the extent the contest is unsuccessful, or (D) if such contest shall involve the payment of a Tax prior to the contest, unless the Lessee shall provide to such Tax Indemnitee an interest-free advance in an amount equal to, on an After Tax Basis, the Imposition that the Tax Indemnitee is so required to pay or (E) unless prior to commencing any contest the Lessee shall have acknowledged its liability for the Imposition (if and to the extent that the Tax Indemnitee or Lessee, as the case may be, shall not prevail in the contest in respect of the Imposition). In addition, for Tax Indemnitee controlled contests and claims contested in the name of a Tax Indemnitee, no contest of any Imposition shall be required unless: (A) the amount of the potential indemnity (taking into account all similar or logically related claims that have been or are likely to be raised in any audit involving any or all of such Tax Indemnitees for which the Lessee may be liable to pay an indemnity under this Section 13.4(b)) exceeds \$100,000 and (B) if requested by such Tax Indemnitee, the Lessee shall have provided to such Tax Indemnitee at the Lessee's sole expense, an opinion of independent counsel selected by the Lessee and reasonably acceptable to the Tax Indemnitee that a reasonable basis exists to contest such Imposition (or, in the case of an appeal from an adverse judicial determination, that there is substantial authority for a reversal or favorable modification of such decision of such appeal). In no event shall a Tax Indemnitee be required to appeal an adverse judicial determination to the United States Supreme Court. In addition, a Tax Indemnitee shall not be required to contest any claim in its name (or that of an Affiliate) if the subject matter thereof shall be of a continuing nature and shall have previously been decided adversely by a court of competent jurisdiction pursuant to the contest provisions of this Section 13.4(b), unless there shall have been a change in law and the Tax Indemnitee shall have received, at the Lessee's expense, an opinion of independent tax counsel selected by the Lessee and reasonably acceptable to the Tax Indemnitee stating that, as a result of such change in law, it is more likely than not that the Tax Indemnitee will prevail in such contest.

The party conducting the contest of an Imposition shall consult in good faith with the other party and its counsel with respect to such contest (or claim for refund) but the decisions regarding what actions are to be taken with respect to such contest shall be made by the controlling party in its sole judgment. In addition, the party controlling the contest shall keep the non-controlling party reasonably informed as to the progress of the contest, and shall provide the noncontrolling party with a copy of (or appropriate excerpts from) any reports or claims issued by the relevant Governmental Authority to the controlling party thereof, relating to such contest.

Each Tax Indemnitee shall, at the Lessee's sole expense, supply the Lessee with such information and documents reasonably requested by the Lessee as are necessary or advisable for the Lessee to participate in any action, suit or proceeding to the extent permitted by this Section 13.4(b), provided,

however, that such Tax Indemnatee shall not be required to provide to the Lessee copies of (i) any information, documentation or materials that it reasonably deems to be confidential or proprietary or (ii) its tax returns or any other information, documentation or materials in respect of such Tax Indemnatee's financial position. Notwithstanding anything in this Section 13.4(b) to the contrary, so long as no Lease Event of Default shall have occurred and be continuing, no Tax Indemnatee shall enter into any settlement or other compromise or fail to appeal an adverse determination with respect to any claim for which it is entitled to be indemnified under this Section 13.4 (and with respect to which contest is required under this Section 13.4(b)) without the prior written consent of the Lessee (which shall not be unreasonably withheld or delayed), unless such Tax Indemnatee waives its right to be indemnified under this Section 13.4 with respect to such claim pursuant to the next paragraph.

Notwithstanding anything contained herein to the contrary, a Tax Indemnatee will not be required to contest or continue to contest (and the Lessee shall not be permitted to contest or continue to contest) a claim with respect to any Imposition and shall be permitted to settle or commence any such claim without the consent of Lessee if such Tax Indemnatee shall waive its right to indemnification under this Section 13.4 with respect to such claim (and any claim with respect to such year or any other taxable year the contest of which is materially adversely affected as a result of such waiver).

(c) Payments. Any Imposition indemnifiable under this Section 13.4 shall be paid when due directly to the applicable taxing authority if such direct payment is practicable and permitted. If direct payment to the applicable taxing authority is not permitted or is otherwise not made, any amount payable to a Tax Indemnatee pursuant to this Section 13.4 shall be paid to the relevant Tax Indemnatee within twenty (20) days after receipt of a written demand therefor from such Tax Indemnatee, which demand shall be accompanied by a written statement describing in reasonable detail the amount so payable, but in no event shall the Lessee be required to pay such reimbursement prior to fifteen (15) days before the date that the relevant Taxes are due. Any payments made pursuant to this Section 13.4 shall be made directly to such Tax Indemnatee entitled thereto or the Lessee, as the case may be, in immediately available funds at such bank or to such account as specified by the payee in written directions to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of the payee by certified mail, postage prepaid at its address as set forth in Schedule II hereto. Upon the request of any Tax Indemnatee with respect to Imposition that the Lessee is required to pay, the Lessee shall furnish to such Tax Indemnatee the original or a certified copy of a receipt for the Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Tax Indemnatee.

(d) Reports. In the case of any report, return or statement required to be filed by the Lessor with respect to any Impositions that are subject to indemnification under this Section 13.4, the Lessee shall promptly notify the Lessor of such requirement and, at the Lessee's sole expense (i) if the Lessee is permitted by Applicable Law, timely file such report, return or statement in its own name and send a copy of such report, return or statement to the Lessor, or (ii) if such report, return or statement is required to be in the name of or filed by the Lessor, or the Lessor otherwise requests that such report, return or statement be filed in the name of or by the Lessor, the Lessee shall prepare and finish such report, return or statement in such manner as shall be satisfactory to the Lessor and shall send the same to the Lessor for filing no later than fifteen (15) days prior to the due date therefor. In any case in which any Tax Indemnatee will file any such report, return or statement with respect to any Impositions that are subject to indemnification under this Section 13.4, the Lessee shall, upon written request of such Tax Indemnatee, provide such Tax Indemnatee with such information as is reasonably necessary to allow such Tax Indemnatee to file such report, return or statement.

Section 13.5. Title Representation and Indemnity.

(a) The Lessee represents and warrants to the Lessor, each Investor and the Arranger that: (i) the Seller of each Leased Property is the sole fee owner thereof and the Lessee is the sole fee owner of each Mortgaged Property, (ii) none of the Properties are encumbered or affected by any Liens, including any mortgages or encumbrances, or any easements, covenants, leases, agreements, restrictions, purchase options, rights of first offer (other than the right of first offer with respect to the Clifton Property that is described on Schedule 10.2(b) hereto), reversionary rights or other interests, other than Permitted Property Liens, (iii) all appurtenances to each Property, including any and all easements, access and other rights appropriate for use and occupancy of such Property for commercial and other purposes are also owned by the Seller thereof free and clear of any third-party rights or claims, (iv) there are no mechanics, tax, judgment or other Liens affecting any of the Properties and all real estate and other Taxes with regard to each Property are current and fully paid and (v) there has not been any work performed or materials supplied to any Property prior to the date hereof which has not been fully paid for and which could give rise to the filing of any mechanic's liens against any Property. With regard to third-party leases, the Lessee also represents and warrants to the Lessor that any leases still appearing in the public records relative to any of the Properties have expired or been terminated and that the tenants named therein have no further rights with respect to the applicable Property or Properties.

(b) In furtherance of the representations and warranties set forth in clause (a) above and in lieu of title insurance, the Lessee hereby indemnifies and holds the Lessor, the Investors and the Arranger harmless from any and all losses, costs and expenses and any diminution in the value of the Lessor's interest in the Properties that might result from (x) any of the foregoing representations and warranties being incorrect or inaccurate, either now or in the future, or (y) any of the following: (i) the invalidity or unenforceability of the lien of any Lessor Mortgage, (ii) any lack of priority of the Lien of any Lessor Mortgage over any other Lien encumbering any Property, (iii) any violation, variation, encroachment or adverse circumstance that would have been disclosed by an accurate Survey, including any discrepancy which would have been disclosed with respect to the legal description of any Leased Property attached to Exhibit A of the Lease Supplement therefor, or (iv) the existence of any Lien on any Property, including any Permitted Property Lien (other than a Permitted Property Lien of the type described in clause (i), clause (vii) or clause (viii) of the definition thereof), it being understood that the Lessee's liability with respect to the indemnification set forth in this Section 13.5(b) is absolute, joint and several and shall include both intentional and unintentional misrepresentations and breaches. In addition to the foregoing, the Lessee agrees that the representations embodied in Section 13.5(a) are continuing in nature, and the Lessee covenants and agrees that it shall not cause, permit or allow any act to occur or any document to be executed which is or may be at variance with the representations and warranties set forth in Section 13.5(a). In addition, the Lessee agrees that the indemnification embodied in this Section 13.5(b) shall also apply to any breach of the foregoing covenant.

Section 13.6. Withholding Taxes, etc.

(a) Payments Free of Taxes.

(i) All payments made by the Lessee under this Participation Agreement, the Master Lease and the other Operative Documents shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income (but excluding those Taxes described in clauses (i) and (ii) of the definition of Impositions), excise, stamp, transfer or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever (including interest and penalties) now or hereafter imposed (the "Withholding Taxes") by any Governmental Authority or taxing authority domestic or foreign (the "Taxing Authority"), whether or not such Withholding Taxes were correctly or legally asserted. If any

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Withholding Taxes are required to be withheld or deducted from any amounts payable to, or for the benefit of, any Tax Indemnitee or any Affiliate thereof under this Participation Agreement or the other Operative Documents, the amounts so payable to such Tax Indemnitee shall be increased to the extent necessary to yield on an After Tax Basis such amounts payable under this Participation Agreement and the other Operative Documents at the rates or in the amounts specified in this Participation Agreement and the other Operative Documents. Whenever any Withholding Taxes are payable by the Lessee with respect to any payment to or for the account of a particular Tax Indemnitee, as promptly as possible thereafter, the Lessee shall send to such Tax Indemnitee a certified copy of an original official receipt received by the Lessee showing payment thereof. If the Lessee fails to pay any Withholding Taxes when due to the appropriate taxing authority or fails to remit to the Tax Indemnitee required receipts or other required documentary evidence, the Lessee shall indemnify the Tax Indemnitee for any obligations that may become payable by the Tax Indemnitee as a result of any such failure.

(ii) All payments made by the Lessor under this Participation Agreement and the other Operative Documents to any other Tax Indemnitee shall be made net of any deduction or withholding for Withholding Taxes. If any Withholding Taxes are required to be withheld or deducted from any amounts payable by the Lessor to, or for the benefit of, any other Tax Indemnitee under this Participation Agreement or any other Operative Document, then the Lessee shall indemnify and pay such Tax Indemnitee on an After Tax Basis an amount necessary to yield such Tax Indemnitee (after payment of all Withholding Taxes) such amounts payable under this Participation Agreement and the other Operative Documents at the rates or in the amounts specified in this Participation Agreement and the other Operative Documents.

(iii) Moreover, if any Taxes (the "Indirect Withholding Taxes") in the nature of Withholding Taxes are directly asserted by any Taxing Authority against any of the Lessor or any Investor with respect to any payment received by such Person, such Person may pay such Taxes and the Lessee will pay directly to such Person (which payment shall constitute Supplemental Rent hereunder), within fifteen (15) Business Days after receipt of a written demand therefor accompanied by a written statement describing in reasonable detail the amount so payable from the Lessor or such Investor (as applicable) such additional amounts (including any interest, reasonable costs or expenses and any penalties incurred in connection therewith) as are necessary in order that on a fully After Tax Basis the net amount received by such Person after the payment of such Indirect Withholding Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had such Indirect Withholding Taxes not been asserted plus interest on such additional amounts at a rate per annum of Overnight LIBOR plus 77 basis points (or, in the case of any such additional amounts outstanding after the expiration of such fifteen (15) Business Day period, a rate per annum equal to the Overdue Rate), calculated (on the basis of actual days elapsed in a year of 360 days) from the date of payment of such Indirect Withholding Taxes by the Lessor or such Investor (as applicable) to the date of payment of such additional amounts by the Lessee. If the Lessee fails to pay any such Indirect Withholding Taxes as and when due to the appropriate Taxing Authority or fails to remit to the Lessor for the benefit of the Lessor or such Investor (as applicable), the required receipts or other required documentary evidence, then the Lessee shall indemnify the Lessor or such Investor (as applicable), on an After Tax Basis, for any incremental Taxes (whether or not constituting Withholding Taxes), interest, penalties and reasonable expenses that may become payable by the Lessor or such Investor (as applicable) as a result of any such failure.

(iv) Notwithstanding the foregoing provisions of this Section 13.6(a), if the applicable Tax Indemnitee is a direct or indirect transferee or assignee of an original Tax Indemnitee, then Lessee shall be obligated to indemnify such Tax Indemnitee for Withholding

Participation Agreement

Taxes and Indirect Withholding Taxes only to the extent that based on the Applicable Law in effect on the date such Withholding Tax or Indirect Withholding Tax is imposed or becomes payable, the amount of such Tax does not exceed the amount of such Tax that would have been imposed against or payable by such original Tax Indemnitee.

(v) The obligations of the Lessee under this Section 13.6(a) shall survive the termination of this Participation Agreement and the other Operative Documents and the payment of the Lease Balance and all other amounts payable under the Operative Documents.

(b) Withholding Exemption Certificates. On or prior to the Acquisition Date, or if such date does not occur within thirty (30) days after the date of this Participation Agreement, by the end of such 30-day period, each Investor that is not organized under the laws of the United States of America or a state or political subdivision thereof shall deliver to the Lessor and the Lessee two duly completed copies of (i) an IRS form W-8ECI (or successor applicable form) or (ii) an IRS form W-8BEN (or successor applicable form) certifying its foreign status and, if applicable, claiming an exemption under a U.S. tax treaty. Each such Investor further agrees (i) promptly to notify the Lessee and the Lessor of any change of circumstances that would prevent such Investor from receiving payments hereunder without any deduction or withholding or with reduced deduction or withholding of such taxes as indicated on the most recent such certificate or other form previously delivered by such Investor and (ii) if such Investor has not so notified the Lessee and the Lessor of any change of circumstances which would prevent such Investor from receiving payments hereunder without any deduction or withholding or with reduced deduction or withholding of taxes as indicated on the most recent such certificate or other form previously delivered by such Investor, then on or before the date that any certificate or other form delivered by such Investor under this Section 13.6(b) expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent such certificate or form previously delivered by such Investor, to deliver to the Lessee and the Lessor a new certificate or form, certifying that such Investor is entitled to receive payments under the Operative Documents without deduction or withholding or with reduced deduction or withholding of such taxes. If any Investor fails to provide to the Lessee or the Lessor pursuant to this Section 13.6(b) (or, in the case of any Person that becomes an Investor through an assignment by another Investor, pursuant to Section 12.1) any certificates or other evidence required by such provision to establish that such Investor is, at the time it becomes an Investor hereunder, entitled to receive payments under the Operative Documents without deduction or withholding or with reduced deduction or withholding of any United States federal income taxes, such Investor shall not be entitled to any indemnification under Section 13.6(a) for any withholding taxes to the extent imposed on such Investor primarily as a result of such failure.

(c) Tax Returns. Nothing contained in this Section 13.6 shall require the Lessor or any Investor (or any other Person) to make available any of its Tax returns (or any other information relating to its Taxes, which it deems to be confidential).

Section 13.7. Increased Costs, etc. If the adoption of or any change in any Applicable Law or in the interpretation or application thereof applicable to any Affected Party, or compliance by any Affected Party with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority, in each case made subsequent to the Documentation Date (or, if later, the date on which such Affected Party becomes an Affected Party):

(i) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of loans or other extensions of credit by, or any other acquisition of funds by, any office of such Affected Party; or

(ii) shall impose on such Affected Party any other condition (excluding any Tax of any kind) whatsoever in connection with the Operative Documents;

and the result of any of the foregoing is to increase the cost to such Affected Party of making, continuing or maintaining its investment in the Transactions, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, upon notice to the Lessee from such Affected Party, through the Lessor in accordance herewith, the Lessee shall pay such Affected Party any additional amounts necessary to compensate such Affected Party for such increased cost or reduced amount receivable; provided, however, that the Lessee shall not be obligated to pay any Affected Party that is a direct or indirect transferee or assignee of an original Affected Party any such additional amounts in excess of the amounts, if any, that would have been payable to the original Affected Party after giving effect to such adoption, change or compliance. All payments required by this Section 13.7 shall be made by the Lessee within five (5) Business Days after demand by the applicable Affected Party. If any Affected Party becomes entitled to claim any additional amounts pursuant to this subsection, it shall provide prompt notice thereof to the Lessee, through the Lessor, certifying (x) that one of the events described in this Section 13.7 has occurred and describing in reasonable detail the nature of such event, (y) as to the increased cost or reduced amount resulting from such event and (z) as to the additional amount demanded by such Affected Party and a reasonably detailed explanation of the calculation thereof (including the method by which such Affected Party allocated such amounts to the Lessee). Such a certificate as to any additional amounts payable pursuant to this clause submitted by such Affected Party, through the Lessor, to the Lessee shall be conclusive and binding for all purposes, absent manifest error.

Section 13.8. Funding Losses; Break Costs. (a) The Lessee agrees to indemnify each Indemnitee and to hold each Indemnitee harmless from any Break Costs that such Indemnitee may sustain or incur (other than through such Person's own gross negligence or willful misconduct) as a consequence of (i) failure by the Lessor to pay the Property Cost for any Property on the date specified in the Acquisition Date Notice as the Acquisition Date therefor, (ii) default by the Lessee in paying any Property Cost or Aggregate Property Cost after the Lessee has given a notice thereof in accordance with the provisions of the Master Lease, (iii) the Lessee paying Basic Rent on a day that is not a Scheduled Payment Date or (iv) the Lessee paying any Property Cost, Aggregate Property Cost, Termination Base Amount or Termination Price.

(b) The Lessee shall, upon receipt from the Lessor or any Investor of a statement of the amount of any loss, cost or expense constituting Break Costs prepared in good faith and in reasonable detail (which statement shall be binding absent manifest error), pay the amount of such Break Costs to the requesting Person.

Section 13.9. Capital Adequacy. If the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Affected Party with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, in each case made subsequent to the Documentation Date has or will have the effect of reducing the rate of return on any Affected Party's or its parent company's capital, as a consequence of its commitments or obligations hereunder to a level below that which such Affected Party or its parent company could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Affected Party's or its parent company's policies with respect to capital adequacy), then, upon notice from such Affected Party, the Lessee shall pay to such Affected Party such additional amount or amounts as will compensate such Affected Party and its parent company for such reduction (it being understood that such parent company shall not be reimbursed to the extent its subsidiary Affected Party is reimbursed by the Lessee in connection with the same or a similar law, rule, regulation, change,

request or directive applicable to such Affected Party). All payments required by this Section 13.9 shall be made by the Lessee within five (5) Business Days after demand by the Affected Party. If any Affected Party becomes entitled to claim any additional amounts pursuant to this Section 13.9, it shall provide prompt written notice thereof to the Lessee certifying (x) that one of the events described in this Section 13.9 has occurred and describing in reasonable detail the nature of such event, (y) as to the increased cost or reduced amount resulting from such event and (z) as to the additional amount demanded by such Affected Party and a reasonably detailed explanation of the calculation thereof. Such a certificate as to any additional amounts payable pursuant to this Section 13.9 submitted by such Affected Party, through the Lessor, to the Lessee shall be conclusive in the absence of manifest error.

Section 13.10. Indemnity Payments in Addition to Lease Obligations. The Lessee acknowledges and agrees that the Lessee's obligations to make indemnity payments under this Article XIII are separate from, in addition to, and do not reduce, the Lessee's obligations to pay any amounts owing from time to time under the Lease.

Section 13.11. Payment of Amounts Due under this Article XIII. All amounts payable by the Lessee pursuant to this Article XIII shall be paid by the Lessee directly to the Lessor, the Lessor Administrator, the applicable Investor or the Arranger (as applicable), upon demand from such Person therefor, in immediately available funds consisting of lawful currency of the United States of America together with interest on such amounts at a rate per annum of Overnight LIBOR plus 77 basis points from the date of demand until the same shall be paid (or, in the case of any such amounts outstanding ten (10) Business Days after the date of such demand, a rate per annum equal to the Overdue Rate).

Section 13.12. Survival. The obligations of the Lessee under this Article XIII shall survive the termination of this Participation Agreement and the other Operative Documents and the payment of the Lease Balance and all other amounts payable under the Operative Documents, and shall be separate and independent from any remedy under the Lease or any other Operative Document.

ARTICLE XIV

MISCELLANEOUS

Section 14.1. Survival of Agreements. All covenants, agreements, representations and warranties made by the Lessee in the Operative Documents and in the certificates or other instruments prepared or delivered in connection therewith shall be considered to have been relied upon by the Lessor, the Investors and the Arranger and shall survive the execution and delivery of this Participation Agreement, the payment by the Lessor of the Property Costs and the transfer of the Leased Properties to the Lessor regardless of any investigation made by any Indemnitee or on its behalf, and shall continue in full force and effect as long as any portion of the Lease Balance is outstanding and unpaid. The provisions of Article IX and Article XIII shall remain operative and in full force and effect regardless of the occurrence of the Expiration Date, the consummation of the transactions contemplated by the Operative Documents, the payment of the Lease Balance, the invalidity or unenforceability of any term or provision of any Operative Document or any investigation made by or on behalf of any Indemnitee.

Section 14.2. No Broker, Etc. Each of the parties hereto represents to the others that it has not retained or employed any broker, finder or financial adviser (other than the Arranger) to act on its behalf in connection with this Participation Agreement or the transactions contemplated herein or in the other Operative Documents nor has it authorized any broker, finder or financial adviser retained or employed by any other Person so to act. In the event that any party retains any other broker, finder or financial advisor, such party will promptly notify the other parties in writing of such broker, finder or financial

Participation Agreement

advisor. Any party which is in breach of this representation shall indemnify and hold the other parties harmless from and against any liability arising out of such breach of this representation.

Section 14.3. Notices. Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof to be given to any Person shall be given in writing by United States mail, by nationally recognized courier service, by hand, by facsimile or, in the case of any such notices, consents, directions, approvals, instructions or other communications given to the Lessee or (if followed by hard copy) RBS Lombard, Inc., by electronic mail, shall be directed to the address, facsimile number or electronic mail address of such Person as indicated on Schedule II and shall become effective (i) if delivered by United States mail, five (5) Business Days after being deposited in the mail, certified or registered with appropriate postage prepaid, (ii) if delivered by a nationally recognized courier service, upon delivery to the intended recipient, (iii) if delivered by hand, when received, (iv) if delivered by facsimile, when transmitted (upon electronic confirmation thereof) or (v) in the case of the Lessee and RBS Lombard, Inc., if delivered by electronic mail, when transmitted to an electronic mail address, provided that any facsimile or electronic mail transmitted after 5:00 P.M. (recipient time) shall be deemed to have been received on the next Business Day. From time to time any party may designate a new address or facsimile number or electronic mail address for purposes of notice hereunder by written notice to each of the other parties hereto in accordance with this Section.

Section 14.4. Counterparts. This Participation Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14.5. Amendments, Etc. Neither any Operative Document nor any of the terms thereof may be terminated (except as expressly required under the terms of any Operative Document or upon payment in full of the Lease Balance), amended, supplemented, waived or modified without the written agreement or consent of the Lessee and the Lessor; provided, however, that the Lessee's consent shall not be required with respect to any termination, amendment, supplement, waiver or modification of the Lessor Administration Agreement or the Lessor LLC Agreement other than (x) any such amendment, supplement, waiver or modification that increases the costs, expenses or other amounts required to be paid by the Lessee (provided that the Lessee's consent to any such amendment, supplement, waiver or modification shall not be unreasonably withheld) or (y) any amendment or other modification to the Lessor LLC Agreement that expands the scope of the Lessor's permitted activities beyond those activities relating to the transactions contemplated by the Operative Documents or permits the Lessor to dissolve prior to the Expiration Date or earlier termination of the Master Lease with respect to all of the Properties.

Section 14.6. Headings, Etc. The Table of Contents and headings of the various Articles and Sections of this Participation Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

Section 14.7. Parties in Interest. Except as expressly provided herein, none of the provisions of this Participation Agreement is intended for the benefit of any Person except the parties hereto. No party hereto shall assign or transfer any of its rights or obligations under the Operative Documents except in accordance with the terms and conditions thereof.

Section 14.8. GOVERNING LAW. THIS PARTICIPATION AGREEMENT AND THE OTHER OPERATIVE DOCUMENTS (EXCEPT AS OTHERWISE PROVIDED IN ANY OPERATIVE DOCUMENT) AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAW

PRINCIPLES, EXCEPT TITLE 14 OF ARTICLE 5 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

Section 14.9. Severability. Any provision of this Participation Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 14.10. Liability Limited. (a) Notwithstanding any provision to the contrary in any Operative Document, the obligations and agreements of the Lessor hereunder and under the other Operative Documents and any other certificate, instrument or document executed in connection herewith or therewith, and any other document supplemental hereto or thereto, shall be nonrecourse to the Lessor and its shareholders, members, officers, agents and employees, and none of the Lessor and its shareholders, officers, agents and employees shall have any personal liability or accountability whatsoever under or in respect of any Operative Document or any transaction contemplated thereby, recourse being limited to the Lessor's interest in the Properties (including the proceeds thereof) and the Rent payable under the Operative Documents; provided, however, that the Lessor shall be liable (a) for its own willful misconduct or gross negligence, (b) breach of any of its representations or warranties under the Operative Documents, (c) any Lessor Liens attributable to it, or (d) breach of its obligations under Section 3.2 after the satisfaction of all conditions to such obligations. It is understood and agreed that, except as provided in the preceding sentence: (i) the Lessor shall have no personal liability under any of the Operative Documents; (ii) all obligations of the Lessor to the Investors are solely nonrecourse obligations except to the extent that the Lessor has received payment from others; and (iii) all such personal liability of the Lessor is expressly waived and released as a condition of, and as consideration for, the execution and delivery of the Operative Documents by the Lessor.

(b) No Investor shall have any obligation to any other Investor or to the Lessee with respect to transactions contemplated by the Operative Documents except those obligations of such Investor expressly set forth in the Operative Documents or except as set forth in the instruments delivered in connection therewith, and no Investor shall be liable for performance by any other party hereto of such other party's obligations under the Operative Documents except as otherwise so set forth.

Section 14.11. Further Assurances. The parties hereto shall promptly cause to be taken, executed, acknowledged or delivered, at the sole expense of the Lessee, all such further acts, conveyances, documents and assurances as the other parties may from time to time reasonably request in order to carry out and preserve the security interests and liens (and the priority thereof) intended to be created pursuant to this Participation Agreement, the other Operative Documents, and the transactions thereunder (including the preparation, execution and filing of any and all Uniform Commercial Code financing statements and other filings or registrations which the parties hereto may from time to time request to be filed or effected). The Lessee, at its own expense and upon prior request from any other party, shall take such action as specified in such request, to the extent such action is reasonably necessary (including any action specified in the preceding sentence) in order to maintain and protect all security interests provided for hereunder or under any other Operative Document.

Section 14.12. SUBMISSION TO JURISDICTION. EACH PARTY HERETO HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS PARTICIPATION AGREEMENT OR ANY OF THE OTHER OPERATIVE DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT

Participation Agreement

PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 14.13. Setoff. Each Investor and the Lessor shall, upon the occurrence of any Lease Event of Default, have the right to appropriate and, subject to Section 7.4, apply to the payment of the Obligations as security for the payment of such Obligations, any and all balances, credits, deposits, accounts or moneys of the Lessee then or thereafter maintained with any Investor or the Lessor. The rights of the Investors and the Lessor under this Section are in addition to other rights and remedies (including other rights of setoff under applicable law or otherwise) which such Person may have.

Section 14.14. Successors and Assigns. All the terms and provisions of this Participation Agreement shall inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, that the Lessee may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lessor and each Investor, and any attempted assignment or transfer by the Lessee without such consents shall be null and void.

Section 14.15. WAIVER OF JURY TRIAL. EACH PARTY HERETO VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS PARTICIPATION AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY OF THE PARTIES HERETO. EACH PARTY HERETO HEREBY AGREES THAT IT WILL NOT SEEK TO CONSOLIDATE ANY SUCH LITIGATION WITH ANY OTHER LITIGATION IN WHICH A JURY TRIAL HAS NOT OR CANNOT BE WAIVED. THE PROVISIONS OF THIS SECTION 14.14 HAVE BEEN FULLY NEGOTIATED BY THE PARTIES HERETO AND SHALL BE SUBJECT TO NO EXCEPTIONS. THE LESSEE ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER OPERATIVE DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR EACH OF THE LESSOR AND THE INVESTORS ENTERING INTO THIS PARTICIPATION AGREEMENT AND EACH SUCH OTHER OPERATIVE DOCUMENT.

Section 14.16. NO ORAL AGREEMENTS. THIS PARTICIPATION AGREEMENT AND THE OTHER OPERATIVE DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE PARTIES HERETO AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS PARTICIPATION AGREEMENT AND THE OTHER OPERATIVE DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 14.17. No Investor Responsible for Other Investors. The obligations of each of the Lessor and each Investor under this Participation Agreement and the other Operative Documents are several and not joint; and, in the event of a failure by any such Person to perform any of its obligations hereunder or under any other Operative Document, neither the Lessor nor any Investor (other than such defaulting Lessor or Investor, as the case may be) shall have any liability as a consequence thereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

ITT INDUSTRIES, INC., as Lessee

By /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President, Treasurer and
Director of Tax

PARTICIPATION AGREEMENT

REXUS L.L.C., as Lessor

By /s/ Larry Bowman

Name: Larry Bowman

Title: President

PARTICIPATION AGREEMENT

AIR BAIL S.A.S.,
as an Investor

By /s/ Stephane Guet

Name: Stephane Guet
Title: Attorney in Fact

PARTICIPATION AGREEMENT

RBS LOMBARD, INC.,
as an Investor

By /s/ J.S. Godier

Name: J.S. Godier
Title: Executive Vice President

PARTICIPATION AGREEMENT

Schedule I
to Participation Agreement

Commitments

INVESTOR	COMMITMENT	COMMITMENT PERCENTAGE
Air Bail S.A.S.	\$ 85,000,000	70.833333%
RBS Lombard, Inc.	\$ 35,000,000	29.166667%
TOTAL	\$ 120,000,000	100.000000%

Schedule II
to Participation Agreement

Notice Information, Wire Instructions and Funding Offices

LESSEE

ITT INDUSTRIES, INC.
4 West Red Oak Lane
White Plains, NY 10604
Attention: Donald Foley, Treasurer
Facsimile No.: 914-696-2972
Telephone No.: 914-641-2147
email: donald.foley@itt.com

with a copy to:

Red Oak Corporate Park
4 West Red Oak Lane
White Plains, NY 10604
Attention: Keith Richey, International Tax Counsel
Facsimile No.: 914-696-2968
Telephone No.: 914-641-2142
e-mail: keith.richey@itt.com

Wire Transfer Instructions:

[omitted]

LESSOR:

REXUS L.L.C.
c/o Societe Generale (Canada), as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, QC, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group / Debbie Toth
Facsimile No.: 514-841-6250
Telephone No.: 514-841-6000

with a copy to:

Rexus L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, NY 10020
Attention: President
Facsimile No.: 212-278-7720

Telephone No.: 212-278-6446

Wire Transfer Instructions:

[omitted]

INVESTORS:

AIR BAIL S.A.S.

Notices:

17, Cours Valmy
92800 Puteaux
France
Facsimile: 33 1 42 14 98 54
Telephone: 33 1 42 14 84 08
Attention: OPER/DFI/FIN/AFI

with a copy to:

Jones Day
222 East 41st Street
New York, New York 10017-6702
Facsimile: 212-755-7306
Telephone: 212-326-3745
Attention: Stacey Lefont

Wire Transfer Instructions:

[omitted]

Funding Office:

17, Cours Valmy
92800 Puteaux
France

RBS LOMBARD, INC.

Notices:

Virginia Purchia / Steven Imbriaco
NY Lending Operations
The Royal Bank of Scotland plc, New York Branch
101 Park Avenue, 12th Floor
New York, NY 10178
Facsimile No.: 212-401-4842
Telephone No.: 212-401-1437 / 1405
e-mail: virginia.purchia@rbos.com

with a copy to:

Vice President, Portfolio Manager
RBS Lombard, Inc.
101 Park Avenue, 21st Floor
New York, NY 10178
Facsimile No.: 212-401-3404
Telephone No.: 212-401-3471
e-mail: rory.mullan@rbos.com

Wire Transfer Instructions:

[omitted]

Funding Office:

101 Park Avenue
New York, NY 10178

Schedule III
to Participation Agreement

Description of Properties, Go Dark Values and Original Property Costs

CITY -----	STATE -----	STREET ADDRESS -----	GO DARK VALUE -----	ORIGINAL PROPERTY COST -----
LEASED PROPERTIES				
Fort Wayne	Indiana	1919 W. Cook Road	\$ 11,650,485	\$ 28,571,429
Cheektowaga	New York	175 Standard Parkway	\$ 2,718,447	\$ 6,666,667
Colorado Springs	Colorado	4410 & 4450 E. Fountain Boulevard	\$ 18,407,767	\$ 45,142,857
Archbold	Ohio	701 E. Lugbill Road	\$ 3,339,806	\$ 8,190,476
Morton Grove	Illinois	8200 North Austin Ave	\$ 10,873,786	\$ 26,666,666
Chicago	Illinois	3500 North Spaulding	\$ 1,941,748	\$ 4,761,905
MORTGAGED PROPERTIES				
Clifton	New Jersey	100 Kingsland Road	\$ 31,067,961	Not Applicable
TOTAL:			----- \$80,000,0000	----- \$ 120,000,000

Schedule 10.2(b)
to Participation Agreement

Description of Liens on Principal Properties

Principal Property -----	Description of Liens -----
Clifton Property	Rights of Related Retail Clifton, L.P., a Delaware limited partnership, under that certain Right of First Offer Agreement, dated as of May 6, 1999, between the Lessee and Related Retail Clifton, L.P., a Delaware limited partnership

=====

MASTER LEASE AND DEED OF TRUST,
DEED TO SECURE DEBT AND
MORTGAGE

Dated as of December 15, 2004

between

itt industries, inc.,
as Lessee

and

REXUS L.L.C.,
as Lessor

To the extent, if any, that this Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no lien on this Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage may be created through the transfer or possession of any counterpart other than the original counterpart containing the receipt therefor executed by the Lessor on or following the signature page hereof.

This counterpart is not the original counterpart.

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MASTER LEASE AND DEED OF TRUST, DEED TO SECURE DEBT AND MORTGAGE

THIS MASTER LEASE AND DEED OF TRUST, DEED TO SECURE DEBT AND MORTGAGE (as amended, supplemented, amended and restated or otherwise modified from time to time, this "Master Lease"), dated as of December 15, 2004, among ITT INDUSTRIES, INC., an Indiana corporation (the "Lessee"), as Lessee and whose principal offices are located at 4 West Red Oak Lane, White Plains, New York 10604, and REXUS L.L.C., a Delaware limited liability company (the "Lessor"), as Lessor and whose principal offices are located at c/o Societe Generale (Canada), as Lessor Administrator, 1501 McGill College, Bureau 1800, Montreal, Quebec, Canada H3A 3MB.

W I T N E S S E T H:

WHEREAS, pursuant to a Participation Agreement dated as of the date hereof (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Participation Agreement"), among ITT Industries, Inc., as the Lessee, Rexus L.L.C., as the Lessor, and Air Bail S.A.S. and RBS Lombard, Inc., as Investors, the Investors and the Lessor have agreed to finance the acquisition of the Leased Properties (including the payment of certain Transaction Expenses in connection therewith);

WHEREAS, subject to the terms and conditions set forth in the Participation Agreement, on the Acquisition Date the Lessor will purchase from the Lessee or its Subsidiaries the real properties described on Schedule III to the Participation Agreement under the heading "Leased Properties";

WHEREAS, the Lessor desires to lease to the Lessee, and the Lessee desires to lease from the Lessor, the Leased Properties described in the Lease Supplements;

WHEREAS, to secure the obligations of the Lessee under this Master Lease and the other Operative Documents, the Lessee will grant to the Lessor a first priority Lien on each Property (including each Mortgaged Property); and

WHEREAS, each Property will be subject to the terms of this Master Lease and the Lease Supplement or Lessor Mortgage (as applicable) applicable thereto;

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions; Interpretation . Capitalized terms used but not otherwise defined in this Master Lease have the respective meanings specified in Appendix A hereto; and the rules of interpretation set forth in Appendix A hereto shall apply to this Master Lease.

ARTICLE II

MASTER LEASE

Section 2.1. Acceptance and Lease of Leased Properties. Subject to the conditions set forth in the Participation Agreement, including the satisfaction or waiver of the conditions set forth in Article VI thereof, the Lessor hereby agrees to accept, pursuant to the terms of the Participation Agreement, (a) delivery on the Acquisition Date of each real property described on Schedule III to the Participation Agreement under the heading "Leased Properties" and all Improvements located thereon and (b) delivery on each Replacement Date of each Replacement Property and all Improvements thereon, and simultaneously to demise and lease to the Lessee hereunder and under the Lease Supplements for the Lease Term, the Lessor's interest in such Property or Properties (including any Improvements which thereafter may be constructed on such Property in accordance with this Master Lease), and the Lessee hereby agrees, expressly for the direct benefit of the Lessor, to lease from the Lessor for the Lease Term the interest of the Lessor in such Leased Properties together with any Improvements which thereafter may be constructed on such Leased Properties in accordance with this Master Lease.

Section 2.2. Acceptance Procedure. The Lessee hereby agrees that the execution and delivery by it of a Lease Supplement on or as of the Acquisition Date or a Replacement Date shall, without further act, constitute the irrevocable acceptance by the Lessee of the Leased Property described in such Lease Supplement for all purposes of this Master Lease and the other Operative Documents on the terms set forth herein and therein, and that such Leased Property, together with any Improvements constructed on the Property pursuant to this Master Lease, shall be deemed to be included in the leasehold estate of this Master Lease and shall be subject to the terms and conditions of this Master Lease as of the Acquisition Date or such Replacement Date, as the case may be.

Section 2.3. Lease Term. The Lease Term of this Master Lease for each Leased Property shall commence on (and include) the Acquisition Date of such Property (or, in the case of a Replacement Property, the Replacement Date for such Property) and end on (but exclude) the Expiration Date.

Section 2.4. Title. Each Leased Property is leased to the Lessee without any representation or warranty, express or implied, by the Lessor and subject to the rights of parties in possession, the existing state of title (including all Liens other than Lessor Liens) and all Applicable Law. The Lessee shall not in any event have any recourse against the Lessor for any defect in or exception to title to any Property or leasehold interest therein other than resulting from Lessor Liens attributable to the Lessor.

Section 2.5. Mortgaged Properties Also Subject to this Master Lease. Each of the Lessee and the Lessor hereby agrees that each Mortgaged Property shall be subject to the terms of this Master Lease for the period commencing on (and including) the Acquisition Date or Replacement Date for such Property and ending on (but excluding) the date on which such Property is released from the Lien of the applicable Lessor Mortgage in accordance with the terms of the Operative Documents.

ARTICLE III

PAYMENT OF RENT

Section 3.1. Rent. (a) Accrual Rent shall accrue each day during the Lease Term on the Aggregate Property Cost outstanding on such day. During the Lease Term, the Lessee shall pay Basic Rent to the Lessor on each Scheduled Payment Date, on any other date required under Section 20.1 in connection with the Lessee's exercise of the Return Option, on any other date on which this Master Lease or any other Operative Document requires such payment and, with respect to any Leased Property, on any

other date on which this Master Lease shall terminate with respect to such Leased Property or with respect to any Mortgaged Property.

(b) Neither the Lessee's inability or failure to take possession of all or any portion of any Leased Property when delivered by the Lessor, nor the inability or failure of the Lessor to deliver all or any portion of any Leased Property to the Lessee on or before the Acquisition Date, whether or not attributable to any act or omission of the Lessee or any act or omission of the Lessor, or for any other reason whatsoever, shall delay or otherwise affect such Lessee's obligation to pay Rent for such Leased Property in accordance with the terms of this Master Lease.

Section 3.2. Payment of Rent. Rent shall be paid absolutely net to each Person entitled thereto, so that this Master Lease shall yield to such Person the full amount thereof, without setoff, deduction or reduction.

Section 3.3. Supplemental Rent. The Lessee shall pay (x) to the Lessor or (y) in the case of any Supplemental Rent owing to any other Person, directly to the Person entitled thereto, any and all Supplemental Rent promptly as the same shall become due and payable, and if the Lessee fails to pay any Supplemental Rent, the Lessor and such other Persons shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Basic Rent. The Lessee shall pay to the Lessor, as Supplemental Rent, among other things, on demand, to the extent permitted by Applicable Law, interest at the applicable Overdue Rate on any Basic Rent or Supplemental Rent not paid when due for the period from the due date thereof until the same shall be paid (provided, that any amounts payable by the Lessee pursuant to Article XIII of the Participation Agreement shall accrue interest as set forth in Section 13.11 of the Participation Agreement). The expiration or other termination of the Lessee's obligations to pay Basic Rent hereunder shall not limit or modify the obligations of the Lessee with respect to Supplemental Rent. Unless expressly provided otherwise in this Master Lease or in the Participation Agreement, in the event of any failure on the part of the Lessee to pay and discharge any Supplemental Rent as and when due, the Lessee shall also promptly pay and discharge, to the extent incurred as a result of such failure on the part of the Lessee, any fine, penalty, interest or cost which may be assessed or added against the Lessor or any Investor by a third party for nonpayment or late payment of such Supplemental Rent, all of which shall also constitute Supplemental Rent. Notwithstanding anything in this Section 3.3 to the contrary, if the Lessee incurs any fine, penalty, interest or cost for nonpayment or late payment of any tax assessment, levy, duty, or other bill received in connection with any of the Leased Properties as a result of the Lessor's failure to provide notice to the Lessee of such tax assessment, levy, duty or other bill within the time period required by Section 17.2, an amount equal to such fine, penalty, interest or cost shall be deducted first from any Supplemental Rent then due and owing and second from any Accrual Rent then due and owing.

Section 3.4. Method of Payment. Each payment of Rent payable by the Lessee to the Lessor under this Lease or any other Operative Document shall be made by the Lessee to the Lessor prior to 10:00 a.m., New York City time to the Account in immediately available funds consisting of lawful currency of the United States of America on the date when such payment shall be due. Payments received after 10:00 a.m., New York City time on the date due shall for the purpose of Section 16.1 hereof be deemed received on such day; provided, however, that for the purposes of the second sentence of Section 3.3, such payments shall be deemed received on the next succeeding Business Day and shall accrue interest at the Overdue Rate as provided in such Section 3.3.

Section 3.5. Calculation of Accrual Rent. The "Accrual Rent" payable on any Scheduled Payment Date means an amount equal to (w) the Aggregate Property Cost outstanding on the immediately preceding Scheduled Payment Date, after giving effect to all payments made on such preceding Scheduled Payment Date (or, in the case of the initial Scheduled Payment Date, the Aggregate Property

Cost outstanding on the Acquisition Date) minus all payments of Termination Base Amount made during the Rent Period ending on such Scheduled Payment Date multiplied by (x) the Applicable Rate multiplied by (y) the number of days then elapsed since the Scheduled Payment Date immediately preceding such date multiplied by (z) 1/360.

ARTICLE IV

QUIET ENJOYMENT; RIGHT TO INSPECT

Section 4.1. Quiet Enjoyment. Subject to the terms of each of the Operative Documents, the Lessee shall peaceably and quietly have, hold and enjoy each Property for the Lease Term, free of any claim or other action by the Lessor or anyone claiming by, through or under the Lessor with respect to any matters arising from and after the Acquisition Date. Such right of quiet enjoyment is independent of, and shall not affect the rights of the Lessor or any assignee thereof otherwise to initiate legal action to enforce, the obligations of the Lessee under this Master Lease.

Section 4.2. Right to Inspect. During the Lease Term, the Lessee shall permit the Lessor, the Investors and their agent and representatives to inspect the Properties in accordance with Section 10.1(j) of the Participation Agreement.

ARTICLE V

NET LEASE, ETC.

Section 5.1. Net Lease. This Master Lease shall constitute a net lease. Any present or future law to the contrary notwithstanding, this Master Lease shall not terminate, nor shall the Lessee be entitled to any abatement, suspension, deferment, reduction, setoff, counterclaim, or defense with respect to the Rent, nor shall the obligations of the Lessee hereunder be affected (except as expressly herein permitted and by performance of the obligations in connection therewith) by reason of: (i) any defect in the condition, merchantability, design, construction, quality or fitness for use of any Property or any part thereof, or the failure of any Property to comply with all Applicable Law, including any inability to occupy or use any Property by reason of such non-compliance; (ii) any damage to, removal, abandonment, salvage, loss, contamination of or Release from, scrapping or destruction of or any requisition or taking of any Property or any part thereof; (iii) any restriction, prevention or curtailment of or interference with the construction on or any use of any Property or any part thereof including eviction; (iv) any defect in title of or rights to any Property or any Lien on such title or rights or on any Property (other than Lessor Liens); (v) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by the Lessor, any Investor or the Arranger; (vi) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to the Lessee, any Lessee Subsidiary, the Lessor, any Investor, the Arranger or any other Person, or any action taken with respect to this Master Lease by any trustee or receiver of the Lessee, any Lessee Subsidiary, the Lessor, any Investor, the Arranger or any other Person, or by any court in any such proceeding; (vii) any claim that the Lessee has or might have against any Person, including the Lessor, any Investor, the Arranger or any Seller, vendor, manufacturer, contractor of or for any Property; (viii) any failure on the part of the Lessor to perform or comply with any of the terms of this Master Lease (other than performance by the Lessor of its obligations set forth in Section 2.1 hereof), of any other Operative Document or of any other agreement; (ix) any invalidity or unenforceability or illegality or disaffirmance of this Master Lease against or by the Lessee or any provision hereof or any of the other Operative Documents or any provision of any thereof; (x) the impossibility or illegality of performance by the Lessee, the Lessor or both of them; (xi) any action by any court, administrative agency or other Governmental Authority; or (xii) any other cause or circumstances whether similar or

dissimilar to the foregoing and whether or not the Lessee shall have notice or knowledge of any of the foregoing. The Lessee's agreement in this Section 5.1 shall not affect any claim, action or right the Lessee may have against the Lessor or any Investor. The parties intend that the obligations of the Lessee hereunder shall be covenants and agreements that are separate and independent from any obligations of the Lessor hereunder or under any other Operative Documents, and the obligations of the Lessee shall continue unaffected unless such obligations shall have been modified or terminated in accordance with an express provision of this Master Lease.

Section 5.2. No Termination or Abatement. The Lessee shall remain obligated under this Master Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Master Lease (except as provided herein), notwithstanding any action for bankruptcy, insolvency, reorganization, liquidation, dissolution, or other proceeding affecting the Lessor or any Investor, or any action with respect to this Master Lease which may be taken by any trustee, receiver or liquidator of the Lessor or any Investor or by any court with respect to the Lessor or any Investor. The Lessee hereby waives, to the extent permitted by Applicable Law, all right (i) to terminate or surrender this Master Lease (except as provided herein) or (ii) to avail itself of any abatement, suspension, deferment, reduction, setoff, counterclaim or defense with respect to any Rent except as otherwise provided in the last sentence of Section 3.3. The Lessee shall remain obligated under this Master Lease in accordance with its terms and the Lessee hereby waives, to the extent permitted by Applicable Law, any and all rights now or hereafter conferred by statute or otherwise to modify or to avoid strict compliance with its obligations under this Master Lease. Notwithstanding any such statute or otherwise, the Lessee shall be bound by all of the terms and conditions contained in this Master Lease, each Lease Supplement and each Lessor Mortgage.

ARTICLE VI

SUBLEASES AND ASSIGNMENTS

Section 6.1. General. THE LESSEE SHALL NOT, WITHOUT THE PRIOR WRITTEN CONSENT OF THE LESSOR (SUCH CONSENT TO BE GIVEN OR WITHHELD IN THE SOLE DISCRETION OF THE LESSOR), TRANSFER, ASSIGN OR ENCUMBER THIS MASTER LEASE OR ANY LEASE SUPPLEMENT OR ANY OF ITS RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, SUBLEASE ANY LEASED PROPERTY OR ANY PART THEREOF OR LEASE ANY MORTGAGED PROPERTY OR ANY PART THEREOF EXCEPT, IN EACH CASE, AS PERMITTED BY SECTION 6.2, AND ANY SUCH TRANSFER, ASSIGNMENT, ENCUMBRANCE, SUBLEASE OR LEASE THAT IS NOT PERMITTED BY SECTION 6.2 AND MADE WITHOUT SUCH WRITTEN CONSENT THERETO SHALL BE NULL AND VOID.

Section 6.2. Leasing and Subleasing. The Lessee may lease or sublease (as applicable) any Property or any portion thereof to any Person; provided, however, that: (a) no lease, sublease or other relinquishment of possession of any Property shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder and the Lessee shall remain directly and primarily liable under this Master Lease and the Lease Supplement; (b) each lease or sublease of a Property shall expressly be made subject to and subordinate to this Master Lease, any applicable Lease Supplement and any Lessor Mortgage and to the rights of the Lessor hereunder and thereunder; (c) each lease or sublease (as applicable) of a Property shall expressly provide for the surrender of the Property or portion thereof by the applicable sublessee at the election of the Lessor after the occurrence of a Lease Event of Default; (d) unless the Lessor otherwise consents in writing (such consent to be given or withheld in the sole discretion of the Lessor), each lease or sublease (as applicable) shall expressly provide for termination prior to the Expiration Date; (e) the use or uses under any lease or sublease (as applicable) shall be such that they shall not impair the value or utility of such Property or violate any Applicable Law or Insurance

Requirement; and (f) the Lessee shall not lease or sublease (as applicable) any Property or any portion thereof to any Person (i) that is named as a "specially designated national and blocked person" on the most current list published by the United States Department of the Treasury's Office of Foreign Assets Control at its official website or any replacement website or other replacement official publication of such list or (ii) that is listed in the annex to, or otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001. The Lessee shall, upon the request of the Lessor from time to time, furnish to the Lessor a list of all leases and subleases affecting the Properties, specifying the name and address of each applicable lessee or sublessee, the identity of the Property affected, the current term and expiration date of the applicable lessee or sublease and the terms of any renewal options under the applicable lease or sublease.

ARTICLE VII

LESSEE ACKNOWLEDGMENTS

Section 7.1. Condition of the Property. THE LESSEE ACKNOWLEDGES AND AGREES THAT ALTHOUGH THE LESSOR WILL OWN AND HOLD TITLE TO THE IMPROVEMENTS RELATING TO EACH LEASED PROPERTY, THE LESSEE IS SOLELY RESPONSIBLE FOR THE DESIGN, DEVELOPMENT, BUDGETING AND CONSTRUCTION OF THE IMPROVEMENTS AND ANY ALTERATIONS OR MODIFICATIONS. THE LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT IT IS LEASING EACH LEASED PROPERTY "AS IS" WITHOUT REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) BY THE LESSOR OR ANY INVESTOR AND IN EACH CASE SUBJECT TO (A) THE EXISTING STATE OF TITLE (EXCLUDING LESSOR LIENS), (B) THE RIGHTS OF ANY PARTIES IN POSSESSION THEREOF, (C) ANY STATE OF FACTS WHICH AN ACCURATE SURVEY OR PHYSICAL INSPECTION MIGHT SHOW AND (D) VIOLATIONS OF APPLICABLE LAW WHICH MAY EXIST ON THE DATE HEREOF OR ON THE ACQUISITION DATE. NEITHER THE LESSOR NOR ANY INVESTOR HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) OR SHALL BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER AS TO THE TITLE (OTHER THAN FOR LESSOR LIENS ATTRIBUTABLE TO THE LESSOR), VALUE, SUITABILITY, USE, CONDITION, DESIGN, OPERATION, OR FITNESS FOR USE OF ANY LEASED PROPERTY (OR ANY PART THEREOF), OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY LEASED PROPERTY (OR ANY PART THEREOF) AND NEITHER THE LESSOR NOR ANY INVESTOR NOR THE ARRANGER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN (OTHER THAN FOR LESSOR LIENS ATTRIBUTABLE TO THE LESSOR OR SUCH INVESTOR) OR THE FAILURE OF ANY LEASED PROPERTY, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAW.

Section 7.2. Risk of Loss. During the Lease Term the risk of loss of or decrease in the enjoyment and beneficial use of each Property as a result of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise is assumed by the Lessee, and the Lessor shall not in any event be answerable or accountable therefor.

ARTICLE VIII

POSSESSION AND USE OF EACH PROPERTY, ETC.

Section 8.1. Utility Charges. The Lessee shall pay or cause to be paid all charges for electricity, power, gas, oil, water, telephone, sanitary sewer service and all other rents and utilities used in or on each Property during the Lease Term. The Lessee shall be entitled to receive any credit or refund

with respect to any utility charge paid by the Lessee and the amount of any credit or refund received by the Lessor on account of any utility charges paid by the Lessee, net of the costs and expenses reasonably incurred by the Lessor in obtaining such credit or refund, shall be promptly paid over to the Lessee.

Section 8.2. Possession and Use of each Property; No Waste. The Lessee covenants that each Property will be used solely for the intended purpose thereof and applying standards of use no lower than the standards applied by the Lessee and its Affiliates for other comparable properties owned or leased by the Lessee or its Affiliates. The Lessee shall pay, or cause to be paid, all charges and costs required in connection with the use of the Properties as contemplated by this Master Lease and each Lease Supplement. The Lessee shall not commit or permit any waste of any Property or any part thereof.

Section 8.3. Compliance with Applicable Laws and Insurance Requirements. Subject to the terms of Article XII relating to permitted contests, the Lessee, at its sole cost and expense, shall (a) comply in all material respects with all Applicable Laws (including all Environmental Laws) and Insurance Requirements relating to each Property, including the use, construction, operation, maintenance, repair and restoration thereof and the return thereof pursuant to Article XX, whether or not such compliance shall require structural or extraordinary changes in the Improvements or interfere with the use and enjoyment of each Property, and (b) procure, maintain and comply with all licenses, permits (including Environmental Permits), orders, approvals, consents and other authorizations required for the construction, use, maintenance and operation of each Property and for the use, operation, maintenance, repair and restoration of the Improvements.

ARTICLE IX

MAINTENANCE AND REPAIR; RETURN

Section 9.1. Maintenance and Repair. The Lessee, at its sole cost and expense, shall maintain each Property in good condition (ordinary wear and tear excepted) and make all necessary repairs thereto, of every kind and nature whatsoever, whether ordinary or extraordinary or foreseen or unforeseen, in each case as required by all Applicable Law and Insurance Requirements and in no event applying standards of maintenance and repair lower than the standards applied by the Lessee in the operation and maintenance and repair of other comparable properties owned or leased by the Lessee or its Affiliates.

Section 9.2. No Maintenance Obligations of Lessor. The Lessor shall not under any circumstances be required to build any improvements on any Property, make any repairs, replacements, alterations or renewals of any nature or description to any Property, make any expenditure whatsoever in connection with this Master Lease or the Lease Supplements (other than for Property Costs paid by the Lessor with respect to the Leased Properties in accordance with and pursuant to the terms of the Participation Agreement) or maintain any Property in any way. The Lessee waives any right to (i) require the Lessor to maintain, repair, or rebuild all or any part of any Property or (ii) make repairs at the expense of the Lessor pursuant to any Applicable Law, Insurance Requirement, contract, agreement, or covenant, condition or restriction in effect at any time during the Lease Term.

Section 9.3. Condition Upon Return. The Lessee shall, upon the expiration or earlier termination of this Master Lease with respect to each Leased Property (other than as a result of the Lessee's purchase of such Property from the Lessor as provided herein), vacate and surrender such Property to the Lessor in the condition such Property is required to be maintained in accordance with the Operative Documents.

ARTICLE X

MODIFICATIONS, ETC.

Section 10.1. Modifications, Substitutions and Replacement. During the Lease Term, the Lessee, at its sole cost and expense, (x) shall make or cause to be made all alterations, renovations, improvements and additions to each Property or any part thereof (collectively, "Modifications") that are required to be made pursuant to Applicable Law or Insurance Requirements (a "Required Modification") and (y) may at any time make Modifications to any Property or any part thereof; provided, however, that:

(a) except for any Required Modification, no Modification shall be made if it would materially and adversely affect the marketability, Fair Market Sales Value, utility or residual value of such Property or any part thereof;

(b) the Modification shall be done in a good and workmanlike manner;

(c) the Modification shall comply with all Insurance Requirements and shall comply in all material respects with all Applicable Law applicable to the Modification, including the obtaining of any necessary permits;

(d) subject to the terms of Article XII relating to permitted contests, the Lessee shall pay all costs and expenses and shall discharge (or cause to be insured or bonded over) within sixty (60) days after the same shall be filed (or otherwise become effective) any Liens arising with respect to the Modification;

(e) such Modifications shall comply with Sections 8.3 and 9.1; and

(f) The Lessee shall be required to obtain the prior written approval (which approval shall not be unreasonably withheld) of the Lessor with respect to any Modifications that shall cost in excess of \$3,000,000 in the aggregate if a building permit is required in connection therewith.

All Modifications shall remain part of the realty. Title to all Modifications made with respect to any Leased Property shall immediately vest in the Lessor and be subject to this Master Lease and the Lease Supplement for the applicable Property; provided, however, that Modifications that (x) are not Required Modifications, (y) were not financed or otherwise paid for by the Lessor, and (z) can be removed without causing (A) material damage to any Property, (B) any diminution in the Fair Market Sales Value of any Property or the remaining useful life of the Property, or (C) any impairment in the utility or residual value of any Property, shall be the property of the Lessee or other third party and may be removed by the Lessee during the Lease Term and shall not be subject to this Master Lease or any Lease Supplement. The Lessee may place upon any Property any trade fixtures, machinery, equipment, inventory or other property belonging to the Lessee or third parties and may remove the same, subject, however, to the terms of Section 9.1; provided, however, that such trade fixtures, machinery, equipment, inventory or other property can be removed without causing damage to the Property, reduction of the Fair Market Sales Value of the Property or any diminution in the remaining useful life of the Property or any impairment in the utility or residual value of the Property.

Section 10.2. Notice to the Lessor. If the Lessee reasonably expects the cost of any Modification to exceed the greater of \$1,000,000 in the aggregate and five percent (5%) of the Termination Base Amount of the relevant Property, the Lessee shall deliver to the Lessor a brief written narrative of the work to be performed in connection with such Modification prior to making such Modification.

ARTICLE XI

DISCHARGE OF LIENS; EASEMENTS

Section 11.1. Discharge of Liens. (a) The Lessee agrees that except as otherwise provided herein and subject to the terms of Article XII relating to permitted contests, the Lessee shall not directly or indirectly create or allow to remain, and shall promptly (and in any event within sixty (60) days after notice thereof is received by the Lessee from any Person) discharge at its sole cost and expense, any Lien (other than any Lessor Lien), defect, attachment, levy, title retention agreement or claim upon any Property or any Lien, attachment, levy or claim with respect to any Basic Rent, Supplemental Rent or amounts held by the Lessor pursuant to this Master Lease as collateral security for the Lessee's obligations or pending performance by the Lessee, other than Permitted Property Liens.

(a) Nothing contained in this Master Lease shall be construed as constituting the consent or request of the Lessor or any Investor, expressed or implied, to or for the performance by any contractor, mechanic, laborer, materialman, supplier or vendor of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to any Property or any part thereof. NOTICE IS HEREBY GIVEN THAT NEITHER THE LESSOR NOR ANY INVESTOR IS OR SHALL BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO THE LESSEE, OR TO ANYONE HOLDING ANY PROPERTY OR ANY PART THEREOF THROUGH OR UNDER THE LESSEE, AND THAT NO MECHANIC'S OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF THE LESSOR OR ANY INVESTOR IN AND TO ANY PROPERTY.

Section 11.2. Grants and Releases of Easements; Lessor Waivers. So long as no Lease Event of Default shall have occurred and be continuing and subject to the provisions of Sections 8.2, 8.3, 9.1, 10.1 and 11.1 hereof, the Lessor hereby consents in each instance to the following actions by the Lessee at the Lessee's sole cost and expense (but, in the case of Leased Properties, in the name and stead of the Lessor): (a) the granting of easements, licenses, rights-of-way and other rights and privileges in the nature of easements reasonably necessary or desirable for the use, repair, or maintenance of any Property or burdening any Property as herein provided; (b) the release of existing easements or other rights in the nature of easements which are for the benefit of any Property; (c) if required by applicable Governmental Authority in connection with the making of any Modification permitted under this Master Lease, the dedication or transfer of unimproved portions of any Property for road, highway or other public purposes; (d) the execution of amendments to any covenants and restrictions affecting any Property; and (e) the execution or release of any similar agreement; provided, however, that in each case (i) the Lessee provides no less than thirty (30) days prior written notice thereof to the Lessor, (ii) such grant, release, dedication, transfer or amendment does not materially impair the Fair Market Sales Value, utility, condition, residual value or remaining useful life of any Property (iii) such grant, release, dedication, transfer or amendment is, in the Lessee's judgment, reasonably necessary in connection with the use, maintenance, alteration or improvement of any Property, (iv) such grant, release, dedication, transfer or amendment will not cause any Property or any portion thereof to fail to comply with the provisions of this Master Lease or any other Operative Document to which the Lessee is a party or fail to comply in any material respect with any Applicable Law (including all applicable zoning, planning, building and subdivision ordinances, all applicable restrictive covenants and all applicable architectural approval requirements), (v) all governmental consents or approvals required prior to such grant, release, dedication, transfer, annexation or amendment have been obtained, and all filings required prior to such action have been made, (vi) the Lessee shall remain obligated under this Master Lease and each of the Lease Supplements in accordance with their respective terms, as though such grant, release, dedication, transfer or amendment had not been effected, (vii) the Lessee shall pay and perform any obligations of the Lessor under such grant, release, dedication, transfer or amendment and (viii) such grant, release, dedication,

transfer or amendment would not result in the Lessor or the Lessee being required to offer to sell the Clifton Property or any portion thereof to the holder of the right of first offer relating to the Clifton Property. Without limiting the effectiveness of the foregoing, provided that no Lease Event of Default shall have occurred and be continuing, the Lessor shall, upon the request of Lessee, and at the Lessee's sole cost and expense, execute and deliver any instruments necessary or appropriate to confirm any such grant, release, dedication, transfer, annexation or amendment to any Person permitted under this Section 11.2, including landlord waivers with respect to any of the foregoing.

ARTICLE XII

PERMITTED CONTESTS

Section 12.1. Permitted Contests. Except to the extent otherwise provided in Section 13.4(b) of the Participation Agreement regarding Impositions and other Taxes, if, to the extent and for so long as (a) a test, challenge, appeal or proceeding for review of any Applicable Law or any Lien, encumbrance, levy, attachment or encroachment relating to any Property shall be prosecuted diligently and in good faith in appropriate proceedings by the Lessee, or (b) compliance with such Applicable Law shall have been excused or exempted by a valid nonconforming use, variance permit, waiver, extension or forbearance, Lessee shall not be required to comply with such Applicable Law or remove or discharge such Lien, encumbrance, levy, attachment or encroachment but only if and so long as any such test, challenge, appeal, proceeding, waiver, extension, forbearance or noncompliance shall not (in the reasonable opinion of the Lessor) involve (A) any risk of criminal liability being imposed on the Lessor, any Investor or the Arranger for failure to comply therewith or (B) any material risk of (1) foreclosure, forfeiture or loss of any Property, or any material part thereof, or (2) the nonpayment of Rent or (C) any substantial risk of (1) the creation of any Lien (other than a Permitted Property Lien) on any part of any Property, (2) civil liability being imposed on the Lessor, any Investor, the Arranger or any Property unless, in the case of any risk of such civil liability being imposed on a Property, the Lessee shall have otherwise bonded or secured such amounts in a manner satisfactory to the Lessor, or (3) enjoinder of, or interference with, the use, possession or disposition of any Property in any material respect.

The Lessor shall not be required to join in any proceedings pursuant to this Section 12.1 unless a provision of any Applicable Law requires or, in the good faith opinion of the Lessee, it is advisable for the prosecution of such contest, that such proceedings be brought by or in the name of such party; and in that event the Lessor will join in the proceedings or permit them or any part thereof to be brought in its name if and so long as (i) no Lease Default shall have occurred and be continuing, and (ii) the Lessee pays all related expenses and indemnifies the Lessor with respect to such proceedings.

ARTICLE XIII

INSURANCE

Section 13.1. General. During the Lease Term the Lessee shall, at its sole cost and expense, maintain insurance as set forth in this Section 13.1.

(a) Public Liability Insurance. For so long as any Property is subject to the provisions of this Master Lease, the Lessee shall procure and carry, at the Lessee's sole cost and expense, commercial general liability/umbrella insurance for claims for injuries or death sustained by third-party persons and third-party property damage and such other public liability coverages as are ordinarily procured by the Lessee and its Affiliates that own or operate similar properties, but in any case shall provide liability coverage of at least \$5,000,000 per occurrence. Such insurance shall be on terms that are consistent with prudent industry standards for a company the size of the Lessee.

(b) Worker's Compensation. The Lessee shall comply with all applicable workers' compensation laws.

(c) Hazard and Other Insurance. The Lessee shall keep, or cause to be kept, each Property insured against loss or damage by fire, windstorm and other risks on terms and in amounts that are consistent with prudent industry standards for a company the size of the Lessee, but in any case shall provide coverage for each Property in an amount not less than the lesser of the Termination Base Amount or the replacement cost thereof; provided that the Lessee shall also obtain (i) with respect to any Property located at a site that shall have been assigned to a seismic zone of 3 or 4 under the Uniform Building Code published from time to time by the International Conference of Building Officials (or any successor code published by such entity or any successor entity), coverage for earthquakes, and (ii) with respect to any Property located within an area identified as a special flood hazardous area by the Federal Emergency Management Agency, coverage for floods. The settlement of any loss or occurrence shall be negotiated by the Lessee; provided the Lessor shall have the right to approve (which approval shall not be unreasonably withheld) any settlement involving proceeds greater than \$2,000,000 that apply to a Property and provided, further, that if any Lease Event of Default shall have occurred and be continuing, any such settlement shall, unless the Lessor otherwise agrees, be negotiated by the Lessor. All insurance proceeds that apply to a Property payable with respect to any Casualty shall be paid to the Lessee or the Lessor as provided in Section 14.2.

(d) Pollution Liability Coverage. For so long as any Property is subject to the provisions of this Master Lease, the Lessee shall procure and carry, at the Lessee's sole cost and expense, pollution liability coverage for the Properties with a liability limit of no less than \$5,000,000 per occurrence and \$10,000,000 in the aggregate for a term expiring no earlier than the Scheduled Lease Termination Date and with no retroactive date, insuring third party bodily injury, property damage and clean-up costs. The pollution liability coverage shall include losses arising out of existing conditions at the Properties as well as conditions that arise during the Lease Term. If coverage is on a "claims made" rather than an "occurrence" basis, the insurance must be maintained for at least five (5) years after the Lease Expiration Date.

(e) Deductibles. The insurance required to be obtained by the Lessee under this Section 13.1 may be subject to such deductible amounts and self-insured retentions as is consistent with prudent industry standards for a company the size of the Lessee; provided that such deductible amounts and self-insured retentions shall not exceed (i) \$1,000,000 per occurrence with respect to the insurance required by Sections 13.1(a) and 13.1(b), (ii) \$500,000 per occurrence with respect to the insurance required by Section 13.1(c) (provided, that higher deductibles will be permitted with respect to earthquake and wind coverage under Section 13.1(c) so long as such deductibles do not exceed 5% of the replacement cost of the applicable Property) or (iii) \$5,000,000 per occurrence with respect to the insurance required by Section 13.1(d).

Section 13.2. Insurance Coverage. The Lessee shall cause the insurance required to be maintained by the Lessee under this Article XIII to comply with the provisions of this Section 13.2.

(a) Coverage and Endorsements. All insurance required to be maintained pursuant to Section 13.1 shall provide in the policy or by special endorsement as follows:

(i) in the case of insurance required to be maintained under Sections 13.1(a) and 13.1(d), the Lessor, the Lessor Administrator and each Investor are included as additional insureds as their interests may appear;

(ii) in the case of insurance required to be maintained under Section 13.1(c), the Lessor is named as loss payee and each such insurance policy shall include a standard mortgage loss payee endorsement in favor of the Lessor;

(iii) such insurance shall not be cancelled nor shall the coverage thereunder be materially reduced except upon no less than thirty (30) days' advance written notice by the insurer to the Lessor thereof;

(iv) the insurer thereunder waives all rights of subrogation against the Lessor, the Lessor Administrator and each Investor and waives any right of set-off and counterclaim and any other right to deduction whether by attachment or otherwise;

(v) the insurance in favor of the Lessor and the Investors and their respective rights under and interests in such policies shall not be invalidated or reduced by any act or omission (including breach of warranty) or negligence of the Lessee or any other Person having any interest in the Property; and

(vi) such insurance shall be primary and noncontributable and shall apply to any loss or claim before any contribution of any other insurance carried by or on behalf of the Lessor or any Investor.

(b) Insurance Providers. All such insurance shall be written by reputable insurance companies that are financially sound and solvent and otherwise reasonably appropriate considering the amount and type of insurance being provided by such companies. Any insurance company selected by the Lessee to provide property damage insurance shall have a rating from A.M. Best Company of at least "A-" for financial strength and at least Class X for financial size (or comparable ratings by a nationally or internationally recognized rating group of comparable stature).

(c) Payment of Premiums. The Lessee shall pay as they become due all premiums for the insurance required by Section 13.1 and Section 13.2, and shall renew or replace each policy prior to the expiration date thereof.

(d) Initial Delivery of Insurance Certificates. With respect to each Property, the Lessee shall furnish the Lessor with certificates showing the insurance required under Section 13.1 to be in effect with respect to such Property on or prior to the Acquisition Date or Replacement Date (as applicable) for such Property. With respect to the insurance coverage described in Section 13.1(d), the Lessee shall furnish the Lessor with a copy of the insurance provider's acknowledgment that the Properties are covered by such insurance.

(e) Annual Delivery of Insurance Certificates; Delivery of Insurance Certificates upon Renewal of Policies. The Lessee shall, at the time each of the Lessee's insurance policies is renewed (but in no event less frequently than once each year) and upon reasonable request of the Investors, deliver to the Lessor and the Investors certificates of insurance evidencing that all insurance required by this Article XIII is being maintained by the Lessee and is in effect.

ARTICLE XIV

CASUALTY AND CONDEMNATION; ENVIRONMENTAL MATTERS

Section 14.1. Risk of Loss, Damage or Destruction. (a) At all times that any Property is subject to the provisions of this Master Lease, the Lessee bears all risk of loss, damage, theft, taking,

destruction, confiscation, requisition or commandeering, partial or complete, of or to such Property or any part thereof, however caused or occasioned. The Lessee agrees that no occurrence specified in the preceding sentence shall affect, in whole or in part, any obligation of the Lessee under this Master Lease, including the obligation to pay Rent. Without limiting the generality of the foregoing, in the event that during the Lease Term the use of any Property is requisitioned or taken by any Governmental Authority under the power of eminent domain or otherwise for a period which does not constitute an Event of Loss, all of Lessee's obligations under the Operative Documents, including the Lessee's obligation to pay all installments of Basic Rent, shall continue for the duration of such requisitioning or taking.

(b) If any Event of Loss occurs and such Event of Loss does not constitute a Lease Event of Default under Section 16.1(p), then the Lessee shall exercise its Replacement Option or its Termination Option, in each case with respect to the affected Property, and shall consummate such replacement or termination no later than sixty (60) days following the occurrence of such Event of Loss.

Section 14.2. Casualty and Condemnation. (a) Insurance Proceeds and Condemnation Awards. Subject to the provisions of this Article XIV, (x) if all or a portion of any Property is damaged or destroyed in whole or in part by a Casualty while such Property is subject to the provisions of this Master Lease, any insurance proceeds payable with respect to such Casualty shall be paid directly to the Lessee, or if received by the Lessor, shall be paid over to the Lessee for the reconstruction, refurbishment and repair of the affected Property, and (y) if the use, access, occupancy, easement rights or title to any Property or any part thereof is the subject of a Condemnation while such Property is subject to the provisions of this Master Lease, then any award or compensation relating thereto shall be paid to the Lessee; provided, however, that, in each case, if (A) any Lease Default or Lease Event of Default shall have occurred and be continuing or (B) the Lessee shall not have Ratings of "BBB-" or better by S&P and "Baa3" or better by Moody's, then such award, compensation or insurance proceeds shall be paid directly to the Lessor or, if received by the Lessee, shall be held in trust for the Lessor and shall be paid over by the Lessee to the Lessor, and the Lessor shall hold such amounts in a segregated account and, upon presentation by the Lessee of paid invoices or other evidence reasonably satisfactory to the Lessor as to the Lessee's prior payment of reasonable costs required for repair of the applicable Property, the Lessor shall pay such amounts over to the Lessee to reimburse the Lessee for the reasonable cost of repair and restoration of the applicable Property (provided that, so long as no Lease Default or Lease Event of Default shall have occurred and be continuing, any such insurance proceeds, awards or compensation shall be paid to the Lessee in an amount, in the aggregate with all such proceeds, awards and compensation relating to the applicable Property, not to exceed the lesser of \$5,000,000 and 25% of the Termination Base Amount of the affected Property (with any excess over such lesser amount to be paid over to the Lessor in accordance with the foregoing proviso); provided, further, however, that in the case of (x) a Lease Default or Lease Event of Default, (y) the delivery by the Lessor of a Partial Termination Notice with respect to such Property or (z) the Lessee's election (if applicable) of its Termination Option with respect to such Property, then such amounts shall, in the Lessor's discretion, be applied toward the payment of the Termination Price or Termination Base Amount (as applicable) of the affected Property and related amounts in accordance with Section 16.2, 15.1 or 19.1 (as applicable).

(b) Participation in Proceedings. The Lessee may appear in any proceeding or action to negotiate, prosecute, adjust or appeal any claim for any award, compensation or insurance payment on account of any Casualty or Condemnation with respect to any Property and shall pay all expenses thereof. At the Lessee's reasonable request, and at the Lessee's sole cost and expense, the Lessor shall participate in any such proceeding, action, negotiation, prosecution or adjustment. The Lessor and the Lessee agree that this Master Lease shall control the rights of the Lessor and the Lessee in and to any such award, compensation or insurance payment.

(c) Notices of Casualty or Condemnation. The Lessee shall, within fifteen (15) Business Days after obtaining knowledge of the occurrence of (x) any Casualty with respect to any Property for which the reasonable anticipated cost of restoration equals or exceeds \$2,000,000, (y) an actual, pending or threatened Condemnation of any Property or any material interest therein or (z) any Casualty or Condemnation affecting a Property that could reasonably be expected to result in a Termination Event, notify the Lessor in writing of such occurrence. If the Lessor receives any notice of a Condemnation affecting any Property directly from any Governmental Authority, the Lessor will promptly (and in no event later than fifteen (15) Business Days) forward such notice to the Lessee.

(d) Repair. If this Master Lease shall continue in full force and effect with respect to any Property following a Casualty or Condemnation affecting such Property, then the Lessee shall, at its sole cost and expense, promptly and diligently repair any damage to such Property caused by such Casualty or Condemnation in conformity with the requirements of Sections 8.2, 8.3, 9.1, 10.1 and 11.1 so as to restore such Property to at least the same or substantially similar (assuming no Lease Default or Lease Event of Default was then continuing) condition, operation, function and value as existed immediately prior to such Casualty or Condemnation with such Modifications as the Lessee may elect in accordance with Section 10.1. In such event, title to any such Property that is a Leased Property shall remain with the Lessor subject to the terms of this Master Lease. Upon completion of such restoration, the Lessee shall furnish to the Lessor a Responsible Officer's Certificate of the Lessee confirming that such restoration has been completed pursuant to this Master Lease.

(e) Obligations Continue. In no event shall a Casualty or Condemnation affect the Lessee's obligations to pay Rent pursuant to Section 3.1 hereof or to perform its obligations and pay any amounts due on the Expiration Date or pursuant to Articles XVIII and XX hereof.

(f) Excess Casualty/Condemnation Proceeds. Upon the earliest of (x) the date on which all damage to a Property caused by a Casualty or Condemnation shall have been repaired in accordance with Section 14.2(d), (y) the date on which the Termination Base Amount or Termination Price (as applicable) of the affected Property and all other amounts due and payable under Section 15.1 or 19.1, as applicable, shall have been paid to the Lessor, and (z) the date on which the affected Property shall have been replaced with a Replacement Property under Section 19.2, any Net Proceeds received by the Lessor or any Investor in respect of such Casualty or Condemnation, to the extent remaining after any application of such Net Proceeds to the repair or restoration of the applicable Property or to the payment of the Termination Base Amount or Termination Price (as applicable) for such Property and such other amounts, as the case may be (any such Net Proceeds remaining after such application, "Excess Casualty/Condemnation Proceeds"), shall be promptly paid to the Lessee.

Section 14.3. Remediation of Environmental Violations. If any Environmental Violation exists or occurs with respect to any Property and either (x) such Environmental Violation shall not constitute a Termination Event or (y) such Environmental Violation shall constitute a Termination Event but the Lessee shall not have exercised its Termination Option or Replacement Option within the thirty (30)-day period following the date on which the Lessee shall have knowledge of the occurrence of such Environmental Violation (or, if the Lessee shall have so exercised its Termination Option or Replacement Option but shall not have consummated such Termination Option or Replacement Option in accordance with the terms of this Master Lease), then the Lessee shall, at the Lessee's sole cost and expense, diligently commence and prosecute to completion with all deliberate speed any response, clean up, Remedial Action or other action necessary to remove, clean up or remediate any such Environmental Violation in accordance with the terms of Section 8.3. The Lessee shall, upon completion of Remedial Action by the Lessee, cause to be prepared by a reputable environmental consultant of the sort typically hired by sophisticated parties, a report describing the Environmental Violation and the actions taken by the Lessee (or its agents) in response to such Environmental Violation, and a statement by the consultant

that the Environmental Violation has been remedied in compliance in all material respects with applicable Environmental Laws. Nothing in this Article XIV shall reduce or limit the Lessee's obligations under Article XIII of the Participation Agreement.

Section 14.4. Notice of Environmental Violations. (a) The Lessee shall, within twenty (20) Business Days after obtaining knowledge of the existence of an Environmental Violation with respect to any Property, notify the Lessor in writing of such Environmental Violation.

(a) Promptly, but in any event within twenty (20) Business Days from the date the Lessee has actual knowledge thereof, the Lessee shall provide to the Lessor written notice of any notice of any pending or threatened claim, action or proceeding involving any Environmental Laws, any Release or Remedial Action on or in connection with any Property. All such notices shall describe in reasonable detail the nature of the claim, action or proceeding and the Lessee's proposed response thereto. In addition, the Lessee shall provide to the Lessor, within twenty (20) Business Days of receipt, copies of all written communications with the Governmental Authority relating to any Environmental Violation in connection with any Property. The Lessee shall also promptly provide such detailed reports of any such material environmental claims as may reasonably be requested by the Lessor or any Investor. In the event that the Lessor receives written notice of any pending or threatened claim, action or proceeding involving any Environmental Laws, any Release or Remedial Action on or in connection with any Property, the Lessor shall promptly give notice thereof to the Lessee.

ARTICLE XV

PARTIAL TERMINATION OF LEASE AT LESSOR'S OPTION

Section 15.1. Partial Termination Upon Certain Events. If, with respect to any Property: (a) an Event of Loss occurs or (b) an Environmental Violation occurs or is discovered and the cost of remediation of which the Lessee determines in its reasonable good faith judgment could reasonably be expected to exceed the lesser of \$5,000,000 and twenty percent (20%) of the Termination Base Amount of such Property; and the Lessor shall have given prior written notice (a "Partial Termination Notice") to the Lessee that, as a consequence of such event, this Master Lease is to be terminated with respect to such Property, then the Lessee shall be obligated, on the date specified by the Lessor (which date shall be a Business Day no earlier than sixty (60) days after delivery of the applicable Partial Termination Notice but in any event not later than the Expiration Date), to (1) in the case of an affected Leased Property, purchase the affected Property and pay to the Lessor, as the purchase price thereof, or (2) in the case of an affected Mortgaged Property, cause the release of such Property from the Lien of the Lessor Mortgage applicable thereto and pay to the Lessor, in exchange for such release, an amount equal to the sum of (x) the Termination Base Amount of the affected Property on such date plus (y) all accrued and unpaid Accrual Rent allocable to an amount of Property Cost equal to such Termination Base Amount, plus (z) without duplication all Basic Rent and Supplemental Rent, including Break Costs, due and owing on such date (after giving effect to such purchase), and the Lessor shall, as set forth in Section 15.2, on such date of payment transfer to the Lessee all of the interest of the Lessor in the affected Property (in the case of a Leased Property) and release any Lessor Mortgage encumbering Property; provided, however, that the Lessee shall not be obligated to purchase the affected Property if the Lessee delivers a Replacement Notice within ten (10) days after receiving the Partial Termination Notice and completes the replacement in accordance with Section 19.2 within sixty (60) days after receiving the Partial Termination Notice.

Section 15.2. Partial Termination Procedures. On the date of the payment by the Lessee of all amounts required to be paid under Section 15.1 in accordance with the procedures set forth in Section 15.1 (such date, the "Partial Termination Date"), the Lease Supplement relating to the affected Property shall terminate (or if the relevant Property is a Mortgaged Property, the Lessor Mortgage relating

to such Mortgage shall be released) and this Master Lease shall terminate with respect to such affected Property, and the Lessor shall, at the Lessee's sole cost and expense, take the following actions in respect of the applicable affected Property upon the Lessor's receipt of all amounts due with respect to such affected Property and all other amounts then due in accordance with Section 15.1:

(a) if the relevant Property is a Leased Property, the Lessor shall execute and deliver to the Lessee (or to the Lessee's designee) at the Lessee's sole cost and expense: (x) a quitclaim deed with respect to the affected Property, containing representations and warranties of grantor regarding the absence of Lessor Liens (but no other representations or warranties), and (y) an assignment of the entire interest of the Lessor in such affected Property (which shall include an assignment of all of the right, title and interest of the Lessor in and to any Excess Casualty/Condemnation Proceeds), in each case in recordable form and otherwise in conformity with local custom to the extent consistent with the foregoing scope of the Lessor's representations and warranties and free and clear of the Lien of the Lessor Mortgage and any Lessor Liens;

(b) if the relevant Property is a Leased Property, such affected Property shall be conveyed to the Lessee (or to the Lessee's designee) "AS IS" and in its then present physical condition;

(c) the Lessor shall convey to the Lessee any Excess Casualty/Condemnation Proceeds with respect to the affected Property;

(d) if the relevant Property is a Leased Property, the Lessor shall execute and deliver to the Lessee (or its designee) and, if requested by the Lessee, the Lessee's title insurance company, an affidavit as to the absence of Lessor Liens; and

(e) (i) the Lessee and the Lessor shall execute and deliver to each other a statement of termination of this Master Lease with respect to such affected Property and, if the relevant Property is a Leased Property, a termination of the Lease Supplement covering such affected Property, and (ii) the Lessor shall execute such terminations, releases or other instruments as the Lessee may reasonable request to evidence the release of any Lessor Mortgage encumbering such Property.

ARTICLE XVI

LEASE EVENTS OF DEFAULT

Section 16.1. Lease Events of Default. The occurrence of any one or more of the following events (whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall constitute a "Lease Event of Default":

(a) any representation or warranty made or deemed made by the Lessee in or in connection with the execution and delivery of this Master Lease or the other Operative Documents or the transactions contemplated hereby or thereby (including any representation or warranty contained in any certificate, document or financial or other statement furnished at any time under or in connection with any Operative Document) shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) any default shall be made in the payment of any Basic Rent, Property Cost, Aggregate Property Cost, Termination Price, Termination Base Amount or Lease Balance when

and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) the Lessee shall fail to pay any Fee or Supplemental Rent (other than an amount referred to in paragraph (b) above) when due under the Operative Documents and such failure shall be continuing on the tenth (10th) Business Day following the date on which the Lessee receives written notice that such amount is due and payable;

(d) any default shall be made in the due observance or performance of any covenant, condition or agreement contained in Section 10.1(a), 10.1(e), 10.2(a), 10.2(b), 10.2(c) or 10.2(d) of the Participation Agreement and, in the case of any default under Section 10.2(b) of the Participation Agreement, such default shall continue for thirty (30) days;

(e) any default shall be made in the due observance or performance of any covenant, condition or agreement contained herein or in any other Operative Document (other than those specified in paragraph (b), (c) or (d) above or paragraph (l) below) and (i) in the case of any such covenant, condition or agreement contained in clauses (a) through (i) of Section 10.1 of the Participation Agreement or contained in Section 10.2 of the Participation Agreement, such default shall continue unremedied for a period of thirty (30) days after notice thereof from the Lessor or any Investor to the Lessee and (ii) in the case of any other such covenant, condition or agreement, such default shall continue unremedied for a period of thirty (30) days after notice thereof from the Lessor or any Investor to the Lessee or, if such default cannot reasonably be remedied within such thirty (30) day period, the Lessee shall have failed to remedy such default prior to the period ending on the 120th day following such notice to the Lessee or shall have failed to diligently pursue such remedy during such period;

(f) the Lessee or any Lessee Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of \$20,000,000, beyond the period of grace, if any, provided in the agreement or instrument under which such Indebtedness was created, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness, or any other event shall occur or condition shall exist, beyond the period of grace, if any, provided in such agreement or instrument, if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or a trustee on its or their behalf (with or without the giving of notice) to cause, such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Lessee, or of a substantial part of the property or assets of the Lessee or any Lessee Subsidiary with assets having gross book value in excess of \$25,000,000, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Lessee or for a substantial part of the property or assets of the Lessee or any Lessee Subsidiary with assets having gross book value in excess of \$25,000,000 or (iii) the winding up or liquidation of the Lessee; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Lessee or any Lessee Subsidiary with assets having a gross book value in excess of \$25,000,000 shall (i) voluntarily commence any proceeding or file any petition seeking

relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in paragraph (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Lessee or for a substantial part of the property or assets of the Lessee, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more final judgments shall be entered by any court against the Lessee or any of the Lessee Subsidiaries for the payment of money in an aggregate amount in excess of \$100,000,000 and such judgment or judgments shall not have been paid, covered by insurance, discharged or stayed for a period of sixty (60) days, or a warrant of attachment or execution or similar process shall have been issued or levied against property of the Lessee or any of the Subsidiaries to enforce any such judgment or judgments;

(j) an ERISA Event shall have occurred that, in the opinion of the Lessor, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect;

(k) a Change in Control shall occur;

(l) any insurance required to be maintained by the Lessee pursuant to Article XIII of this Master Lease shall fail to be in effect or any default shall be made in the due observance or performance of any covenant, condition or agreement contained in Article VI or Section 11.1(a);

(m) any Operative Document to which the Lessee is a party or any Lien granted by the Lessee under any Operative Document shall, in whole or in material part, terminate, cease to be effective against, or (other than as expressly provided therein) cease to be the legal, valid, binding and enforceable obligation of the Lessee other than as permitted under, or pursuant to the terms of, or in connection with a transaction permitted by, any Operative Document;

(n) the Lessee shall directly or indirectly contest the effectiveness, validity, binding nature or enforceability of any Operative Document or any Lien granted under any Operative Document;

(o) any contract, permit or license in connection with any Property (including any in connection with the use, occupancy, zoning or operation of any Property) shall cease to be in full force and effect and such cessation, in the aggregate with any such cessation affecting any other Property, shall have had, or could reasonably be expected to have, a Material Adverse Effect or a material adverse effect on the Fair Market Sales Value, condition, utility, remaining useful life or residual value of any Property; or

(p) any Casualty or Condemnation affecting any Property shall have occurred and the aggregate Termination Base Amounts of all Properties then unaffected by any Casualty or Condemnation shall be less than 30% of the Aggregate Original Property Cost.

Section 16.2. Remedies. Upon the occurrence of any Lease Event of Default and at any time thereafter, the Lessor may, so long as such Lease Event of Default is continuing, do one or more of the

following (and in such order) as the Lessor in its sole discretion shall determine, without limiting any other right or remedy the Lessor may have on account of such Lease Event of Default (including the obligation of the Lessee to purchase all of the Properties as set forth in Section 18.2):

(a) The Lessor may declare the entire outstanding Lease Balance to be immediately due and payable, whereupon the Lease Balance shall become forthwith due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Lessee; provided, however, that upon the occurrence of an Event of Default described in clause (g) or (h) of Section 16.1, (A) the obligation of the Lessor to acquire any Leased Property on the Acquisition Date shall automatically terminate and (B) the Lease Balance shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Lessee;

(b) The Lessor may make demand upon the Lessee for the amounts due under the Operative Documents;

(c) The Lessor may, by notice to the Lessee, rescind or terminate this Master Lease as of the date specified in such notice; however, (i) no reletting, reentry or taking of possession of any Leased Property (or any portion thereof) by the Lessor (or its agents) will be construed as an election on the Lessor's part to terminate this Master Lease unless a written notice of such intention is given to the Lessee, (ii) notwithstanding any reletting, reentry or taking of possession, the Lessor may at any time thereafter elect to terminate this Master Lease for a continuing Lease Event of Default, and (iii) no act or thing done by the Lessor or any of its agents, representatives or employees and no agreement accepting a surrender of any Leased Property shall be valid unless the same be made in writing and executed by the Lessor;

(d) The Lessor may (i) demand that the Lessee, and the Lessee shall upon the written demand of the Lessor, return all of the Leased Properties promptly to the Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of this Lease (including Sections 8.2, 8.3, 9.1, 10.1 and 11.1 hereof) as if the Properties were being returned on the Scheduled Lease Termination Date, and the Lessor shall not be liable for the reimbursement of the Lessee for any costs and expenses incurred by the Lessee in connection therewith, and (ii) without prejudice to any other remedy that the Lessor may have for possession of the Properties, and to the extent and in the manner permitted by Applicable Law and any applicable DOD Restrictions, enter upon any Leased Property and take immediate possession of (to the exclusion of the Lessee) the Leased Properties or any part thereof and expel or remove the Lessee and any other Person who may be occupying any Leased Property, by summary proceedings or otherwise, all without liability to the Lessor for or by reason of such entry or taking of possession, whether for the restoration of damage to any property caused by such taking or otherwise and, in addition to the other damages of the Lessor, the Lessee shall be responsible for all costs and expenses incurred by the Lessor, the Investors and/or the Arranger in connection with any reletting, including reasonable brokers' fees and all costs of any alterations or repairs required to be made by the Lessor so that the Properties achieve the standard of condition required by this Master Lease;

(e) As more fully set forth in Section 16.4 hereof, in each Lease Supplement (and consistent with the intent of the parties as detailed in Article XXV hereof) and in each Lessor Mortgage, the Lessor may exercise all remedies available to a mortgagee, secured party, beneficiary or trustee under law or equity, including, to the extent permitted by law, the right to sell all or any part of the Properties at public or private sale, as the Lessor may determine;

(f) The Lessor may, at its option, elect not to terminate this Master Lease and continue to collect all Basic Rent, Supplemental Rent, and all other amounts due to the Lessor (together with all costs of collection) and enforce the Lessee's obligations under this Master Lease as and when the same become due, or are to be performed, and at the option of the Lessor, upon any abandonment of any Leased Property by the Lessee or re-entry of same by the Lessor, the Lessor may, in its sole and absolute discretion, elect not to terminate this Master Lease and may make the necessary repairs in order to relet any Leased Property, and relet such Leased Property or any part thereof for such term or terms (which may be for a long term extending beyond the Lease Term of this Master Lease) and at such rental or rentals and upon such other terms and conditions as the Lessor in its reasonable discretion may deem advisable; and upon each such reletting, all rentals actually received by the Lessor from such reletting shall be applied to the Lessee's Obligations in the manner provided in Section 7.4 of the Participation Agreement. If such rentals received from such reletting during any period are less than the Rent to be paid during that period by the Lessee hereunder, the Lessee shall pay any deficiency, as calculated by the Lessor, to the Lessor on the next Scheduled Payment Date;

(g) Unless all of the Leased Properties have been sold in their entirety, the Lessor may, whether or not the Lessor shall have exercised or shall thereafter at any time exercise any of its rights under clause (d), (e) or (f) of this Section 16.2 with respect to any or all of the Properties or any portions thereof, demand, by written notice to the Lessee specifying a date not earlier than twenty (20) days after the date of such notice, that the Lessee purchase, on the date specified in such notice, all of the unsold Properties in accordance with the provisions of Article XXI and Section 18.2 for an amount equal to the then outstanding Lease Balance;

(h) The Lessor may exercise any other right or remedy that may be available to it under Applicable Law, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any period(s), and such suits shall not in any manner prejudice the Lessor's rights to collect any such damages for any subsequent period(s), or the Lessor may defer any such suit until after the Expiration Date, in which event such suit shall be deemed not to have accrued until the Expiration Date;

(i) The Lessor may retain and apply against the Lease Balance all sums which the Lessor would, absent such Lease Event of Default, be required to pay to, or turn over to, the Lessee pursuant to the terms of this Master Lease (including any amounts held by the Lessor pursuant to Section 14.2); or

(j) The Lessor, to the extent permitted by Applicable Law, as a matter of right and with notice to the Lessee, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of any part of each Property, and the Lessee hereby irrevocably consents to any such appointment. Any such receivers shall have all of the usual powers and duties of receivers in like or similar cases and all of the powers and duties of the Lessor in case of entry, and shall continue as such and exercise such powers until the date of confirmation of the sale of the applicable Property unless such receivership is sooner terminated.

The Lessor shall be entitled to enforce payment of the indebtedness and performance of the Obligations secured hereby and to exercise all rights and powers under this instrument or under any of the other Operative Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, security agreement, pledge, lien, assignment or otherwise. Neither the acceptance of this instrument nor its enforcement shall prejudice or in any manner affect the Lessor's right to realize upon or

enforce any other security now or hereafter held by the Lessor, it being agreed that the Lessor shall be entitled to enforce this instrument and any other security now or hereafter held by the Lessor in such order and manner as the Lessor may determine in its absolute discretion. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Operative Documents to the Lessor or to which the Lessor may otherwise be entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor. In no event shall the Lessor, in the exercise of the remedies provided in this instrument (including in connection with the assignment of rents to the Lessor, or the appointment of a receiver and the entry of such receiver onto all or any part of the Properties), be deemed a "mortgagee in possession," and the Lessor shall not in any way be made liable for any act, either of commission or omission, in connection with the exercise of such remedies.

If, pursuant to the exercise by the Lessor of its remedies pursuant to this Section 16.2, the Lease Balance and all other amounts due and owing from the Lessee under this Master Lease and the other Operative Documents have been paid in full, then the Lessor shall remit to the Lessee any excess amounts received by the Lessor.

If requested by the Lessor in connection with the exercise of its remedies pursuant to this Section 16.2, subject to the good faith mutual agreement of the Lessor and the Lessee, the Lessee hereby agrees to enter into an operating agreement with respect to the Properties having a term no longer than one year and in connection therewith to serve as the operator of the Properties; provided that such agreement shall be on market terms established in good faith and reasonably acceptable to the Lessor and the Lessee.

Section 16.3. Waiver of Certain Rights. (a) To the maximum extent permitted by law, the Lessee hereby waives the benefit of any appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale of any Property or any interest therein, (b) if this Master Lease shall be terminated pursuant to Section 16.2, the Lessee waives, to the fullest extent permitted by law, (i) any notice of re-entry or the institution of legal proceedings to obtain re-entry or possession; (ii) any right of redemption, re-entry or repossession; (iii) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt or limiting the Lessor with respect to the election of remedies; and (iv) any other rights that might otherwise limit or modify any of the Lessor's rights or remedies under this Article XVI.

Section 16.4. Mortgage/Deed of Trust Remedies. Without limiting any other remedies set forth in this Master Lease, and also, without limiting the generality of Article XXV hereof, the Lessor may proceed by a suit or suits in equity or at law, whether for a foreclosure hereunder or under the Lease Supplements, or (to the extent permitted by law) for the sale of each Property, pursuant to a power of sale, or against the Lessee on a recourse basis for the Lease Balance, or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power granted herein, or for the appointment of a receiver pending any foreclosure hereunder (or under the Lease Supplements) or the sale of any Property, or for the enforcement of any other appropriate legal or equitable remedy. The Lessor shall have all rights available to a mortgagee (or of a beneficiary under a deed of trust) or a secured party under the laws of the state where the relevant Property is located, including all rights granted under the specific statutes referenced in each Lease Supplement, if any (each such statute, as amended, is hereinafter referred to as a "Mortgage Foreclosure Act"). In the event that any provisions of this Master Lease shall be inconsistent with any Mortgage Foreclosure Act, the provisions of such Mortgage Foreclosure Act shall take precedence over such provision of this Master Lease, but shall not invalidate or render unenforceable any other provision of this Master Lease that can be construed in a manner

consistent with such Mortgage Foreclosure Act. If any provision of this Master Lease shall grant the Lessor any rights or remedies upon default of the Lessee that are more limited than the rights that would otherwise be vested in the Lessor under such Mortgage Foreclosure Act in the absence of such provision, the Lessor shall be vested with the broader rights granted in such Mortgage Foreclosure Act to the full extent permitted by law. The Lessee agrees that the agreements of Lessee herein contained shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purpose of any suit brought pursuant hereto, the Lessee hereby waives, to the fullest extent permitted by law, the defense of laches and any applicable statute of limitations. In the event of foreclosure, the Lessee authorizes and empowers the Lessor to effect insurance upon the Properties in amounts aforesaid for a period covering the time of redemption from foreclosure sale provided by law, and if necessary therefor, to cancel any or all existing insurance policies required to be maintained under this Master Lease.

ARTICLE XVII

LESSOR'S RIGHT TO CURE; LESSOR'S OBLIGATION TO FORWARD NOTICES

Section 17.1. The Lessor's Right to Cure the Lessee's Lease Defaults. The Lessor, without waiving or releasing any obligation or Lease Event of Default, may (but shall be under no obligation to) remedy any Lease Event of Default for the account and at the sole cost and expense of the Lessee, including the failure by the Lessee to maintain the insurance required by Article XIII, and may, to the fullest extent permitted by law, and notwithstanding any right of quiet enjoyment in favor of the Lessee (but subject to any applicable DOD Restrictions), enter upon any Property for such purpose and take all such action thereon as may be necessary or appropriate therefor. No such entry shall be deemed an eviction of the Lessee. All reasonable out-of-pocket costs and expenses so incurred (including fees and expenses of counsel), together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid by the Lessor, shall be paid by the Lessee to the Lessor as Supplemental Rent.

Section 17.2. Lessor's Obligation to Forward Notices. The Lessor shall deliver to the Lessee copies of all notices received by the Lessor from any Governmental Authority (including all notices of any tax assessment, levy, duty or other bill from any Governmental Authority) with respect to the Lessee or any Property promptly but in any event within ten (10) Business Days after the Lessor's receipt thereof.

ARTICLE XVIII

PURCHASE BY LESSEE

Section 18.1. Purchase Option on Expiration Date. The Lessee shall have the right at its option to purchase the Lessor's interest in all (but not less than all) of the Leased Properties on the Scheduled Lease Termination Date in accordance with this Section 18.1 (the "Purchase Option") by delivering prior written notice thereof not later than one hundred eighty (180) days prior to the Scheduled Lease Termination Date to the Lessor and, unless the Lessee shall have properly exercised the Return Option and shall have fulfilled all of the requirements of Article XX, the Lessee shall be deemed to have elected to purchase the Lessor's interest in all of the Leased Properties pursuant to this Section 18.1. Any such notice or deemed election shall be irrevocable. If the Lessee shall have elected (or shall have been deemed to have elected) to purchase all of the Leased Properties under this Section, then, subject to the terms, conditions and provisions set forth in this Section, and in accordance with the procedures set forth in Section 21.1, the Lessee (or its designee) shall purchase from the Lessor, and the Lessor shall convey to the Lessee (or its designee), on the Scheduled Lease Termination Date all of the interest of the Lessor in all of the Leased Properties for an amount equal to one dollar (\$1); provided that the Lessee shall have paid all accrued and unpaid Basic Rent and all Supplemental Rent owing on the Scheduled Lease

Termination Date (including the final payment of Fixed Rent) after giving effect to such purchase. The Lessee may designate, in a notice given to the Lessor not less than ten (10) Business Days prior to the closing of such purchase, the transferee or transferees to whom the conveyance shall be made (if other than to the Lessee), in which case such conveyance shall (subject to the terms and conditions set forth herein) be made to such designee; provided, however, that such designation of a transferee or transferees shall not cause the Lessee to be released, fully or partially, from any of its obligations under this Master Lease, including the obligation to pay the Lessor the final Basic Rent payment on the Scheduled Lease Termination Date.

Section 18.2. Acceleration of Purchase Obligation. The Lessee shall be obligated to purchase for an amount equal to the Lease Balance all of the interest of the Lessor in all of the Leased Properties automatically and without notice upon the occurrence of any Lease Event of Default described in clause (g) or (h) of Section 16.1. Any purchase under this Section 18.2 shall be in accordance with the procedures set forth in Section 21.1.

ARTICLE XIX

TERMINATION OR REPLACEMENT FOR OBSOLESCENCE, EVENT OF LOSS, ETC.

Section 19.1. Right of Termination.

(a) Termination Option. The Lessee shall have the right at its option (the "Termination Option") to terminate the Lease with respect to one or more Properties (including any Mortgaged Property) if: (i) such Property or Properties are no longer being used by the Lessee or any of its Affiliates in its business as a result of such Property or Properties (x) becoming obsolete or surplus to the Lessee's or such Affiliate's requirements, (y) suffering a Casualty or Condemnation or (z) suffering a title defect or Environmental Violation or (ii) the Indemnitees shall have demanded payment from the Lessee of amounts owing under Article XIII of the Participation Agreement as a result of events outside of the control of the Lessee, the payment of which, in the aggregate, cause the implicit rate of return on the Aggregate Property Cost to increase by more than 0.20% above the implicit rate of return anticipated on the Acquisition Date or (iii) such Property or Properties are intended to be held for sale (any event described in clause (iii), a "Sale Termination Event" and any event described in clause (i), (ii) or (iii), a "Termination Event," and the applicable Property to which the Termination Event relates, the "Terminated Property"). To exercise this option the Lessee shall deliver a written notice (a "Termination Notice") to the Lessor and each Investor specifying a proposed date of termination for such Property that is no earlier than thirty (30) days after the date such Termination Notice is delivered (the "Termination Date"). Any such termination shall be effective on the Termination Date upon the Lessee's compliance with this Section 19.1; provided that:

(A) in the case of a Termination Event described in clause (i), (1) the Lessee shall not have the right to exercise its Termination Option at any time prior to the third (3rd) anniversary of the Acquisition Date (except in the case of a Termination Option exercised pursuant to clause (y) of such clause (i), which may be exercised at any time), (2) the determination that the applicable Property qualifies for termination pursuant to clause (i) shall be made by the Lessee in good faith, and (3) the Termination Notice shall contain a certificate executed by the Chief Financial Officer of the Lessee certifying that the applicable Property qualifies for termination pursuant to clause (i) of this Section 19.1(a);

(B) in the case of a Termination Event described in clause (ii), (1) the Lessee shall exercise its Termination Option with respect to all and not less than all of the Properties

and (2) the determination that the Properties qualify for termination pursuant to clause (ii) shall be made jointly by the Lessor and Lessee in good faith; and

(C) in the case of a Termination Event described in clause (iii), (1) the Lessee shall not have the right to exercise its Termination Option prior to the third (3rd) anniversary of the Acquisition Date and (2) the Termination Notice shall contain a certificate executed by the Chief Financial Officer of the Lessee certifying that such Property is intended to be held for sale.

The Lessee will reimburse the Lessor and each Investor for all Break Costs and all reasonable out-of-pocket costs and expenses (including reasonable legal fees and expenses) incurred by any thereof in connection with such termination or proposed termination. On the Termination Date, the Lessee shall pay or cause to be paid to the Lessor (or in the case of Supplemental Rent, to the Persons entitled thereto) in funds of the type specified in Section 3.4, an amount equal to the sum of (x) the Termination Price of the Terminated Property (or, if the applicable Termination Event is a Sale Termination Event, an amount equal to the unamortized Termination Base Amount of the Terminated Property plus the Termination Indemnity Amount for such Property on the applicable Termination Date) plus (y) all accrued and unpaid Accrual Rent allocable to an amount of Property Cost equal to the Termination Base Amount to be paid on such Termination Date plus (z) without duplication, all Basic Rent and Supplemental Rent (including Break Costs) then due and owing after giving effect to such termination (including all Supplemental Rent that shall have been demanded pursuant to Article XIII of the Participation Agreement), in each case calculated as of the Termination Date, it being understood that until such sums are paid, there shall be no abatement or reduction of Basic Rent on account of the applicable Termination Event or otherwise. All payments received by the Lessor from the Lessee pursuant to this Section 19.1 will be distributed and applied by the Lessor in accordance with Article VII of the Participation Agreement.

(b) Transfer of Property. Upon the payment of all sums required to be paid pursuant to Section 19.1(a) in respect of any Terminated Property or Terminated Properties, the Lessor shall (x) in the case of Terminated Properties that are Leased Properties, transfer the applicable Terminated Property or Terminated Properties to the Lessee or its designee in accordance with the procedures set forth in Section 21.1 or (y) in the case of any Terminated Property that is a Mortgaged Property, comply with the procedures set forth in clause s(c) and (e) of Section 21.1.

(c) Termination of Lease. In the event of any such sale and receipt by the Lessor of all of the amounts provided in Section 19.1(a) in respect of a Terminated Property that is a Leased Property and upon compliance by the Lessee with the other provisions of this Section 19.1, the obligation of Lessee to pay Basic Rent hereunder for such Terminated Property shall cease and the Lease Term for the Terminated Property shall end.

Section 19.2. Replacement. Following the occurrence of any Termination Event described in clause (i) or (iii) of Section 19.1(a), the Lessee shall have the right at its option (the "Replacement Option") to replace the applicable Terminated Property in accordance with this Section 19.2.

(a) Requirements. To exercise the Replacement Option the Lessee shall deliver a written notice (a "Replacement Notice") to the Lessor and each Investor specifying a proposed date of replacement for such Property that is no earlier than thirty (30) days after the date such Termination Notice is delivered (the date of such replacement in accordance with Section 19.2(b) below, the "Replacement Date"). The Lessee shall comply with the provisions of clause (b) below applicable to such replacement and shall either (x) if the applicable Terminated Property is a Leased Property, convey or cause to be conveyed to the Lessor on the Replacement Date one or more replacement Properties (each such Property, a "Replacement Property") for the applicable Terminated Property or Terminated

Properties, with such Replacement Properties to be leased to the Lessee hereunder from and after the Replacement Date or (y) if the applicable Terminated Property is a Mortgaged Property, grant to the Lessor a Lien on a Replacement Property pursuant to a Lessor Mortgage in form and substance reasonably satisfactory to the Lessor; provided that, in each case, (1) the determination that the applicable Property qualifies for replacement as a result of satisfying the requirements of clause (i) or (iii) of Section 19.1(a) shall be made by the Lessee in good faith and (2) the Replacement Notice shall contain a certificate executed by the Chief Financial Officer of the Lessee certifying that the applicable Property qualifies for replacement as a result of satisfying the requirements of clause (i) or (iii) of Section 19.1(a); and provided, further, that the following conditions are satisfied:

(i) each Replacement Property shall be located in the continental United States,

(ii) each Replacement Property shall be free and clear of all Liens (other than Permitted Property Liens);

(iii) such Replacement Property or Replacement Properties shall have a Fair Market Sales Value, in the aggregate, at least equal to unamortized Termination Base Amount of the applicable Terminated Property;

(iv) in no event shall such Replacement Property or Replacement Properties have a remaining economic useful life of less than fifteen (15) years;

(v) there shall be no fewer than three (3) Properties subject to this Master Lease after giving effect to such replacement;

(vi) each of the conditions set forth in Section 6.1 of the Participation Agreement shall have been satisfied (except that each reference to a Subject Property shall be deemed to refer to the Replacement Property and each reference to the Acquisition Date shall be deemed to refer to the applicable Replacement Date); and

(vii) the representations and warranties of the Lessee set forth in Section 8.2 of the Participation Agreement shall be true and correct with respect to the Lessee and such Replacement Property on and as of the applicable Replacement Date.

(b) Items to be delivered. Prior to any replacement of any Property and as a condition to such replacement, the Lessee, at its own expense, will:

(i) furnish to the Lessor each of the items set forth in Section 6.1 of the Participation Agreement in each case with respect to the proposed Replacement Property and on and as of the Replacement Date (instead of the Acquisition Date),

(ii) cause a Lease Supplement substantially in the form of Exhibit A hereto and dated as of the Replacement Date, subjecting such Replacement Property to this Lease and duly executed by the Lessee, to be delivered to the Lessor (or, if the applicable Terminated Property is a Mortgaged Property, cause a Lessor Mortgage covering such Replacement Property and dated as of the Replacement Date and duly executed by the Lessee to be delivered to the Lessor),

(iii) upon execution of the Lease Supplement described in clause (ii) by the Lessee and the Lessor (or, if the applicable Terminated Property is a Mortgaged Property, upon execution of the Lessor Mortgage described in clause (ii) by the Lessee), cause such Lease Supplement (or Lessor Mortgage) to be filed for recordation in the same manner as provided for

the original Lease Supplement (or original Lessor Mortgage, as the case may be) in the Participation Agreement,

(iv) furnish to the Lessor a Responsible Officer's Certificate of the Lessee certifying that the Replacement Property is free and clear of all Liens (other than Permitted Property Liens), and

(v) furnish such other documents and evidence as the Lessor, any Investor or their respective counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Section 19.2.

For all purposes hereof, (i) the Replacement Date shall be deemed to occur on the earliest date on which the Lessee shall have complied with all of the requirements of this clause (b) with respect to a replacement made in accordance with clause (a) above, (ii) title to each Replacement Property conveyed in connection with a Terminated Property that is a Leased Property shall be deemed to have been transferred to the Lessor as of the Replacement Date and (iii) (x) in the case of a Terminated Property that is a Leased Property, upon such passage of title thereto to the Lessor, and (y) in the case of a Terminated Property that is a Mortgaged Property, upon the recordation of the applicable Lessor Mortgage as required under Section 6.1(n) of the Participation Agreement, the Replacement Property shall be deemed a "Property" for all purposes of the Operative Documents and the original Property shall no longer be deemed to be a "Property" for purposes of the Operative Documents and, in the case of a Replacement Property for a Leased Property, the Replacement Property shall be deemed part of the Properties leased hereunder.

(c) Transfer or Release of Replaced Property. Upon (i) the passage of title with respect to a Leased Property described in clause (b) above, the Lessor will transfer to the Lessee all Lessor's right, title and interest in and to the replaced Property or (ii) the recordation of a Lessor Mortgage with respect to a Mortgaged Property described in clause (b) above, the Lessor will release the Lessor Mortgage encumbering the replaced Property, in each case in accordance with the procedures set forth in Section 21.1. The Lessee shall promptly pay all reasonable out-of-pocket costs and expenses (including reasonable legal fees and expenses) incurred by the Lessor, the Lessor Administrator or any Investor in connection with any replacement pursuant to this Section 19.2, provided that the Lessee shall be responsible for the legal fees and expenses of only one set of lawyers for the Investors (in addition to any local counsel reasonably required by the Lessor or any Investor) unless the Investors and/or such counsel reasonably determines that such representation could create a conflict of interest. The Lessee further agrees that, upon receipt of fully signed counterparts of the Lease Supplement referred to in clause (ii) of Section 19.2(b), it will, at its sole cost and expense, cause such documents to be filed or recorded in the manner contemplated by Section 6.1(n) of the Participation Agreement.

ARTICLE XX

RETURN OPTION; RETURN PROVISIONS

Section 20.1. Option to Return. Subject to the fulfillment of each of the conditions set forth in this Section 20.1 and Section 20.2 (collectively, the "Return Conditions"), the Lessee shall have the option (the "Return Option") to return all (but not less than all) of the Leased Properties to the Lessor on the Expiration Date.

The Lessee's effective exercise and consummation of the Return Option shall be subject to the due and timely fulfillment of each of the following provisions and the provisions of Section 20.2 as to each of the Leased Properties as of the dates set forth below:

(a) Unless a longer period is called for pursuant to any Applicable Law, on the date not later than one hundred eighty (180) days prior to the Scheduled Lease Termination Date, the Lessee shall give to the Lessor written notice of the Lessee's exercise of the Return Option.

(b) Not later than one hundred and twenty (120) days prior to the Expiration Date, the Lessee shall deliver to the Lessor an Environmental Audit for each Property. Such Environmental Audit shall be prepared by an environmental consultant selected by the Lessor in the Lessor's discretion and shall contain conclusions satisfactory to the Lessor as to the environmental status of each Property as to which the Lessor shall be entitled to rely in accordance with the terms of the scope of services as set forth in the Environmental Audit prepared by the environmental consultant. If any such Environmental Audit indicates any exceptions calling for a Phase Two environmental assessment, the Lessee shall have also delivered prior to the Expiration Date a Phase Two environmental assessment by such environmental consultant and a written statement by such environmental consultant indicating that all such exceptions have been remedied in compliance with Applicable Law.

(c) The Lessee shall have substantially completed all Modifications, restoration and rebuilding of the relevant Properties pursuant to Sections 10.1 and 14.1 (as the case may be) and shall have fulfilled all of the conditions and requirements in connection therewith pursuant to such Sections. The Lessee shall have also paid the cost of all Modifications commenced prior to the Expiration Date. The Lessee shall not have been excused pursuant to Section 12.1 from complying with any Applicable Law that involved the extension of the ultimate imposition of such Applicable Law beyond the Expiration Date. Any Permitted Property Liens (other than Lessor Liens) on any Property that were contested by the Lessee shall have been removed and the Lessor shall have received evidence satisfactory to it that all Liens (other than Lessor Liens and uncontested Permitted Property Liens of the type described in clauses (i), (ii), (vii), (viii) and (ix) of the definition thereof) shall have been removed.

(d) Not later than sixty (60) days prior to the Expiration Date, the Lessee shall have cured or caused to be cured all Environmental Violations affecting any Property and if ISRA is applicable, provide proof that it is in Compliance with ISRA.

(e) The Lessee shall pay to the Lessor (or in the case of Supplemental Rent, to the Person entitled thereto) on or prior to the Expiration Date an amount equal to the outstanding Lease Balance in the type of funds specified in Section 3.4 hereof.

(f) The Lessee shall return all of the Leased Properties in accordance with Section 20.2.

Section 20.2. Return. If the Lessee elects its Return Option, the Lessee shall do each of the following with respect to each Leased Property at its own cost and expense, on or prior to the Expiration Date:

(a) execute and deliver to the Lessor (or to the Lessor's designee) (A) a deed (warranting against acts and Liens of the Lessee and its Affiliates) with respect to its interest in the applicable Property, (B) a bill of sale with respect to its interest in all personalty and Equipment (if any) included in the applicable Property and (C) an assignment of the Lessee's entire interest in the applicable Property (which shall include an assignment of all of the Lessee's right, title and interest in and to all awards, compensation and insurance proceeds payable with respect to the applicable Property in connection with any Casualty or Condemnation affecting the applicable Property and an assignment of leases of the applicable Property), in each case in

recordable form and otherwise in conformity with local custom and free and clear of any Liens attributable to the Lessee or its Affiliates other than Permitted Property Liens referenced in clauses (i), (ii), (vii), (viii), and (ix) of the definition thereof;

(b) execute and deliver to the Lessor and the Lessor's title insurance company an affidavit as to the absence of any Liens (other than Permitted Property Liens of the type described in clause (i), (ii), (vii), (viii) and (ix) of the definition thereof);

(c) execute and deliver to the Lessor a statement of termination of this Master Lease and each Lease Supplement;

(d) vacate each Leased Property and transfer possession of each Leased Property to the Lessor or any Person designated by the Lessor by surrendering the same into the possession of the Lessor or such Person, as the case may be, in the condition required by this Master Lease and in compliance with Applicable Law; and

(e) cooperate fully with the Lessor and/or any Person designated by the Lessor to receive such Leased Property, which cooperation shall include: (i) if requested by the Lessor, subject to the good faith mutual agreement of the Lessor and the Lessee, the entering into of an operating agreement with respect to such Property having a term no longer than one year and in connection therewith serving as the operator of the such Property; (provided that such agreement shall be on market terms established in good faith and reasonably acceptable to the Lessor and the Lessee), (ii) providing copies of all records regarding the maintenance of such Property and all non-proprietary data and technical information relating thereto, (iii) providing a current copy of the applicable Plans and Specifications for each Property (if any), (iv) granting or assigning all assignable licenses necessary for the operation and maintenance of each Property and (v) cooperating reasonably in the seeking and obtaining of all necessary Governmental Action.

ARTICLE XXI

PROCEDURES RELATING TO CONVEYANCE TO LESSEE

Section 21.1. Provisions Relating to the Conveyance of Properties to the Lessee upon Certain Events. In connection with (x) the Lessee's exercise of its Termination Option with respect to any Property pursuant to Section 19.1, (y) the Lessee's exercise of its Replacement Option with respect to any Terminated Property to be replaced or (z) the Lessee's purchase of all of the Properties pursuant to Section 18.1, or in connection with the Lessee's obligations under Section 16.2(g) or 18.2, then, upon the date on which this Master Lease is to terminate with respect to the relevant Property and upon tender by the Lessee of the amounts set forth in Section 19.1, 19.2, 16.2(g), 18.1 or 18.2, as applicable:

(a) if the relevant Property is a Leased Property, the Lessor shall execute and deliver to the Lessee (or to the Lessee's designee) at the Lessee's cost and expense: (x) a quitclaim deed with respect to the relevant Property, containing representations and warranties of grantor regarding the absence of Lessor Liens (but no other representations or warranties), and (y) an assignment of the entire interest of the Lessor in such Property (which shall include an assignment of all of the right, title and interest of the Lessor in and to any Excess Casualty/Condemnation Proceeds), in each case in recordable form and otherwise in conformity with local custom to the extent consistent with the foregoing scope of the Lessor's representations and warranties and free and clear of the Lien of the Lessor Mortgage and any Lessor Liens;

(b) if the relevant Property is a Leased Property, such Property shall be conveyed to the Lessee (or to the Lessee's designee) "AS IS" and in its then present physical condition;

(c) the Lessor shall convey to the Lessee any Excess Casualty/Condemnation Proceeds with respect to the Property;

(d) if the relevant Property is a Leased Property, the Lessor shall execute and deliver to the Lessee (or its designee) and, if requested by the Lessee, the Lessee's title insurance company, an affidavit as to the absence of Lessor Liens; and

(e) (i) the Lessee and the Lessor shall execute and deliver to each other a statement of termination of this Master Lease with respect to such Property and, if such Property is a Leased Property, a statement of termination of the Lease Supplement covering such Property, and (ii) the Lessor shall execute such terminations, releases or other instruments as the Lessee may reasonably request to evidence the release of any Lessor Mortgage encumbering such Property.

ARTICLE XXII

ESTOPPEL CERTIFICATES

Section 22.1. Estoppel Certificates. At any time and from time to time upon not less than twenty (20) Business Days' prior request by the Lessor or the Lessee (the "Requesting Party"), the other party (whichever party shall have received such request, the "Certifying Party") shall furnish to the Requesting Party a certificate signed by (i) in the case of the Lessee, a Responsible Officer of the Lessee and (ii) in the case of the Lessor, the Lessor Administrator, certifying that this Master Lease is in full force and effect (or that this Master Lease is in full force and effect as modified and setting forth the modifications); the dates to which the Basic Rent and Supplemental Rent have been paid; to the best knowledge of the signer of such certificate, whether or not the Requesting Party is in default under any of its obligations hereunder and, if so, the nature of such alleged default; and such other matters under this Master Lease as the Requesting Party may reasonably request.

Any such certificate furnished pursuant to this Article XXII may be relied upon by, and any existing or prospective mortgagee, purchaser or lender.

ARTICLE XXIII

ACCEPTANCE OF SURRENDER

Section 23.1. Acceptance of Surrender. No surrender to the Lessor of this Master Lease or of all or any of the Leased Properties or of any part of any thereof or of any interest therein shall be valid or effective unless agreed to and accepted in writing by the Lessor, and no act by the Lessor or any representative or agent of Lessor, other than a written acceptance, shall constitute an acceptance of any such surrender.

ARTICLE XXIV

NO MERGER OF TITLE

Section 24.1. No Merger of Title. There shall be no merger of this Master Lease or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) this Master Lease or the leasehold estate created hereby or

any interest in this Master Lease or such leasehold estate, (b) the fee estate in any Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor, or (c) a beneficial interest in the Lessor.

ARTICLE XXV

INTENT OF THE PARTIES

Section 25.1. Ownership of the Property. (a) The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes,

(A) the Lease will be treated as a financing arrangement,

(B) the Lessor will be deemed a lender making a loan to the Lessee in an aggregate amount equal to the Aggregate Original Property Cost which loan is secured by the Properties, and

(C) the Lessee will be treated as the owner of the Leased Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes.

Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee, the Lessor or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee by the Lessor and the Investors as unrelated third party lenders of the Lessee. Nevertheless, the Lessee acknowledges and agrees that none of the Lessor, the Arranger or any Investor has made any representations or warranties to the Lessee concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein.

(b) It is the intent of the parties hereto that this Lease grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor for the benefit of the Lessor to secure the performance of the Lessee under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement.

(c) Tax Ownership. The Lessor represents and warrants to the Lessee that it will not, prior to the termination of the Lease with respect to a Property, claim ownership of (or any tax benefits, including depreciation, with respect to) such Property for any United States income tax purposes (unless required to do so by a Governmental Authority), it being understood that the Lessee is and will remain the owner of such Property for such United States income tax purposes until the termination of the Lease with respect thereto.

ARTICLE XXVI

MISCELLANEOUS

Section 26.1. Severability. If any term or provision of this Master Lease or any application thereof shall be declared invalid or unenforceable, the remainder of this Master Lease and any other application of such term or provision shall not be affected thereby.

Section 26.2. Amendments and Modifications. Subject to the requirements, restrictions and conditions set forth in the Participation Agreement, neither this Master Lease nor any provision hereof may be amended, waived, discharged or terminated except by an instrument in writing signed by the Lessee and the Lessor.

Section 26.3. No Waiver. No failure by the Lessor, any Investor or the Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy upon a default hereunder, and no acceptance of full or partial payment of Rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. To the fullest extent permitted by law, no waiver of any default shall affect or alter this Master Lease, and this Master Lease shall continue in full force and effect with respect to any other then existing or subsequent default.

Section 26.4. Notices. All notices, demands, requests, consents, approvals and other communications hereunder shall be in writing and directed to the address described in, and deemed received in accordance with the provisions of, Section 14.3 of the Participation Agreement.

Section 26.5. Successors and Assigns. All the terms and provisions of this Master Lease shall inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, that the Lessee may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lessor (and any attempted assignment or transfer by the Lessee without such consent shall be null and void).

Section 26.6. Headings and Table of Contents. The headings and table of contents in this Master Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 26.7. Counterparts. This Master Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

Section 26.8. GOVERNING LAW. THIS MASTER LEASE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS, EXCEPT TITLE 14 OF ARTICLE 5 OF THE NEW YORK GENERAL OBLIGATIONS LAW (EXCEPT AS OTHERWISE SET FORTH IN THE LEASE SUPPLEMENT WITH RESPECT TO THE CREATION AND PERFECTION OF THE LIENS AND SECURITY INTERESTS IN EACH PROPERTY AND THE RIGHTS AND REMEDIES OF THE LESSOR WITH RESPECT TO EACH PROPERTY).

Section 26.9. Original Lease. The single executed original of this Master Lease marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt thereof of the Lessor therefor on or following the signature page thereof shall be the Original Executed Counterpart of this Master Lease (the "Original Executed Counterpart"). To the extent that this Master Lease constitutes chattel paper, as such term is defined in the Uniform Commercial

Code as in effect in any applicable jurisdiction, no security interest in this Master Lease may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

Section 26.10. Time of Essence. With respect to each of the Lessee's obligations under this Master Lease, time is of the essence, and the Lessee hereby acknowledges and confirms the foregoing.

Section 26.11. Liability Limited. The obligations of the Lessor hereunder are subject to the limitations set forth in Section 14.10 of the Participation Agreement.

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IN WITNESS WHEREOF, the parties have caused this Master Lease to be duly executed and delivered as of the date first above written.

ITT INDUSTRIES, INC., as Lessee

By /s/ Donald Foley

Name: Donald Foley

Title: Senior Vice President, Treasurer and
Director of Tax

MASTER LEASE

REXUS L.L.C., as Lessor

By /s/ Larry Bowman

Name: Larry Bowman

Title: President

MASTER LEASE

THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART, Receipt of this original counterpart of the foregoing Master Lease is hereby acknowledged as of the date hereof.

REXUS L.L.C., as Lessor

By /s/ Larry Bowman

Name: Larry Bowman
Title: President

MASTER LEASE

SCHEDULE I
TO MASTER LEASE

FIXED RENT

DATE (*) -----	FIXED RENT (1) ---	ACCRUAL RENT (2) ---	BASIC RENT = (1) + (2) -----
December 31, 2004	0.231213%	0.182810%	0.414023%
December 30, 2005	6.052098%	4.742075%	10.794173%
December 29, 2006	6.339758%	4.454415%	10.794173%
December 31, 2007	6.606862%	4.187311%	10.794173%
December 31, 2008	6.934026%	3.860147%	10.794173%
December 31, 2009	7.275057%	3.519116%	10.794173%
December 31, 2010	7.621795%	3.172378%	10.794173%
December 30, 2011	7.992755%	2.801418%	10.794173%
December 31, 2012	8.352699%	2.441475%	10.794173%
December 31, 2013	8.764104%	2.030070%	10.794173%
December 17, 2014	33.829632%	1.550518%	35.380150%
	-----	-----	-----
Total	100.000000%	32.941733%	132.941733%
	-----	-----	-----

(*) Basic Rent is payable on the exact scheduled date before 10:00 a.m., New York City time

MASTER LEASE

APPENDIX A

TO MASTER LEASE

A. Interpretation. In each Operative Document, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Operative Documents, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument (including any Operative Document) means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Operative Documents, and reference to any promissory note includes any promissory note which is an extension or renewal thereof or a substitute or replacement therefor;

(v) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) reference in any Operative Document to any Article, Section, Appendix, Schedule or Exhibit means such Article or Section thereof or Appendix, Schedule or Exhibit thereto, and reference in any Section of any Operative Document to any clause means such clause of such Section;

(vii) "hereunder," "hereof," "hereto" and words of similar import shall be deemed references to an Operative Document as a whole and not to any particular Article, Section or other provision thereof;

(viii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and

(ix) with respect to any rights and obligations of the parties under the Operative Documents, all such rights and obligations shall be construed to the extent permitted by Applicable Law.

B. Computation of Time Periods. Unless otherwise specified in any Operative Document, for purposes of computation of periods of time under the Operative Documents, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

C. Accounting Terms and Determinations. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that for purposes of determining compliance with any covenant set forth in Section 10.1 or 10.2 of the Participation Agreement, such terms shall be construed in accordance with GAAP as in effect on the Acquisition Date applied on a basis consistent with the application used in preparing the Lessee's audited financial statements referred to in Section 8.1(e)(i) of the Participation Agreement; provided that, if the Lessee notifies the Lessor that the Lessee requests an amendment to any

provision hereof to eliminate the effect of any change occurring after the Acquisition Date in GAAP or in the application thereof on the operation of such provision (or if the Lessor notifies the Lessee that the Investors request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith; provided further that GAAP as used in the Operative Documents shall be applied without application of FAS 133.

D. Conflict in Operative Documents. If there is any conflict between any Operative Documents, such Operative Documents shall be interpreted and construed, if possible, so as to avoid or minimize such conflict but, to the extent (and only to the extent) of such conflict, the Participation Agreement shall prevail and control.

E. Legal Representation of the Parties. The Operative Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring the Operative Documents to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

F. Defined Terms. Unless a clear contrary intention appears, terms defined herein have the respective indicated meanings when used in each Operative Document.

"1940 Act" is defined in Section 8.1 of the Participation Agreement.

"Account" means the account identified by the Lessor in a writing delivered to Lessee into which all payments by the Lessee under the Operative Documents shall be made. The initial Account shall be specified on Schedule II to the Participation Agreement.

"Accrual Rent" means the portion of Basic Rent that is described in Section 3.5 of the Master Lease.

"Acquisition Date" is defined in Section 6.1 of the Participation Agreement.

"Acquisition Date Notice" is defined in Section 3.4 of the Participation Agreement.

"Affected Party" means the Lessor or any Investor.

"Affiliate" means, when used with respect to a specified person, another person that directly or indirectly controls or is controlled by or is under common control with the person specified.

"After Tax Basis" means, with respect to any payment to be received, the amount of such payment increased so that, after deduction of the amount of all taxes required to be paid by the recipient (less any tax savings realized and the present value of any tax savings projected to be realized by the recipient as a result of the payment of the indemnified amount) with respect to the receipt by the recipient of such amounts, such increased payment (as so reduced) is equal to the payment otherwise required to be made.

"Aggregate Original Property Cost" means the sum of the Original Property Costs for all Leased Properties.

"Aggregate Property Cost" means, as of any date, the sum of the Property Costs for all Leased Properties then subject to the Master Lease.

"Allocated Payments" means, with respect to any Leased Property, any payment (or portion of any payment) applied to the Property Cost of such Property pursuant to clause fifth of Section 7.2 of the Participation Agreement.

"Applicable Law" means all Federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting any applicable Person, any Property, the Improvements thereon or the demolition, construction, use or alteration thereof, whether now or hereafter enacted and in force, including any that require repairs, modifications or alterations in or to any Property or in any way limited the use and enjoyment thereof (including all building, zoning and fire codes and the Americans with Disabilities Act of 1990, 42 U.S.C. Section 1201 et seq. and any other similar federal, state or local laws or ordinances and the regulations promulgated thereunder) and any that may relate to environmental requirements (including all Environmental Laws), and all permits, certificates of occupancy, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments that are of record affecting any Property, the Appurtenant Rights and any easements, licenses or other agreements.

"Applicable Rate" means 4.700834% per annum.

"Appraisal" means, with respect to any Replacement Property, an appraisal of the Fair Market Sales Value of such Replacement Property, which Appraisal complies in all material respects with all of the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, the rules and regulations adopted pursuant thereto, and all other Applicable Law, and is addressed to the Lessor. Each Appraisal shall be prepared by a qualified real estate appraiser selected by the Lessor and reasonably acceptable to the Lessee.

"Appurtenant Rights" means, with respect to any Land or Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to such Land or the Improvements thereon, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to such Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to such Land and (iii) all of the Lessee's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the applicable Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the applicable Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the applicable Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the applicable Property, and all payment and performance bonds or warranties or guarantees relating to the applicable Property, all to the extent assignable.

"Arrangement Letter" means the letter agreement dated November 26, 2003 between Air Bail and the Lessee with respect to the engagement of Air Bail as the arranger in connection with the transactions described therein.

"Arranger" means Air Bail S.A.S., in its capacity as arranger.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect or any successor thereto.

"Basic Rent" means, as determined on any date, the sum of (a) the amount of accrued and unpaid Accrual Rent then due and (b) the amount of Fixed Rent due and unpaid on such date.

"Board" means the Board of Governors of the Federal Reserve System of the United States.

"Break Costs" means an amount equal to the amount, if any, required to compensate an Affected Party for all losses, costs and expenses (including any loss, cost or expense incurred by reason of any funding, hedging or other contracts entered into by the Affected Party to fund its capital contribution to the Lessor (in the case of an Investor) or its payment of the Property Costs (in the case of the Lessor) or by reason of the liquidation or reemployment of deposits or funds acquired by the Affected Party to fund its obligations under the Operative Documents, but excluding loss of anticipated profit) it may incur as a result of (x) the Lessee's payment of Rent other than on a Scheduled Payment Date (except for Rent not due on a Scheduled Payment Date), (y) any Property Cost not being paid by the Lessor on the date specified therefor in the Acquisition Date Notice (other than as a result of a breach by an Investor of its obligation under Section 4.02(a) (i) of the Lessor LLC Agreement to make certain capital contributions to the Lessor) or (z) the Lessee's payment of the Aggregate Property Cost, any Property Cost, any Termination Price or any Termination Base Amount. A statement as to the amount of such loss, cost or expense, prepared in good faith and in reasonable detail and submitted by an Affected Party to the Lessee shall be correct and binding on the Lessee absent manifest error.

"Business Day" means any day (other than a day which is a Saturday, Sunday or legal holiday in the State of New York) on which banks are open for business in New York City.

"Capitalized Lease-Back Obligation" means with respect to a Principal Property, at any date as of which the same is to be determined, the total net rental obligations of the Lessee or a Restricted Subsidiary under a lease of such Principal Property, entered into as part of an arrangement to which the provisions of Section 5.11 of the Existing Credit Agreement are applicable (or would have been applicable had such Restricted Subsidiary been a Restricted Subsidiary at the time it entered into such lease), discounted to the date of computation at the rate of interest per annum implicit in the lease (determined in accordance with GAAP). The amount of the net rental obligation for any calendar year under any lease shall be the sum of the rental and other payments required to be paid in such calendar year by the lessee thereunder, not including, however, any amounts required to be paid by such lessee (whether or not herein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges.

"Casualty" means any damage or destruction of all or any portion of any Property as a result of a fire, flood, earthquake or other casualty.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986.

"Certifying Party" is defined in Section 22.1 of the Master Lease.

"Change in Control" shall be deemed to have occurred if (a) any person or group of persons shall have acquired beneficial ownership of more than 30% of the outstanding Voting Shares of the Lessee (within the meaning of Section 13(d) or 14(d) of the Exchange Act and the applicable rules and regulations thereunder), or (b) during any period of 12 consecutive months, commencing after the

Documentation Date, individuals who on the first day of such period were directors of the Lessee (together with any replacement or additional directors who were nominated or elected by a majority of directors then in office) cease to constitute a majority of the Board of Directors of the Lessee.

"Claims" means any and all obligations, liabilities, losses, actions, suits, judgments, penalties, fines, claims, demands, settlements, costs and expenses (including reasonable legal fees and expenses) of any nature whatsoever, but shall not include Taxes or Impositions.

"Clifton Property" means the Property located in Clifton, New Jersey and described on Schedule III to the Participation Agreement.

"Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment Percentage" means, with respect to any Investor, the percentage set forth opposite such Investor's name under the heading "Commitment Percentage" on Schedule I to the Participation Agreement, as such Schedule may be amended, supplemented, amended and restated or otherwise modified from time to time.

"Compliance with ISRA" is defined in Section 10.1(k) of the Participation Agreement.

"Condemnation" means any condemnation, requisition, confiscation, seizure or other taking or sale of the use, access, occupancy, easement rights or title to any Property or any part thereof, wholly or partially (temporarily or permanently), by or on account of any actual or threatened eminent domain proceeding or other taking of action by any Person having the power of eminent domain, including an action by a Governmental Authority to change the grade of, or widen the streets adjacent to, such Property or alter the pedestrian or vehicular traffic flow to such Property so as to result in change in access to such Property, or by or on account of an eviction by paramount title or any transfer made in lieu of any such proceeding or action. A "Condemnation" shall be deemed to have occurred on the earliest of the dates that use, occupancy or title vests in the condemning authority.

"Consolidated EBITDA" means, for any period, (a) Consolidated Net Income for such period, plus (b) provisions for taxes based on income during such period, plus (c) Consolidated Interest Expense for such period, plus (d) total depreciation expense for such period, plus (e) total amortization expense for such period, plus (f) restructuring charges recorded during such period minus (g) cash expenditures during such period that are applied against restructuring charges recorded during such period or any prior period, all of the foregoing as determined on a consolidated basis for the Lessee and the Subsidiaries in accordance with GAAP; provided there shall be excluded from such calculation the net gains or losses associated with the sale of any asset not in the ordinary course of business.

"Consolidated Interest Expense" means, for any period, the gross interest expense of the Lessee and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income or loss of the Lessee and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Tangible Assets" means the total of all assets appearing on a consolidated balance sheet of the Lessee and its Restricted Subsidiaries, prepared in accordance with GAAP (and as of a date not more than 90 days prior to the date as of which Consolidated Net Tangible Assets are to be determined), less the sum of the following items as shown on said consolidated balance sheet:

(i) the book amount of all segregated intangible assets, including such items as good will, trademarks, trademark rights, trade names, trade name rights, copyrights, patents, patent rights and licenses and unamortized debt discount and expense less unamortized debt premium;

(ii) all depreciation, valuation and other reserves;

(iii) current liabilities;

(iv) any minority interest in the shares of stock (other than Preferred Stock) and surplus of Restricted Subsidiaries of the Lessee;

(v) the investment of the Lessee and its Restricted Subsidiaries in any Unrestricted Subsidiary of the Lessee;

(vi) the total indebtedness of the Lessee and its Restricted Subsidiaries incurred in any manner to finance or recover the cost to the Lessee or any Restricted Subsidiary of any physical property, real or personal, which prior to or simultaneously with the creation of such indebtedness shall have been leased by the Lessee or a Restricted Subsidiary to the United States of America or a department or agency thereof at an aggregate rental, payable during that portion of the initial term of such lease (without giving effect to any options of renewal or extension) which shall be unexpired at the date of the creation of such indebtedness, sufficient (taken together with any amounts required to be paid by the lessee to the lessor upon any termination of such lease) to pay in full at the stated maturity date or dates thereof the principal of and the interest on such indebtedness;

(vii) deferred income and deferred liabilities; and

(viii) other items deductible under GAAP.

"Deed" means a limited warranty deed (or its equivalent) with respect to the real property comprising a Leased Property, in conformity with Applicable Law and appropriate for recording with the applicable Governmental Authorities, conveying fee simple title to such real property to the Lessor, subject only to Permitted Property Liens.

"Documentation Date" is defined in Section 2.1 of the Participation Agreement.

"DOD Restrictions" is defined in Section 10.1(j) of the Participation Agreement.

"Dollars" and "\$" mean dollars in lawful currency of the United States.

"Environmental Audit" means, with respect to any Property, a Phase I Environmental Site Assessment (the scope and performance of which meets or exceeds the then most current ASTM Standard practice E1527 for Environmental Site Assessments: Phase I Environmental Site Assessment Process or the All Appropriate Inquiry rule, whichever is in effect at the time the Phase I Environmental Site Assessment is conducted) of each Property.

"Environmental Laws" means any and all applicable federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, permits, licenses, authorizations, decrees or other legal requirement regulating, relating to or imposing liability or standards of conduct concerning protection of human health, the environment, natural resources (including ambient air, surface water, groundwater, wetlands and surface or subsurface strata, wildlife, aquatic species and vegetation) and the use, storage,

recycling, handling, disposal, discharge, transport, treatment or generation of Hazardous Materials, as now or may at any time be in effect during the Lease Term, including but not limited to, CERCLA, RCRA, the Clean Air Act, 42 USC Section 7401 et seq., the Toxic Substances Control Act 15 USC Section 2601 et seq. and any rules and regulations promulgated thereunder.

"Environmental Permit" means any consent, license, permit, permission, grant, waiver, order, registration, authorization, approval, exemption or similar right or privilege issued by any Governmental Authority pursuant to any Environmental Law.

"Environmental Violation" means, with respect to any Property, any activity, occurrence or condition that results in a notice of non-compliance with any Environmental Law from any Governmental Authority.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of any Land or Improvements, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

"ERISA" means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Lessee, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Lessee or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (f) the receipt by the Lessee or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (g) the receipt by the Lessee or any ERISA Affiliate of any notice that Withdrawal Liability is being imposed or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (h) the occurrence of a "prohibited transaction" with respect to which the Lessee or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975) of the Code, or with respect to which the Lessee or any such Subsidiary could otherwise be liable.

"Event of Loss" means any Significant Casualty or any Significant Condemnation.

"Excess Casualty/Condemnation Proceeds" is defined in Section 14.2(f) of the Master Lease.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Existing Credit Agreement" means the Five-Year Competitive Advance and Revolving Credit Facility Agreement dated as of November 10, 2000 among the Lessee, the lenders named therein, The Chase Manhattan Bank, as issuing bank, and The Chase Manhattan Bank, as administrative agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

"Expiration Date" means, with respect to the Master Lease, the earlier of (a) the date the Master Lease shall have been terminated in accordance with the provisions of the Master Lease and (b) the Scheduled Lease Termination Date.

"Expiration Date Purchase Obligation" means the Lessee's obligation, pursuant to Section 18.1 of the Master Lease, to purchase all (but not less than all) of the Leased Properties on the Expiration Date.

"Fair Market Sales Value" means, with respect to any Property, the amount, which in any event shall not be less than zero, that would be paid in cash in an arm's-length transaction between an informed and willing purchaser and an informed and willing seller, neither of whom is under any compulsion to purchase or sell, respectively, for the ownership of such Property.

"Fair Value", when used with respect to property, means the fair value as determined in good faith by the board of directors of the Lessee.

"Fees" means the Structuring Fee described in Section 4.2 of the Participation Agreement.

"Financial Officer" of any corporation means the chief financial officer, principal accounting officer, treasurer, associate or assistant treasurer or director of treasury services of such corporation.

"Fixed Rent" means, with respect to a Scheduled Payment Date, an amount equal to (a) the sum of the Original Property Costs for each Leased Property then subject to the Master Lease multiplied by (b) the percentage set forth on Schedule I to the Master Lease under the column heading "Fixed Rent" for such Scheduled Payment Date.

"Funding Office" means the office of each Investor identified on Schedule II to the Participation Agreement as its funding office.

"GAAP" means United States generally accepted accounting principles, applied on a consistent basis.

"Go Dark Value" means (a) with respect to any Leased Property acquired by the Lessor on the Acquisition Date or any Mortgaged Property upon which a Lien is granted to the Lessor on the Acquisition Date, the amount set forth on Schedule III to the Participation Agreement as the "Go Dark Value of such Property" and (b) with respect to any Replacement Property, an amount equal to (x) the sum of the Go Dark Values of the applicable Terminated Properties relating to such Replacement Property multiplied by (y) a fraction, the numerator of which is the Fair Market Sales Value of such Replacement Property as set forth in the Property Appraisal thereof and the denominator of which is the aggregate Fair Market Sales Value of all Replacement Properties (including such Replacement Property) acquired by or mortgaged to the Lessor on the same Replacement Date as such Replacement Property and with respect to the same Terminated Properties, in each case as set forth in the Property Appraisal thereof.

"Governmental Action" means all permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, written interpretations, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority,

or required by any Applicable Law, including all Environmental Permits, operating permits and licenses that are required for the full use, occupancy, zoning and operation of any Property.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Hazardous Activity" means any activity, process, procedure or undertaking that directly or indirectly (i) produces, generates or creates any Hazardous Material; (ii) causes or results in (or threatens to cause or result in) the Release of any Hazardous Material into the environment (including air, water vapor, surface water, groundwater, drinking water, land (including surface or subsurface), plant, aquatic and animal life); (iii) involves the containment or storage of any Hazardous Material; or (iv) would be regulated as hazardous waste treatment, storage or disposal within the meaning of any Environmental Law.

"Hazardous Materials" means any hazardous, toxic or dangerous materials, explosives, substances, contaminants, chemicals, wastes or pollutants that from time to time are defined by or pursuant to or are regulated under any Environmental Laws, including asbestos, polychlorinated biphenyls, petroleum, petroleum derivatives or by-products, other hydrocarbons, urea formaldehyde and any material, substance, pollutant or waste that is now or hereafter defined, prohibited, limited or regulated in any way under any Environmental Law.

"Impositions" means any and all liabilities, losses, expenses and costs of any kind whatsoever for fees, taxes, levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever (all of the foregoing being defined as "Taxes") (including: (i) real and personal property taxes, including personal property taxes on any property covered by the Master Lease that is classified by Governmental Authorities as personal property, and real estate or ad valorem taxes in the nature of property taxes; (ii) sales taxes, use taxes and other similar taxes (including rent taxes and intangibles taxes); (iii) any excise taxes; (iv) real estate transfer taxes, conveyance taxes, mortgage taxes, intangible taxes, stamp taxes and documentary recording taxes and fees; (v) taxes that are or are in the nature of franchise, income, value added, gross receipts, privilege and doing business taxes, license and registration fees; (vi) assessments on any Property, including all assessments for public improvements or benefits (whether or not such improvements are commenced or completed within the Lease Term); (vii) all filing and reporting fees and expenses relating thereto, for such Property; and (viii) all interest, additions to tax and penalties), in each case that at any time may be levied, assessed or imposed by any U.S. Federal, state or local authority upon or with respect to (a) any Tax Indemnitee, any Property or any part thereof or interest therein, or the Lessee or any sublessee or user of any Property; (b) the financing, refinancing, demolition, construction, substitution, subleasing, assignment, control, condition, occupancy, servicing, maintenance, repair, ownership, possession, purchase, rental, lease, activity conducted on, delivery, insuring, use, operation, improvement, transfer, return or other disposition of any Property or any part thereof or interest therein; (c) the Property Cost, the Termination Price or other indebtedness with respect to any Property or any part thereof or interest therein or transfer thereof; (d) the rentals, receipts or earnings arising from any Property or any part thereof or interest therein; (e) the Operative Documents or any payment made or accrued pursuant thereto; (f) the income or other proceeds received with respect to any Property or any part thereof or interest therein upon the sale or disposition thereof; (g) any contract relating to the construction, acquisition or delivery of the Improvements or any part thereof or interest therein; (h) the issuance of the Lessor Interests and payments and distributions with respect thereto; or (i) otherwise in connection with the transactions contemplated by the Operative Documents.

For the avoidance of doubt, the term "Imposition" also includes any Taxes that are imposed by the government of France with respect to any period occurring on or after the fifth anniversary of the

Documentation Date as a result of a change after the Acquisition Date in the participation exemption regime applicable under the laws of France.

Notwithstanding anything in the first paragraph of this definition (except as provided in the final paragraph of this definition) the term "Imposition" shall not mean or include:

(i) Taxes (other than Taxes that are, or are in the nature of, withholding, sales, use, rental, value added transfer or property taxes) that are imposed by the U.S. federal government and that are based upon or measured by or with respect to the net income (including any minimum taxes, capital gains taxes, or taxes on, measured by or with respect to or in the nature of capital, net worth, excess profits, items of tax preference and capital stock) of any Tax Indemnitee; provided, that this clause (i) shall not be interpreted to prevent a payment from being made on an After Tax Basis if such payment is otherwise required to be so made and provided, further, that Taxes described in this clause (i) shall not include Taxes that are, or are in the nature of, withholding, sales, use, rental, value added, transfer or property taxes;

(ii) Taxes (other than Taxes that are, or are in the nature of, withholding, sales, use, rental, value added, transfer or property taxes) that are (A) imposed by any U.S. state jurisdiction or any taxing authority within any U.S. state jurisdiction to the extent that such Tax Indemnitee is organized or has its Funding Office in such jurisdiction and (B) based upon or measured by income, except that this clause (ii) shall not apply to (and thus shall not exclude) any such Taxes imposed on a Tax Indemnitee by a state or political subdivision thereof where any Property is located, possessed or used under the Master Lease unless the Tax Indemnitee was subject to income taxes in such jurisdiction without regard to the transactions contemplated by the Operative Documents; provided, that this clause (ii) shall not be interpreted to prevent a payment from being made on an After Tax Basis if such payment is otherwise required to be so made;

(iii) Taxes that are imposed by the government of France with respect to any period occurring prior to the fifth anniversary of the Documentation Date as a result of a change after the Acquisition Date in the participation exemption regime applicable under the laws of France;

(iv) any Tax with respect to any Property to the extent, but only to such extent, it relates to any act, event or omission that occurs, or relates to a period, after the termination of the Master Lease and the payment of all Obligations, except that when such termination of the Master Lease is the result of the exercise of remedies after a Lease Event of Default, such exclusion shall commence only after the sale of all of the Lessor's interest in all of the Leased Properties and the foreclosure by the Lessor on all of the Lessee's interests in the Mortgaged Properties; provided, that the Taxes described in this clause (iv) shall not include any Tax or Imposition that relates to any period prior to the expiration or earlier termination of the last Lease Term to expire or otherwise terminate;

(v) any interest or penalties imposed on a Tax Indemnitee as a result of a Tax Indemnitee's failure to file any return or other documents timely and as prescribed by Applicable Law; provided, that this clause (iv) shall not apply (A) if such interest or penalties arise as a result of a position taken (or requested to be taken) by the Lessee in a contest controlled by the Lessee under Section 13.4(b) of the Participation Agreement or (B) if such failure is attributable to a failure by the Lessee to fulfill its obligations under the Participation Agreement and other Operative Documents;

(vi) any Taxes imposed upon a Tax Indemnitee with respect to any voluntary transfer, sale, financing or other voluntary disposition of any interest in any Property or any part thereof, or any interest therein or any interest or obligation under the Operative Documents or from any sale, assignment, transfer or other disposition of any interest in a Tax Indemnitee or any Affiliate thereof (other than any transfer, sale or other disposition (A) pursuant to the terms of the Operative Documents in connection with the exercise by the Lessee of its Termination Option, Replacement Option or Return Option or any other purchase of any Property by the Lessee or any release or termination of any Lessor Mortgage by the Lessor at the request of the Lessee, (B) after the occurrence of a Lease Event of Default, (C) in connection with a Casualty or Condemnation affecting any Property or (D) in connection with any sublease (or lease, in the case of a Mortgaged Property), modification or addition to any Property by the Lessee);

(vii) any Taxes imposed against or payable by a Tax Indemnitee to the extent resulting from, or that would not have been imposed but for, the gross negligence or willful misconduct of such Tax Indemnitee;

(viii) Taxes imposed on or payable by a Tax Indemnitee to the extent such Taxes solely result from, or would not have been imposed solely but for, a breach by such Tax Indemnitee of any representations, warranties or covenants set forth in the Operative Documents (unless such breach is caused by the Lessee's breach of its representations, warranties or covenants set forth in the Operative Documents);

(ix) Taxes imposed on a Tax Indemnitee to the extent resulting from such Tax Indemnitee's failure to comply with the provisions of Section 13.4(b) of the Participation Agreement, which failure precludes the ability to conduct a contest pursuant to Section 13.4(b) of the Participation Agreement (unless such failure is caused by the Lessee's breach of its obligations under the Operative Documents);

(x) Taxes that would have been imposed in the absence of the transactions contemplated by the Operative Documents;

(xi) Taxes imposed on or with respect to or payable by a Tax Indemnitee solely resulting from, or that would not have been imposed solely but for the existence of, any Lessor Lien created by or through such Tax Indemnitee or an Affiliate thereof, unless caused by acts or omissions of the Lessee;

(xii) Taxes imposed on or with respect to or payable by a Tax Indemnitee that would not have been imposed but for an amendment, supplement, modification, consent or waiver to any Operative Document not initiated, requested or consented to by the Lessee, unless such amendment, supplement, modification, consent or waiver (A) arises due to, or in connection with there having occurred a Lease Event of Default or (B) is required by the terms of the Operative Documents or is executed in connection with any amendment to the Operative Documents required by Applicable Law;

(xiii) any Tax imposed against or payable by a Tax Indemnitee that is a direct or indirect transferee or assignee of an original Tax Indemnitee to the extent that, based on the Applicable Law in effect on the date such Tax is imposed or becomes payable, the amount of such Tax exceeds the amount of such Tax that would have been imposed against or payable by such original Tax Indemnitee;

(xiv) any fines, penalties, interest or costs for nonpayment or late payment of any Tax resulting from a failure by the Lessor to provide notice to the Lessee of any tax assessment, levy, duty or other bill within the time period required by Section 17.2 of the Master Lease; and

(xv) Taxes that are or are in the nature of franchise, income, value added, gross receipts, privilege or doing business taxes and are imposed by any taxing jurisdiction where the applicable Tax Indemnitee's activities other than its participation in the transactions contemplated by the Participation Agreement, the Master Lease and the Lease Supplements have created or could create taxable nexus.

Notwithstanding the foregoing, the exclusions from the definition of Impositions set forth in clauses (i) through (xv) (other than clause (iii)) above shall not apply to any Taxes or any increase in Taxes imposed on a Tax Indemnitee as the result of any non-superseded determination by the applicable taxing authority that the transactions contemplated by the Operative Documents should be treated other than as a financing arrangement tantamount to a loan secured by the Properties for the relevant jurisdiction's tax purposes.

"Improvements" means all buildings, structures, fixtures, Equipment and other improvements of every kind existing at any time and from time to time on or under any parcel of Land to be acquired or leased pursuant to the terms of the Operative Documents, together with any and all appurtenances to such buildings, structures or improvements, including sidewalks, utility pipes, conduits and lines, parking areas and roadways, and including all Modifications and other additions to or changes in the Improvements at any time; provided however that the term "Improvements" shall expressly exclude all trade fixtures purchased or otherwise acquired by the Lessee using funds other than the proceeds of the Property Costs.

"Indebtedness" of any Person means all indebtedness representing money borrowed or the deferred purchase price of property (other than trade accounts payable) or any capitalized lease obligation, which in any case is created, assumed, incurred or guaranteed in any manner by such corporation or for which such corporation is responsible or liable (whether by agreement to purchase indebtedness of, or to supply funds to or invest in, others or otherwise).

"Indemnitee" means the Lessor, the Lessor Administrator, each Investor, the Arranger, their respective Affiliates and their respective successors, assigns, directors, shareholders, partners, members, officers, employees and agents.

"Insurance Requirements" means the terms and conditions of any insurance policy, and the requirements of the issuer of any such policy, which insurance policy is required to be maintained by the Lessee under the Master Lease, in each case the failure to comply with which terms, conditions and/or requirements would under applicable law or the terms of such insurance policy constitute a valid defense to the insurer against payment of insurance proceeds thereunder.

"Investors" means, collectively, Air Bail S.A.S., a French corporation duly registered as a Societe par Actions Simplifiee, and RBS Lombard, Inc., a New York corporation.

"IRS" is defined in Section 2.1(m) of the Participation Agreement.

"ISRA" means the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:K and its implementing regulations N.J.A.C. 7:26 B.

"Land" means each individual fee interest in real property described on Schedule I to each Lease Supplement or described in a Lessor Mortgage that is not also a Lease Supplement, together with, in each case, all Appurtenant Rights attached thereto.

"Lease" means, collectively, the Master Lease and each Lease Supplement.

"Lease Balance" means, as of any date of determination, an amount equal to the aggregate Termination Prices for all Properties plus all accrued and unpaid Accrual Rent and all Supplemental Rent then owing (after giving effect to the consummation of any termination, purchase or other transaction occurring on such date pursuant to the Operative Documents).

"Lease Default" means any event or condition that, with the lapse of time or the giving of notice, or both, would constitute a Lease Event of Default.

"Leased Property" means, on any date, each real property then leased by the Lessor to the Lessee pursuant to the Master Lease, including each parcel of Land described on a Schedule I to a Lease Supplement and all of the Improvements at any time located on or under such Land and including, until any such Property is terminated or replaced in accordance with the Master Lease, each real property described as a "Leased Property" on Schedule III to the Participation Agreement.

"Lease Event of Default" is defined in Section 16.1 of the Master Lease.

"Lease Supplement" means each Lease Supplement substantially in the applicable form set forth in Exhibit A to the Master Lease, executed by the Lessee, the Lessor and, if appropriate in the applicable jurisdiction, the trustee described therein, dated the Acquisition Date or a Replacement Date and covering the Land identified on Schedule I thereto and Improvements thereon, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

"Lease Term" means, with respect to each Property, the period commencing on (and including) the Acquisition Date for such Property (or, if such Property is a Replacement Property, the Replacement Date for such Property) and ending on (but excluding) the earlier of (x) the date on which such Property has been returned to the Lessor pursuant to the Lessee's Return Option or transferred to the Lessee pursuant to the Lessee's Termination Option or Replacement Option, in each case, strictly in accordance with the Master Lease, and (y) the Expiration Date.

"Lessee" means ITT Industries, Inc., an Indiana corporation.

"Lessee Subsidiary" means a subsidiary of the Lessee.

"Lessor" means Rexus L.L.C., a Delaware limited liability company.

"Lessor Administration Agreement" means the Lessor Administration Agreement, dated as of December 15, 2004, between the Lessor and the Lessor Administrator.

"Lessor Administrator" means Societe Generale (Canada), wholly-owned (directly or indirectly) by Societe Generale.

"Lessor Commitment Amount" means, on any date, \$120,000,000.

"Lessor Financing Statements" means UCC financing statements appropriately completed and executed for filing in the applicable jurisdiction in order to protect the Lessor's interests under the Master

Lease and each Lease Supplement to the extent the Master Lease and the Lease Supplements are security agreements.

"Lessor Interest" means an "Interest" as defined in the Lessor LLC Agreement.

"Lessor Lien" means any Lien arising as a result of (a) any claim against the Lessor or any Investor not resulting from the transactions contemplated by the Operative Documents, (b) any act or omission of the Lessor or any Investor that is not required or permitted by the Operative Documents or is in violation of any of the terms of the Operative Documents or (c) any claim against the Lessor or any Investor with respect to Taxes or Transaction Expenses against which the Lessee is not required to indemnify such Person pursuant to Article IX or XIII of the Participation Agreement.

"Lessor LLC Agreement" means the Limited Liability Company Agreement of Rexus L.L.C. dated as of December 15, 2004, made and entered into by the Investors.

"Lessor Mortgage" means, with respect to each Property, the applicable Lease Supplement for such Property (if such Property is a Leased Property) and any and all other mortgages, deeds of trust and security instruments in appropriate recordable form in the relevant jurisdiction sufficient to grant to the Lessor a first priority Lien on such Property.

"Lien" means, with respect to any property or asset, any mortgage, deed of trust, lien, pledge, security interest, charge or other encumbrance on, of, or in such property or asset.

"Margin Regulations" means Regulations T, U and X of the Board as from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Margin Stock" has the meaning given such term under Regulation U of the F.R.S. Board.

"Master Lease" means the Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage, dated as of December 15, 2004, between the Lessor and the Lessee, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

"Material Adverse Effect" means a materially adverse effect on the business, assets, operations or condition, financial or otherwise, of the Lessee and Lessee Subsidiaries taken as a whole.

"Modifications" is defined in Section 10.1 of the Master Lease.

"Moody's" means Moody's Investors Service, Inc. or any of its successors.

"Mortgaged Property" means, on any date, each real property that is then subject to a Lessor Mortgage and is not a Leased Property, including, until any such Property is terminated or replaced in accordance with the Master Lease, each real property described as a "Mortgaged Property" on Schedule III to the Participation Agreement.

"Mortgage Foreclosure Act" is defined in Section 16.4 of the Master Lease.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Lessee or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Net Proceeds" means the aggregate of all awards, compensation, insurance proceeds or other amounts received by the Lessor or any Investor in connection with any Casualty or Condemnation of any Property and all interest earned thereon, less, to the extent not previously reimbursed by the Lessee, the expense of claiming and collecting such amounts, including all costs and expenses in connection therewith for which the Lessor or any Investor is entitled to be reimbursed pursuant to the Lease.

"NFA Letter" is defined in Section 10.1(k) of the Participation Agreement.

"NJDEP" means the New Jersey Department of Environmental Protection.

"Non-U.S. Transferee" is defined in Section 12.3 of the Participation Agreement.

"Obligations" means all obligations (monetary or otherwise) of the Lessee arising under or in connection with any of the Operative Documents.

"Operative Documents" means the following:

- (a) the Participation Agreement;
- (b) the Master Lease;
- (c) each Lease Supplement;
- (d) the Lessor LLC Agreement;
- (e) the Lessor Administration Agreement;
- (f) each Deed;
- (g) each Lessor Mortgage;
- (h) the Lessor Financing Statements; and
- (i) each other document, agreement, certificate or instrument delivered in connection with any of the foregoing (including any amendment or other modification to any of the foregoing).

"Original Executed Counterpart" is defined in Section 26.9 of the Master Lease.

"Original Property Cost" means (a) with respect to any Leased Property acquired by the Lessor on the Acquisition Date, the amount set forth on Schedule III to the Participation Agreement as the "Original Property Cost" of such Property and (b) with respect to any Replacement Property that is or is to be a Leased Property, an amount equal to (x) the sum of the Original Property Costs of the applicable Terminated Properties relating to such Replacement Property multiplied by (y) a fraction, the numerator of which is the Fair Market Sales Value of such Replacement Property as set forth in the Property Appraisal thereof and the denominator of which is the aggregate Fair Market Sales Value of all Replacement Properties (including such Replacement Property) acquired by the Lessor on the same Replacement Date as such Replacement Property and with respect to the same Terminated Properties, in each case as set forth in the Property Appraisal thereof.

"Overdue Rate" means, for each applicable day, a rate per annum equal to the Overnight LIBOR for such day plus 200 basis points.

"Overnight LIBOR" means, on any day, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Lessor from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to such day, as the rate for overnight dollar deposits on such day.

"Partial Termination Date" is defined in Section 15.2 of the Master Lease.

"Partial Termination Notice" is defined in Section 15.1 of the Master Lease.

"Participation Agreement" means the Participation Agreement, dated as of December 15, 2004, among the Lessee, the Lessor and the Investors, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Property Liens" means, with respect to any Property, any of the following:

(i) the respective rights and interests of the parties to the Operative Documents as provided in the Operative Documents (including any Lien created pursuant to the Operative Documents);

(ii) the rights of any sublessee under a sublease and, in the case of a Mortgaged Property, the rights of any lessee under a lease, in each case to the extent such sublease or lease is permitted by the terms of the Master Lease;

(iii) Liens for Taxes that either are not yet due or are being contested in accordance with the provisions of Section 12.1 of the Master Lease;

(iv) Liens arising by operation of law, materialmen's, mechanics', workers', repairmen's, employees', carriers', warehousemen's and other like liens in connection with any Modifications made subsequent to the Acquisition Date or arising in the ordinary course of business in connection with actions occurring after the Acquisition Date for amounts that either are not more than sixty (60) days past due or are being diligently contested in good faith by appropriate proceedings, so long as such proceedings satisfy the conditions for the contest proceedings set forth in Section 12.1 of the Master Lease;

(v) Liens of any of the types referred to in clause (iii) or (iv) above that have been bonded for not less than the full amount in dispute (or as to which other security arrangements satisfactory to the Lessor have been made), which bonding (or arrangements) complies with Applicable Law and has effectively stayed any execution or enforcement of such Liens;

(vi) Liens arising out of judgments or awards with respect to which appeals or other proceedings for review are being prosecuted in good faith and for the payment of which adequate reserves have been provided as required by GAAP or other appropriate provisions have been made, so long as such proceedings have the effect of staying the execution of such judgments or

awards and satisfy the conditions for contest proceedings set forth in Section 12.1 of the Master Lease;

(vii) easements, licenses, rights-of-way and other encumbrances on title to real property permitted pursuant to Section 11.2 of the Master Lease;

(viii) Lessor Liens;

(ix) Liens created by the Lessee with the consent of the Lessor or otherwise permitted by the Operative Documents; and

(x) any Liens described on the applicable Lease Supplement that are consented to by the Lessor in its sole discretion.

"Person" shall mean an individual, partnership, limited liability company, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Lessee or any ERISA Affiliate is (or, if such plans were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Plans and Specifications" means, with respect to each Property, the final plans and specifications or detailed construction drawings for such Property.

"Preferred Stock" means any capital stock entitled by its terms to a preference (a) as to dividends or (b) upon a distribution of assets.

"Principal Property" means any single manufacturing or processing facility owned by the Lessee or any Restricted Subsidiary having a gross book value in excess of the greater of (i) 5% of Consolidated Net Tangible Assets and (ii) \$40,000,000, except any such facility or portion thereof which the board of directors of the Lessee by resolution declares is not of material importance to the total business conducted by the Lessee and its Restricted Subsidiaries as an entirety.

"Property" means any Leased Property or any Mortgaged Property; and "Properties" means all Leased Properties and all Mortgaged Properties, collectively.

"Property Appraisal" means, with respect to any Replacement Property, the Appraisal thereof delivered pursuant to Section 19.2 of the Master Lease.

"Property Cost" means, with respect to any Leased Property as of any date, (a) the Original Property Cost for such Property less (b) the aggregate Property Fixed Rent paid by the Lessee prior to such date for such Leased Property and, if such Property is a Replacement Property, the aggregate Property Fixed Rent paid with respect to the Property so replaced (to the extent allocable to such Leased Property) less (c) any Allocated Payments paid with respect to such Property.

"Property Fixed Rent" means the portion of Fixed Rent due on any Scheduled Payment Date that is allocable to any particular Leased Property, with such allocation to be made by the Lessor based on the ratio of the Property Cost of such Property to the Aggregate Property Cost (in each case determined prior to such payment of Fixed Rent on such Scheduled Payment Date).

"Purchase Option" is defined in Section 18.1 of the Master Lease.

"Rating Agencies" means Moody's and S&P.

"Ratings" means the ratings from time to time established by the Rating Agencies for senior, unsecured, non-credit-enhanced long-term debt of the Lessee.

"RCRA" means the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. Sections 6901 et seq.

"Recognized Environmental Condition" means the presence or likely presence of any Hazardous Materials or petroleum products on a property under conditions that indicate an existing Release, a past Release or a material threat of a Release of any Hazardous Material or petroleum products into structures on the property or into the ground, groundwater or surface water of the property.

"Release" means any release, pumping, pouring, emptying, injecting, escaping, leaching, dumping, seepage, spill, leak, flow, discharge, disposal, depositing, dispersal, migration or emission into the indoor or outdoor environment, including the movement of Hazardous Materials through ambient air, soil, surface water, groundwater, wetlands, land or subsurface strata.

"Remedial Action" means (a) "remedial action" as such term is defined in CERCLA, and (b) all other actions required by any Governmental Authority or voluntarily undertaken to: (i) clean up, remove, treat, abate or in any other way address any Hazardous Materials in the environment; (ii) prevent the Release or threat of Release, or minimize the further Release, of any Hazardous Materials so that it does not migrate or endanger or threaten to endanger public health, welfare or the environment; or (iii) perform studies and investigations in connection with, or as a precondition to, any action described in clause (i) or (ii) above.

"Remediation In Progress Waiver" means the waiver described in Section 6.1(j) of the Participation Agreement.

"Rent" means, collectively, the Basic Rent and the Supplemental Rent, in each case payable under the Master Lease.

"Rent Period" means each period commencing on (but excluding) a Scheduled Payment Date (or, in the case of the initial Rent Period, commencing on (and including) the Acquisition Date) and ending on (and including) the next succeeding Scheduled Payment Date.

"Replacement Date" is defined in Section 19.2(a) of the Master Lease.

"Replacement Notice" is defined in Section 19.2(a) of the Master Lease.

"Replacement Option" is defined in Section 19.2 of the Master Lease.

"Replacement Property" is defined in Section 19.2(a) of the Master Lease.

"Requesting Party" is defined in Section 22.1 of the Master Lease.

"Required Modification" is defined in Section 10.1 of the Master Lease.

"Responsible Officer" of any corporation means any executive officer or the chief financial officer, principal accounting officer or treasurer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of the Operative Documents.

"Responsible Officer's Certificate" means a certificate signed by any Responsible Officer, which certificate shall certify as true and correct the subject matter being certified to in such certificate.

"Restricted Subsidiary" means any Lessee Subsidiary other than an Unrestricted Subsidiary.

"Return Conditions" is defined in Section 20.1 of the Master Lease.

"Return Option" is defined in Section 20.1 of the Master Lease.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any of its successors.

"Sale Termination Event" is defined in clause (iii) of Section 19.1(a) of the Master Lease.

"Scheduled Lease Termination Date" means December 17, 2014.

"Scheduled Payment Date" means each December 31 of each calendar year and the Scheduled Lease Termination Date, or if any such day is not a Business Day, the immediately preceding Business Day.

"SEC" means the Securities and Exchange Commission or any Governmental Authority succeeding to any of its principal functions.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Seller" means, with respect to any Leased Property, the Lessee or, with the consent of the Lessor, any other Person transferring such Property to the Lessor on the Acquisition Date.

"Significant Casualty" with respect to a Property means a Casualty that in the reasonable, good faith judgment of the Lessor (a) renders such Property unsuitable for continued use in accordance with its intended use or (b) is so substantial in nature that restoration of such Property to substantially its condition as it existed immediately prior to such Casualty would be impracticable or impossible.

"Significant Condemnation" with respect to a Property means (a) a Condemnation that involves a taking of the Lessor's entire title to the Land or Improvements, or (b) a Condemnation that in the reasonable, good faith judgment of the Lessor (i) renders such Property unsuitable for continued use in accordance with its intended use or (ii) is so substantial in nature that restoration of the remaining portion of such Property to substantially its condition as it existed immediately prior to such Condemnation would be impracticable or impossible.

"Structuring Fee" means the "Arrangement Fee" payable to the Arranger and described in the Arrangement Letter.

"Subject Property" is defined in each Lease Supplement and, as used in the Participation Agreement and the Master Lease, means each applicable Property (x) being acquired by the Lessor on the

applicable Acquisition Date or Replacement Date or (y) being mortgaged by the Lessee to the Lessor on the applicable Acquisition Date or Replacement Date.

"Subsidiary" means, with respect to any person (the "parent"), any corporation, association or other business entity of which securities or other ownership interests representing more than 50% of the ordinary voting power are, at the time as of which any determination is being made, owned or controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Basic Rent) that the Lessee assumes or agrees to pay to the Lessor, any Investor or the Arranger under any of the Operative Documents, including amounts for rent, taxes and insurance, Fees, Break Costs, amounts due pursuant to Article IX or XIII of the Participation Agreement and payments pursuant to Section 15.2 of the Master Lease or Article XVIII, XIX or XX of the Master Lease.

"Survey" means an ALTA/ACSM survey of the Subject Property (and all Improvements thereon) (i) prepared by a surveyor or engineer licensed to perform surveys in the jurisdiction in which such Subject Property is located, (ii) dated (or redated) not earlier than six months prior to the date of delivery thereof, (iii) complying in all respects with the minimum detail requirements of the American Land Title Association as such requirements are in effect on the date of preparation of such survey (including all Table A requirements) and (iv) sufficient for a title company to remove all standard survey exceptions from a title insurance policy (or commitment) relating to such Subject Property and issue customary endorsements thereto.

"Tax Indemnitee" means the Lessor, the Lessor Administrator, each Investor, the Arranger, their respective Affiliates and their respective successors, assigns, directors, shareholders, partners, members, officers, employees and agents.

"Taxes" is defined in the definition of Impositions.

"Terminated Property" is defined in Section 19.1(a) of the Master Lease.

"Termination Base Amount" means, with respect to any Property on any date, an amount equal to (I) (a) 150% multiplied by (b) the Go Dark Value for such Property multiplied by (c) the Aggregate Property Cost on such date divided by (II) the Aggregate Original Property Cost on such date; provided, that any reference in any Operative Document to the "unamortized" Termination Base Amount of any Property shall mean 150% of the Go Dark Value for such Property.

"Termination Date" is defined in Section 19.1(a) of the Master Lease.

"Termination Event" is defined in Section 19.1(a) of the Master Lease.

"Termination Indemnity Amount" means with respect to any Property on any date, (a) if such date occurs on or prior to the fifth anniversary of the Acquisition Date, 1.0% of the Termination Base Amount of such Property and (b) if such date occurs after the fifth anniversary of the Acquisition Date, 0.5% of the Termination Base Amount of such Property; provided, however, that the Termination Indemnity Amount shall be zero in the case of (x) the Lessee's exercise of its Termination Option with respect to a Property that has suffered an Event of Loss outside of the control of the Lessee and its Affiliates or (y) the Lessee's exercise of its Termination Option with respect to all of the Properties pursuant to clause (ii) of Section 19.1(a) of the Master Lease or (z) the Lessee's purchase of all of the Properties during the continuance of a Lease Event of Default described in clause (m), (o) or (p) of

Section 16.1 of the Lease the occurrence and continuance of which is outside of the control of the Lessee and its Affiliates.

"Termination Notice" is defined in Section 19.1(a) of the Master Lease.

"Termination Option" is defined in Section 19.1(a) of the Master Lease.

"Termination Price" means, with respect to any Property on any date, the sum of (a) the Termination Base Amount for such Property on such date plus (b) the Termination Indemnity Amount (if any) for such Property on such date.

"Title Abstract" is defined in Section 6.1(e) of the Participation Agreement.

"Title Insurance Policy" means a policy of title insurance issued by a nationally recognized title insurance company that is rated no lower than "AA-" (by S&P) and no lower than "Aa3" (by Moody's) and approved by the Lessor (which approval shall not be unreasonably withheld or delayed), insuring the Lessor's fee, leasehold or mortgagee interest (as applicable) in the applicable Property and the first lien priority of (x) in the case of a Leased Property, the Master Lease, the Lease Supplement and any other applicable Lessor Mortgage applicable to such Property and (y) in the case of a Mortgaged Property, the Lessor Mortgage applicable to such Property, and subject to no Liens (including any easements, covenants, leases, agreements or other items), claims or lawsuits except as may be approved in writing by the Lessor its sole discretion.

"Transaction Expenses" means all costs and expenses incurred in connection with the preparation, execution and delivery of the Operative Documents and the transactions contemplated by the Operative Documents including:

(a) the reasonable fees, out-of-pocket expenses and disbursements of Jones Day, special counsel for Air Bail S.A.S., in negotiating the terms of the Operative Documents and the other transaction documents, preparing for the closings under (including the transactions contemplated to occur on the Acquisition Date, each Termination Date and each Replacement Date), and rendering opinions in connection with, the transactions contemplated thereby and in rendering other services customary for counsel representing parties to transactions of the types involved in the transactions contemplated by the Operative Documents;

(b) (i) the reasonable fees, out-of-pocket expenses and disbursements of special counsel for the Lessee, in negotiating the terms of the Operative Documents and the other transaction documents, preparing for the closings under, and rendering opinions in connection with, the transactions contemplated thereby and in rendering other services in connection with the transactions contemplated thereby customary for counsel representing parties to transactions of the types involved in the transactions contemplated by the Operative Documents, and the reasonable fees, out-of-pocket expenses and disbursements of special counsel for the Lessee in connection with the transactions contemplated to occur on each Acquisition Date; and (ii) the reasonable fees, out-of-pocket expenses and disbursements of local counsel for the Lessee in each applicable jurisdiction in negotiating the terms of the Operative Documents and the other transaction documents, preparing for the closings under, and rendering opinions in connection with, the transactions contemplated to occur on each Acquisition Date and in rendering other services in connection with the transactions contemplated by the Operative Documents which are customary for counsel representing parties to transactions of the types involved in the transactions contemplated by the Operative Documents;

(c) any and all Taxes and fees incurred in recording, registering or filing any Operative Document or any other transaction document, any deed, declaration, mortgage, security agreement, notice or financing statement with any public office, registry or governmental agency required by the Operative Documents in connection with the transactions contemplated by the Operative Documents;

(d) all reasonable out-of-pocket expenses, disbursements and costs of the Arranger, the Investors, the Lessor and the Lessor Administrator paid or incurred in connection with the transactions contemplated by the Operative Documents (including the transactions contemplated to occur on the Acquisition Date, each Termination Date and each Replacement Date);

(e) all fees, premiums and escrow costs and other expenses relating to title abstracts and the closings contemplated by the Operative Documents;

(f) all expenses relating to Environmental Audits required to be delivered pursuant to Section 6.1(c) of the Participation Agreement or required to be delivered in connection with the Lessee's exercise of its Replacement Option;

(g) all fees and other expenses relating to Appraisals delivered to the Investors prior to the Acquisition Date or required to be delivered in connection with the Lessee's exercise of its Replacement Option; and

(h) the Fees payable by the Lessee pursuant to the Participation Agreement.

"Transactions" is defined in Section 8.1(b) of the Participation Agreement.

"Uniform Commercial Code" and "UCC" means the Uniform Commercial Code as in effect in any applicable jurisdiction.

"United States" or "U.S." means the United States of America.

"Unrestricted Subsidiary" means (a) any Lessee Subsidiary which has been designated an Unrestricted Subsidiary by resolution of the board of directors of the Lessee (which resolution has been communicated in a notice delivered by the Lessee to the Lessor) as an Unrestricted Subsidiary, other than any such Lessee Subsidiary as to which such a designation has been rescinded by resolution of said board of directors and not hereafter, or after some subsequent such rescission, restored by resolution of said board, or (b) any Lessee Subsidiary 50% or less of the Voting Shares of which is owned directly by the Lessee and/or one or more Restricted Subsidiaries. A Lessee Subsidiary may not be designated as (or otherwise permitted to become) an Unrestricted Subsidiary unless, immediately after such Subsidiary becomes an Unrestricted Subsidiary, such Lessee Subsidiary would not own any capital stock of, or hold any indebtedness of, any Restricted Subsidiary. A designation as an Unrestricted Subsidiary may not be rescinded (or an Unrestricted Subsidiary otherwise permitted to become a Restricted Subsidiary) unless such Lessee Subsidiary (i) is not a party to any lease which it would have been prohibited by the Participation Agreement from entering into had it been a Restricted Subsidiary at the time it entered into such lease, unless (x) such Lessee Subsidiary had not been a Restricted Subsidiary prior to its entering into such lease, or (y) the property subject to such lease shall be owned by the Lessee and/or one or more Lessee Subsidiaries, or (z) such Lessee Subsidiary would not be prohibited by the Participation Agreement from entering into such lease immediately after it becomes a Restricted Subsidiary, and (ii) does not have outstanding upon any of its property any mortgage, pledge or other lien which it would be prohibited by the Participation Agreement from creating, suffering to be created, or assuming, immediately after it becomes a Restricted Subsidiary.

"U.S. Transferee" is defined in Section 12.3 of the Participation Agreement.

"Voting Shares" means, as to a particular corporation or other person, outstanding shares of stock or other equity interests of any class of such person entitled to vote in the election of directors, or otherwise to participate in the direction of the management and policies, of such person, excluding shares or interests entitled so to vote or participate only upon the happening of some contingency.

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

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MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING),
AND
SUPPLEMENT
AND
SHORT FORM/MEMORANDUM OF LEASE

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Lessor/Mortgagee

and

ITT INDUSTRIES, INC.,
as Lessee/Mortgagor

LOCATION OF MORTGAGED PROPERTY:

Street Address: 1919 West Cook Road
Fort Wayne, Indiana
County: Allen County, Indiana

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

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MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING),
AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE (this "Supplement") dated as of December 17, 2004, between REXUS L.L.C., a Delaware limited liability company with an address at Societe Generale, New York Branch, 1221 Avenue of the Americas, New York, New York 10020 as the lessor/mortgagee (the "Lessor/Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Lessee/Mortgagor (the "Lessee/Mortgagor").

WHEREAS, Lessor/Mortgagee and Lessee/Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of December 14, 2004 (the "Master Lease");

WHEREAS the Lessor/Mortgagee is the owner of the land described on Schedule I attached hereto (the "Land"), and wishes to lease the Land and lease all Improvements now thereon or which hereafter may be constructed thereon to the Lessee/Mortgagor;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Supplement, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease, and the rules of interpretation set forth in such Appendix A shall apply to this Supplement.

SECTION 2. The Properties. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the Land, all Improvements on the Land and all other improvements now on the Land or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto and all Equipment (collectively, the "Subject Property") shall be subject to the terms and provisions of the Master Lease and the Lessor/Mortgagee hereby grants, conveys, transfers and assigns to the Lessee/Mortgagor those interests, rights, titles, estates, powers and privileges provided for in the Master Lease with respect to the Subject Property.

SECTION 3. Amendments to Master Lease with Respect to Subject Property. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the following terms and provisions shall apply to the Master Lease with respect to the Subject Property:

A. Short Form/Memorandum of Lease. The parties hereto set forth the following information which shall constitute a short form or memorandum of the Master Lease, as supplemented by this Supplement:

- (a) The name and address of the Lessor/Mortgagee as set forth in the Master Lease is:

Rexus L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

- (b) The name and address of the Lessee/Mortgagor as set forth in the Master Lease is:

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

- (c) The lease to which this memorandum of lease pertains is the Master Lease as supplemented by this Supplement and the other Supplements.
- (d) The leased premises are the Subject Property which includes the Land more particularly described on Schedule I attached hereto.
- (e) The Lessor/Mortgagee acquired title to the Land by deed dated on or about the date hereof and about to be recorded or filed for record in the Allen County, Indiana Clerk's office.
- (f) The term of the Master Lease shall commence on the date hereof and shall expire on December 17, 2014 unless earlier terminated in accordance with the terms of the Master Lease, as supplemented by this Supplement.
- (g) The Master Lease contains certain purchase rights and options during the Lease Term pursuant to which the Lessee/Mortgagor or its designee may acquire the Subject Property.
- (h) In addition to those terms referred to herein, the Master Lease contains numerous other terms, covenants and conditions that affect the Subject Property, and notice is hereby given that reference should be had to the Master Lease with respect to the details of such terms, covenants and conditions. A copy of the Master Lease or of the other agreements referenced herein or therein may be obtained from any of the parties hereto at the addresses set forth herein.

B. Ownership of the Subject Property. The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee/Mortgagor, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the Lease will be treated as a financing arrangement, (2) the Lessor/Mortgagee will be deemed a lender making a loan to the Lessee/Mortgagor in an aggregate amount equal to the Original Aggregate Property Cost which loan is secured by the Properties, and (3) the Lessee/Mortgagor will be treated as the owner of the Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes. Nevertheless, the Lessee/Mortgagor acknowledges and agrees that none of the Lessor/Mortgagee, the Arranger or any Investor has made any representations or warranties to the Lessee/Mortgagor concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee/Mortgagor has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein. It is the intent of the parties hereto that this Lease grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor/Mortgagee for the benefit of the Lessor/Mortgagee to secure the performance of the Lessee/Mortgagor under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement. Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee/Mortgagor, the Lessor/Mortgagee or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee/Mortgagor by the Lessor/Mortgagee and the Investors as unrelated third party lenders of the Lessee/Mortgagor.

C. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Lessor/Mortgagee the payment and performance of all Obligations:

- (a) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder), the Lessee/Mortgagor has caused the Lessor/Mortgagee to hold title to the Subject Property and Lessee/Mortgagor does hereby mortgage, grant, bargain, sell, convey, assign, transfer and set over to the Lessor/Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Lessee/Mortgagor's right, title and interest from time to time in the Subject Property of whatever nature including, without limitation, Lessee/Mortgagor's leasehold interest under the Master Lease; all condemnation and insurance proceeds relative to the Subject Property and all Profits as defined below; and (ii) all of the Lessee/Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same,

which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Lessor/Mortgagee, its successors and assigns forever.

- (i) Protective Advances. The Lessor/Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Supplement to the fullest extent and with the highest priority contemplated by applicable law.
 - (ii) Mortgage. The Lessee/Mortgagor and the Lessor/Mortgagee intend that this Supplement shall secure Lessee/Mortgagor's obligation to repay the unpaid balance of advances made by the Lessor/Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by applicable law. The obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Lessee/Mortgagor under the Master Lease. The maximum amount of advances, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property, all of which are also secured by this Supplement, which may be outstanding at any time is One Hundred Twenty Million and 00/100 Dollars (\$120,000,000.00).
- (b) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder so long as no Lease Event of Default has occurred and is continuing), the Lessee/Mortgagor hereby grants to the Lessor/Mortgagee a security interest in the Lessee/Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of Indiana (the "UCC"). The Master Lease, as supplemented by this Supplement, shall also be deemed to be a security agreement and shall support any financing statement

showing the Lessor/Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Lessee/Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Lessor/Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Supplement.

- (c) The Lessee/Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Lessor/Mortgagee (subject, however, to the Master Lease and the rights of the Lessee/Mortgagor thereunder and hereunder) any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") and all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of the Subleases, provided, that, unless a Lease Event of Default is continuing, the Lessee/Mortgagor shall have the right to collect and retain such Profits. Upon request of the Lessor/Mortgagee, the Lessee/Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.
- (d) Notwithstanding that this Supplement is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in the Profits and the Subleases, the Lessor/Mortgagee grants to the Lessee/Mortgagor a revocable license to collect and receive the Profits and to retain, use and enjoy such Profits. Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.

D. Remedies.

- (a) Upon the occurrence and during the continuance of a Lease Event of Default, each of which are also events of default under this Supplement, the Lessor/Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:
 - (i) collect interest on all past due sums at the Overdue Rate;

- (ii) terminate the Master Lease and, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Lessor/Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in possession of the Lessor/Mortgagee or the collection, receipt and application of Profits by the Lessor/Mortgagee, the Lessor/Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, the right to exercise the power of sale;
- (iii) declare all sums secured hereby immediately due and payable by delivery to the Lessee/Mortgagor a written declaration of the occurrence and continuance of a Lease Event of Default and deliver a notice of non-judicial foreclosure by power of sale of the Subject Property, and proceed with such non-judicial foreclosure in accordance with Applicable Law;
- (iv) in lieu of sale pursuant to the power of sale conferred hereby, foreclose in the manner provided by Applicable Law for the foreclosure of mortgages on real property;
- (v) whether or not a non-judicial or judicial foreclosure proceeding as described above has been commenced, declare immediately due and payable without notice or demand, as otherwise required hereunder or under Applicable Law, all amounts payable by the Lessee/Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and exercise all rights and remedies available hereunder, at law, in equity or otherwise;

(vi) as a matter of right, and upon notice to the Lessee/Mortgagor or anyone under the Lessee/Mortgagor and without regard to the adequacy of its security or the then value of the Security Property or the interest of the Lessee/Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Lessee/Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Lessor/Mortgagee provided for above, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Lessor/Mortgagee in its sole discretion.

Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Lessor/Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Lessor/Mortgagee, and the Lessor/Mortgagee shall be entitled to enforce the rights and remedies provided for herein and any other security now or hereafter held by the Lessor/Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Lessor/Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute. Every power or remedy given hereby to the Lessor/Mortgagee or to which the Lessor/Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor/Mortgagee, and the Lessor/Mortgagee may pursue inconsistent remedies.

(b) Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.

- (c) It is the intent of the parties hereto that the Master Lease be treated as a secured borrowing as provided in Section 3B above, and that, upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall have remedies provided for herein. In the event that, notwithstanding the intention of the parties, a court of competent jurisdiction determines that, for the purpose of remedies, the transaction contemplated by the Master Lease constitutes a leasing arrangement, the parties hereto acknowledge and agree that the Lessor/Mortgagee shall have, as a result of such determination, in addition to the remedies set forth in this Section 3D(a) above, all of the rights and remedies of a landlord provided for in Article XVI of the Master Lease, provided that the parties hereto acknowledge and agree that it is their intent that the Master Lease be construed as provided in Section 3B above.

SECTION 4. Lessor/Mortgagee Grant. (a) The Lessor/Mortgagee hereby unconditionally grants a security interest in and a Lien to the Lessee/Mortgagor against all of the Lessor/Mortgagee's right, title and interest in and to the Security Property, which Lien shall be effective only if the Lessor/Mortgagee shall become the subject of any bankruptcy, insolvency or similar proceeding and such proceeding shall result in the rejection of the Master Lease. Such Lien shall secure the satisfaction of the Lessee/Mortgagor's right to damages and other claims arising out of the rejection of the Master Lease to the extent and in the manner provided for pursuant to the Operative Documents.

(b) The Lessee/Mortgagor agrees that the conditional Lien created in paragraph (a) of this Section 4 will terminate upon the termination of the Master Lease with respect to the Subject Property for any reason other than a rejection of the Master Lease in connection with a bankruptcy, insolvency or similar proceeding with respect to the Lessor/Mortgagee. Lessee/Mortgagor covenants to promptly deliver any releases or reconveyances reasonably required by Lessor/Mortgagee to evidence such termination of Lien.

(c) The Lien created in paragraph (a) of this Section 4 is junior and subordinate in all respects to the Liens granted by the Lessee/Mortgagor in favor of the Lessor/Mortgagee pursuant to this Supplement and the other Operative Documents.

SECTION 5. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Master Lease are hereby ratified and confirmed and remain in full force and effect. The terms of the Master Lease (as amended by this Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 6. Original Supplement. The single executed original of this Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Lessor/Mortgagee therefor on or following the signature page thereof shall be the original executed counterpart of this Supplement (the "Original Executed Counterpart"). To the extent that this Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 7. Applicable Law; Certain Particular Provisions. This Supplement shall be governed by and construed in accordance with the laws of the jurisdictions identified in this Section 7 (the "Applicable Law") which shall for most purposes be the laws of the State of New York; provided, however, that the provisions of this Supplement relating to the creation, perfection and enforcement of the lien and security interest created by this Supplement in respect of the Subject Property and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Supplement, shall be governed by and construed in accordance with the internal law of the State of Indiana, and each of the Lessor/Mortgagee and the Lessee/Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Supplement in the State of Indiana. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of the Master Lease (as amended by this Supplement) and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 8. No Merger of Title. There shall be no merger of the Master Lease (as amended by this Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by this Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by this Supplement) or such leasehold estate, (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor/Mortgagee.

SECTION 9. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Lessee/Mortgagor complies with the provisions of this Supplement and irrevocably pays and performs (to the reasonable satisfaction of Lessor/Mortgagee) all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, as supplemented by this Supplement and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Supplement and the estate hereby granted and created in favor of the Lessor/Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 10. Maximum Interest Rate. No provision of this Supplement or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest or any other amount in such respect is herein or any other Operative Document provided for, the Lessee/Mortgagor shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Supplement and the other Operative Documents.

SECTION 11. Security Agreement and Fixture Financing Statement. This Supplement is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Lessee/Mortgagor in the Subject Property. In Section 3.C (b) above, Lessee/Mortgagor has granted to Lessor/Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may

be subject to the UCC. The information contained in this Section 11 is provided in order that this Supplement shall comply with the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in Section 12 of this Supplement. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 3.C which constitute fixtures or personal property. The Lessor/Mortgagee is the record owner of the Land.

SECTION 12. Notices. For purposes of this instrument all notices shall be in writing and must be given in the manner provided in Section 14.3 of the Participation Agreement to the addresses set forth in Schedule V hereto.

SECTION 13. Counterpart Execution. This Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Lessor/Mortgagee

By: /s/ Larry Bowman

Name: Larry Bowman
Title: President

ITT INDUSTRIES, INC., as Lessee/Mortgagor

By: /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President, Treasurer and
Director of Tax

Schedule I

Legal Description

PARCEL I:

A parcel of land located in the Northwest One-quarter of Section 15, Township 31 North, Range 12 East, Allen County, Indiana, and more particularly described as follows, to wit:

COMMENCING at the center of Section 15, Township 31 North, Range 12 East, Allen County, as now established by an iron pin found in accordance to referenced monuments set by the Allen County Surveyor's Office; thence North 4 degrees 26 minutes 10 seconds West along the North-South centerline of said Section 15 a distance of 847.64 feet; thence South 86 degrees 57 minutes West a distance of 334.80 feet to a point on a line referred to in deeds as the West line of the Carl F. Salomon property and the East line of the Stanley C. Salomon and David C. Salomon property, said point also being the Point of Beginning.

BEGINNING at the above described point; thence South 86 degrees 57 minutes West a distance of 535.06 feet to an iron pin set on the West bank of Spy Run Creek; thence North 50 degrees 48 minutes 14 seconds West along the West line of Stanley C. and David Salomon property a distance of 192.70 feet to an iron pin found under a stone on the South side of Spy Run Creek; thence North 4 degrees 14 minutes 14 seconds West along said West line a distance of 1632.10 feet to a PK nail set on the North line of the Northwest One-quarter of Section 15; thence North 88 degrees 22 minutes 18 seconds East on said North line a distance of 676.0 feet (deed); thence South 4 degrees 13 minutes 31 seconds East along the East line of said property a distance of 1744.90 feet to the Point of Beginning, containing 26.966 acres of land, more or less.

PARCEL II:

A parcel of land located in the Northeast Quarter and the Northwest Quarter of Section 15, Township 31 North, Range 12 East, Allen County, Indiana, and more particularly described as follows, to wit:

COMMENCING at the center of Section 15, Township 31 North, Range 12 East, as now established by an iron pin found in accordance to referenced monuments set by the Allen County Surveyor's Office; thence North 4 degrees 26 minutes 10 seconds West along the North-South centerline of said Section 15, a distance of 847.64 feet to the Point of Beginning.

BEGINNING at the above described point; thence South 86 degrees 57 minutes West a distance of 334.80 feet to a point on a line referred to in deeds as the West line of the Carl F. Salomon property and the East line of the Stanley C. Salomon and David C. Salomon property; thence North 4 degrees 13 minutes 31 seconds West along the previous described deed line a distance of 1744.90 feet to a point on the North line of the Northwest Quarter of said Section 15; thence North 88 degrees 22 minutes 18 seconds East along said North line a distance of 328.68 feet to the North Quarter corner of said Section 15, as now established by a P.K. nail found; thence North 85 degrees 47 minutes 37 seconds East along the North line of the Northeast Quarter of Section 15, a distance of 156.03 feet; thence South 14 degrees 53 minutes 07 seconds East a

distance of 25.0 feet; thence South 46 degrees 53 minutes 51 seconds East a distance of 55.59 feet to a point on the West right-of-way line of Lima Road (State Road #3) I.S.H.C. Project S-419(4)-1959, as marked by a concrete right-of-way monument; thence South 14 degrees 53 minutes 07 seconds East along said West right-of-way line a distance of 1711.36 feet; thence South 86 degrees 57 minutes West and parallel to the South line of the Northeast Quarter a distance of 508.62 feet to the Point of Beginning, containing 27.083 acres of land, more or less.

EXCEPTING from both Parcels I and II the following described real estate situated in Allen County, Indiana, to wit:

A part of the Northeast Quarter and the Northwest Quarter of Section 15, Township 31 North, Range 12 East, Allen County, Indiana, described as follows:

COMMENCING at the center of said Section; thence North 0 degrees 08 minutes 36 seconds West (assumed bearing) 847.64 feet along the East line of said Northwest Quarter to the South line of the grantor's land; thence North 88 degrees 45 minutes 27 seconds West 869.86 feet along said South line to a Southwest line of the grantor's land; thence North 46 degrees 31 minutes 22 seconds West 192.74 feet along said Southwest line to the West line of the grantor's land; thence North 0 degrees 03 minutes 19 seconds East 1582.05 feet along said West line to the Point of Beginning of this description; thence continuing North 0 degrees 03 minutes 19 seconds East 50.05 feet along said West line to the North line of said Northwest Quarter; thence South 87 degrees 20 minutes 09 seconds East 1004.68 feet along said North line to the Northeast corner of said Northwest Quarter; thence South 89 degrees 58 minutes 35 seconds East 156.03 feet along the North line of said Northeast Quarter to an Eastern line of the grantor's land; thence South 10 degrees 39 minutes 19 seconds East 25.00 feet along said Northeastern line to a Northeastern line of the grantor's land; thence South 42 degrees 40 minutes 03 seconds East 55.59 feet along said Northeastern line to the West boundary of Lima Road (State Road 3) I.S.H.C. Project S-419(4)-1959; thence South 10 degrees 38 minutes 56 seconds East 17.80 feet along said West boundary; thence North 66 degrees 28 minutes 44 seconds West 37.51 feet; thence North 84 degrees 40 minutes 25 seconds West 219.28 feet; thence North 87 degrees 20 minutes 09 seconds West 953.57 feet to the Point of Beginning and containing 1.400 acres, more or less, of which 0.684 acres is existing right-of-way.

EXCEPTING FROM THE ABOVE EXCEPTION FOR BOTH PARCELS I AND II the following described real estate situated in Allen County, Indiana, to wit:

A part of the Northwest Quarter of Section 15, Township 31 North, Range 12 East, Allen County, Indiana, described as follows:

COMMENCING at the Northeast corner of said Quarter Section; thence West 1004.68 feet along the North line of said Section to the Northwest corner of 39.42 acre tract of land described in Deed Record 321, pages 181 and 182; thence South 25.0 feet along the West line of said 39.42 acre tract to the Point of Beginning of this description, which point is on the South boundary of Cook Road; thence East 199.7 feet along said South boundary; thence Southwesterly 100.1 feet to a point 30.0 feet South of the North line of said Section; thence West 99.7 feet (parallel with and 30.0 feet South of said North line) to the West line of said 39.42 acre tract; thence North 5.0 feet along said West line to the Point of Beginning and containing 0.017 acres, more or less.

ALSO EXCEPTING FROM THE ABOVE EXCEPTION FOR BOTH PARCELS I AND II:

A parcel of land located in the Northeast One-Quarter and the Northwest One-Quarter of Section 15, Township 31 North, range 12 East, Allen County, Indiana and more particularly described as follows, to-wit:

COMMENCING at the North Quarter corner of Section 15, Township 31 North, Range 12 East, as now established by a P.K. nail found; thence South 88 degrees 22 minutes 18 seconds West on the North line of the Northwest One-Quarter of Section 15 a distance of 1004.68 feet to a P.K. nail set; thence South 4 degrees 14 minutes 14 seconds East along the West line of the ITT Corporation property as described in Warranty Deed recorded in the records of the Recorder of Allen County, Indiana, as Document Number 86-9318, a distance of 25.03 feet to the Point of Beginning.

BEGINNING at the above described point; thence North 88 degrees 22 minutes 18 seconds East, a distance of 1004.34 feet to a point on the North-South centerline of Section 15, thence North 85 degrees 47 minutes 37 seconds East a distance of 161.01 feet; thence South 46 degrees 53 minutes 51 seconds East a distance of 20.41 feet; thence South 85 degrees 47 minutes 37 seconds West a distance of 174.99 feet; thence South 88 degrees 22 minutes 18 seconds West a distance of 1004.19 feet; thence North 4 degrees 14 minutes 14 seconds West a distance of 15.01 feet to the Point of Beginning, containing 0.41 acres of land, more or less.

All of the above more modernly described as follows in a Survey by Dickmeyer & Associates, Kerry D. Dickmeyer, Land Surveyor, recorded April 9, 2004 in Document Number 204025735:

A parcel of land situated in the Northeast One-quarter and the Northwest One-quarter of Section 15, Township 31 North, Range 12 East, Allen County, Indiana, and more particularly described as follows:

COMMENCING at the center of Section 15, Township 31 North, Range 12 East, Allen County, Indiana, marked by a Harrison monument; thence North 04 degrees 26 minutes 10 seconds West (bearing base on Deed DOC. #86-009318 and DOC. #86-009319) along the North-South centerline of the said Section 15, a distance of 847.64 feet to the Point of Beginning as marked by a set five-eighths inch diameter steel pin with D&A Firm No. 0026 identification cap.

BEGINNING at the above described point; thence South 86 degrees 57 minutes 00 seconds West, a distance of 869.86 feet to a set five-eighths inch diameter steel pin on the West bank of Spy Run Creek; thence North 51 degrees 34 minutes 50 seconds West (North 50 degrees 48 minutes 14 seconds West - deed), a distance of 192.50 feet to a stone; thence North 04 degrees 11 minutes 11 seconds West (North 04 degrees 14 minutes 14 seconds West - deed) a distance of 1581.25 feet to a set five-eighths inch diameter steel pin on the Southerly line of parcel of land described in DOC. #200063132 also being the southerly right-of-way line of Cook Road; thence North 88 degrees 12 minutes 33 seconds East along said southerly line, a distance of 953.56 feet to a set five-eighths inch diameter steel pin; thence South 89 degrees 05 minutes 00 seconds East along said southerly line, a distance of 219.28 feet to a set five-eighths inch diameter steel pin with D&A Firm No. 0026 identification cap; thence South 70 degrees 15 minutes 43 seconds East along said southerly line, a distance of 37.51 feet to a set five-eighths

inch diameter steel pin with D&A Firm No. 0026 identification cap; thence South 14 degrees 25 minutes 55 seconds East along said westerly right-of-way line, a distance of 429.03 feet to a four inch by four inch concrete right-of-way marker found; thence South 14 degrees 58 minutes 08 seconds East, a distance of 667.09 feet to a four inch by four inch concrete right-of-way marker found; thence South 15 degrees 07 minutes 53 seconds East along said westerly right-of-way line a distance of 597.71 feet to a found five-eighths inch diameter steel pin; thence South 86 degrees 57 minutes 00 seconds West, a distance of 508.75 feet to the point of beginning, containing 52.58 acres, more or less.

Schedule II

Additional Permitted Property Liens

NONE

Schedule III

Local Law Provisions

Schedule IV

Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Lessee/Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

Schedule V

Notice Information

LESSEE/MORTGAGOR

ITT INDUSTRIES, INC.
4 West Red Oak Lane
White Plains, New York 10604
Attention: Donald Foley, Treasurer

with a copy to:

Red Oak Corporate Park
4 West Red Oak Lane
White Plains, New York 10604
Attention: Keith Richey, International Tax Counsel

LESSOR/MORTGAGEE

REXUS L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

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MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING)

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Mortgagee

and

ITT INDUSTRIES, INC.,
as Mortgagor

LOCATION OF MORTGAGED PROPERTY:

Street Address: 175 Standard Parkway
Cheektowaga, New York 14227

County: Erie

Block: 1

Lot: 28

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

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MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING)

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), dated as of December 15, 2004 (this "Mortgage"), between REXUS L.L.C., a Delaware limited liability company with an address at Societe Generale, (Canada), as Lessor Administrator, 1501 McGill College, Bureau 1800, Montreal, Quebec, H3A 3MB, Canada, as the Mortgagee (the "Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Mortgagor (the "Mortgagor"). For purposes of this Mortgage, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease (as defined below), and the rules of interpretation set forth in such Appendix A shall apply to this Mortgage.

WHEREAS, pursuant to a Participation Agreement, dated as of the date hereof (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Participation Agreement"), among the Mortgagee, the Mortgagor, and others as Investors, the Investors and the Mortgagee have agreed to finance the acquisition of the certain properties described therein, including the real property described on Schedule I hereto (such real property described on Schedule I hereto, the "Land"), and the payment of certain transaction expenses in connection therewith;

WHEREAS, subject to the terms and conditions set forth in the Participation Agreement, on the date hereof the Mortgagee purchased from the Mortgagor the Land;

WHEREAS, Mortgagee and Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of the date hereof (the "Master Lease"), as supplemented by that certain Lease Supplement, dated as of the date hereof (the "Related Lease Supplement"), pursuant to which the Mortgagee leased the Land, all Improvements thereon and all other improvements now thereon or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto and all Equipment (collectively, the "Subject Property") to the Mortgagor; and

WHEREAS, pursuant to the terms of this Mortgage, the Mortgagor will grant a continuing security interest and mortgage in the Subject Property to the Mortgagee;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Mortgagee the payment and performance of the Obligations in a principal amount not to exceed FIVE MILLION AND 00/100 U.S. Dollars (\$5,000,000), the maximum amount of principal indebtedness which is or under any contingency may be secured hereby, together with

all other sums described below which may from time to time become due and payable to the Mortgagee by reason of the exercise of its rights and remedies under the Operative Documents:

- (a) Subject to the terms and conditions of the Master Lease, as supplemented by the Related Lease Supplement (including, without limitation, the Mortgagor's rights thereunder so long as no Lease Event of Default has occurred and is continuing), the Mortgagor has caused the Mortgagee to hold title to the Subject Property and does hereby mortgage, grant, bargain, sell, convey, assign, transfer and set over to the Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Mortgagor's right, title and interest from time to time in the Subject Property of whatever nature (including without limitation Mortgagor's leasehold interest under the Master Lease, all condemnation and insurance proceeds from the Subject Property and all Profits as defined below); and (ii) all of the Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same, which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Mortgagee, its successors and assigns forever.

- (i) Protective Advances. The Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Mortgage to the fullest extent and with the highest priority contemplated by Applicable Law.
- (ii) Mortgage. Subject to the limitation set forth in the next succeeding sentence, the Mortgagor and the Mortgagee intend that this Mortgage shall secure Mortgagor's obligation to repay the unpaid balance of advances made by the Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by Applicable Law. The Obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Mortgagor under the

Master Lease. The maximum amount of the Obligations secured by this Mortgage, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property and all other protective advances as described in Section 1(a)(i) above, all of which are also secured by this Mortgage, shall not exceed FIVE MILLION AND 00/100 U.S. DOLLARS (\$5,000,000).

- (b) Subject to the terms and conditions of the Master Lease, as supplemented by the Related Lease Supplement (including, without limitation, the Mortgagor's rights thereunder so long as no Lease Event of Default has occurred and is continuing), the Mortgagor hereby grants to the Mortgagee a security interest in the Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of New York (the "UCC"). This Mortgage shall also be deemed to be a security agreement and shall support any financing statement showing the Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Mortgage.
- (c) The Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Mortgagee (subject, however, to the Master Lease, as supplemented by the Related Lease Supplement, and the rights of the Mortgagor thereunder) all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") provided, that, unless a Lease Event of Default is continuing, the Mortgagor shall have the right to collect and retain such Profits. Upon request of the Mortgagee, the Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.

- (d) Notwithstanding that this Mortgage is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in, the Profits and the Subleases, the Mortgagee grants to the Mortgagor a revocable license to enforce all of its rights and remedies under the Subleases, to collect and receive the Profits and to retain, use and enjoy such Profits. Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.

SECTION 2. Remedies. (a) Upon the occurrence and during the continuance of a Lease Event of Default, each of which is also a default under this Mortgage, the Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:

- (i) collect interest on all past due sums at the Overdue Rate;
- (ii) either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in possession of the Mortgagee or the collection, receipt and application of Profits by the Mortgagee, the Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, to the extent permitted by Applicable Law, the right to exercise the power of sale;
- (iii) to the extent permitted by Applicable Law, utilize the procedures set forth in Article 14 of the New York Real Property Actions and Proceedings Law and commence a non-judicial foreclosure by power of sale. To the extent permitted by Applicable Law, Mortgagor waives any right granted pursuant to Section 1421 or

- any other provision of the New York Real Property Actions and Proceedings Law to challenge Mortgagee's election to enforce this Mortgage by means of such non-judicial foreclosure by power of sale;
- (iv) foreclose this Mortgage in the manner provided by Applicable Law for the foreclosure of mortgages on real property;
 - (v) declare immediately due and payable without notice or demand, except as otherwise required hereunder or under Applicable Law, all amounts payable by the Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and exercise all other rights and remedies available hereunder, under Applicable Law, in equity or otherwise;
 - (vi) in any action to foreclose this Mortgage, and upon notice to the Mortgagor or anyone under the Mortgagor and without regard to the adequacy of its security or the then value of the Security Property or the interest of the Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Mortgagee provided for in Section D(a)(ii) above, to the extent permitted by Applicable Law, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Mortgagee in its sole discretion or as a court of competent jurisdiction shall direct.

Upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. To the extent permitted by Applicable Law, neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Mortgagee; and, to the extent permitted by Applicable Law, the Mortgagee shall be entitled to enforce the rights and remedies provided for

herein and any other security now or hereafter held by the Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute. To the extent permitted by Applicable Law, every power or remedy given hereby to the Mortgagee or to which the Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and the Mortgagee may pursue inconsistent remedies.

- (b) Upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.
- (c) It is the intent of the parties hereto that the Master Lease be treated as a secured borrowing as provided in Section 1, and that, upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee shall have remedies provided for herein. In the event that, notwithstanding the intention of the parties, a court of competent jurisdiction determines that, for the purpose of remedies, the transaction contemplated by the Master Lease constitutes a leasing arrangement, the parties hereto acknowledge and agree that the Mortgagee shall have, as a result of such determination, in addition to the remedies set forth in this Section 2, all of the rights and remedies of a landlord provided for in Article XVI of the Master Lease, provided that the parties hereto acknowledge and agree that it is their intent that the Master Lease be construed as provided in Section 1.

SECTION 3. Mortgagee Grant. (a) The Mortgagee hereby conditionally grants a Lien to the Mortgagor against all of the Mortgagee's right, title and interest in and to the Security Property, which Lien shall be effective only if the Mortgagee shall become the subject of any bankruptcy, insolvency or similar proceeding and such proceeding shall result in the rejection of the Master Lease. Such Lien shall secure the satisfaction of the Mortgagor's right to damages and other claims arising out of the rejection of the Master Lease to the extent and in the manner provided for pursuant to the Operative Documents.

(b) The Mortgagor agrees that the conditional Lien created in paragraph (a) of this Section will terminate upon the termination of the Master Lease with respect to the Subject Property for any reason other than a rejection of the Master Lease in connection with a bankruptcy, insolvency or similar proceeding with respect to the Mortgagee. Mortgagor covenants to promptly deliver any releases or reconveyances reasonably required by Mortgagee to evidence such termination of Lien.

(c) The Lien created in paragraph (a) of this Section is junior and subordinate in all respects to the Liens granted by the Mortgagor in favor of the Mortgagee pursuant to this Mortgage and the other Operative Documents.

SECTION 4. Applicable Law; Certain Particular Provisions. This Mortgage shall be governed by and construed in accordance with the laws of the State of New York ("Applicable Law"); and each of the Mortgagee and the Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Mortgage in such state. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in this Mortgage and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 5. No Merger of Title. There shall be no merger of the Master Lease (as amended by the Related Lease Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by the Related Lease Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by the Related Lease Supplement) or such leasehold estate, or (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Mortgagee.

SECTION 6. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Mortgagor complies with the provisions of this Mortgage and irrevocably pays and performs all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, as supplemented by the Related Lease Supplement, and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Mortgage and the estate hereby granted and created in favor of the Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 7. Maximum Interest Rate. No provision of this Mortgage or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest or any other amount in such respect is herein or any other Operative Document provided for, the Mortgagor shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Mortgage and the other Operative Documents.

SECTION 8. Security Agreement and Fixture Financing Statement. This Mortgage is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Mortgagee in the Subject Property. In Section 1(b), Mortgagor has granted to Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may be subject to the UCC. The information contained in this Section 9 is provided in order that this Mortgage shall comply with

the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in the first paragraph herein. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 1 which constitute fixtures or personal property. The Mortgagee is the record owner of the Land.

SECTION 9. Notices. For purposes of this instrument as a fixture filing, and for all other purposes, unless otherwise specifically provided herein, all notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be deemed to have been given as set forth in Section 26.4 of the Master Lease.

SECTION 10. Counterpart Execution. This Mortgage may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Mortgage to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Mortgagee

By: /s/ Larry Bowman

Name: Larry Bowman
Title: President

ITT INDUSTRIES, INC., as Mortgagor

By: /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President, Treasurer and
Director of Tax

N - 2

Schedule I

Legal Description

PARCEL 1

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Lot No. 23, Township 11, Range 7 of the Holland Land Company's Survey, further described as part of the premises designated and subdivided on map filed in Erie County Clerk's Office under Cover of Maps No. 553, more particularly bounded and described as follows:

BEGINNING at a point in the easterly line of said Subdivision Tract distant southerly, at right angles, 20 feet from the southerly line of lands of the former Lehigh Valley Railroad Company, now Conrail; thence southerly along the easterly line of said Subdivision Tract 1354.22 feet to the northerly line of Wojcik Avenue as said line is extended easterly in a direct line; running thence westerly along the northerly line of Wojcik Avenue and said line extended and forming an interior angle of 90 degrees 35' 50" with the last described line 388.2 feet to the easterly line of Walkowiak Avenue; running thence northerly along the easterly line of Walkowiak Avenue and said line extended northerly in a direct line and forming an interior angle of 90 degrees with the last described line 1206.09 feet to a point therein 20.0 feet southerly at right angles from the southerly line of lands of Conrail (formerly the Lehigh Valley Railway Company); running thence easterly along a line drawn parallel with the southerly line of said railway company's land and forming an interior angle of 100 degrees 12' 10" with the last described line 428.70 feet to the point or place of beginning.

PARCEL 2

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being parts of Lots Nos. 15 and 23, Township 11, Range 7 of the Holland Land Company's Survey, bounded and described as follows:

BEGINNING at the point or intersection of the northerly line of Wojcik Avenue, as described in deed to the Town of Cheektowaga recorded in Erie County Clerk's Office in Liber 1450 of Deeds at page 288, with the easterly line of the lands shown upon map filed in said Clerk's Office under Cover of Maps No. 553; running thence easterly along said northerly line of Wojcik Avenue 365.14 feet to the westerly line of lands conveyed to Niagara, Lockport & Ontario Power Company by deed recorded in said Clerk's Office in Liber 1392 of Deeds at page 474; running thence northerly along the westerly line of lands so conveyed to said power company and forming an interior angle of 93 degrees 43' with the last described line 1271.80 feet to an angle therein; running thence northerly along the westerly line of lands so conveyed to said power company and forming an exterior angle of 184(0) 50' 10" with the last described course 158.08 feet to the southerly line of lands conveyed to Buffalo General Electric Company by deed recorded in said Clerk's Office in Liber 1894 of Deeds at page 49; running thence westerly along

the southerly line of lands so conveyed to Buffalo General Electric Company and forming an interior angle of 71 degrees with the last described course 459.28 feet to the easterly line of the lands shown upon said map filed under Cover No. 553; running thence southerly along the easterly line of the lands, shown upon said map and forming an interior angle of 110 degrees 48' with the last described line 1268.64 feet to the point or place of beginning.

EXCEPTING THEREFROM a triangular parcel of land situate in the Town of Cheektowaga, County of Erie and State of New York, being a part of Lots 15 and 23, Township 11, Range 7 of the Holland Land Company's Survey, bounded and described as follows:

BEGINNING at the point of intersection of the southerly line of lands conveyed by Philip Stephan by executors to the Buffalo General Electric Company by deed dated June 16, 1926 and recorded in the Office of the Clerk of the County of Erie in Liber 1894 of Deeds at page 49 and the westerly line of lands conveyed by same grantors to the Niagara, Lockport and Ontario Power Company by deed dated January 15, 1917 and recorded in the Office of said Clerk in Liber 1392 of Deeds at page 474; thence southerly along the lands so conveyed to said Niagara, Lockport and Ontario Power Company, 73.47 feet to a point; thence westerly, and forming an exterior angle of 107 degrees 25' with the last described line 117.01 feet to a point on the southerly line of lands conveyed to the Buffalo General Electric Company as above mentioned at a point on said southerly line, 118.08 feet westerly measured along said southerly line from the point of beginning; thence easterly along the southerly line of lands so conveyed to said Buffalo General Electric Company, and forming an interior angle of 36 degrees 25' with the last described line 118.08 feet to the point of beginning.

PARCEL 3

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Farm Lot 23, Township 11, Range 7 of the Holland Land Company's Survey, more particularly bounded and described as follows:

BEGINNING at the intersection of the east line of land as shown on a subdivision map filed in the Erie County Clerk's Office under Cover No. 812 with the south line of Wojcik Street, as a sixty (60) foot highway; running thence easterly along the south line of said Wojcik Street 361.83 feet to the west line of lands of the Niagara, Lockport and Ontario Power Company; running thence southerly along the said west line of the lands of the Niagara, Lockport and Ontario Power Company and forming an interior angle of 86(0) 17' with the last described line 692.31 feet; thence west on a line parallel with William Street and forming an interior angle of 93 degrees 02' 50" with the last described line 324.10 feet to a point in the said east line of lands as shown on said subdivision map under Cover No. 812; running thence northerly along said east line of lands on map under Cover No. 812 and forming an interior angle of 90 degrees 04' 20" with the last described line 687.10 feet to the point or place of beginning.

PARCEL 4

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Farm Lot 23, Township 11, Range 7 of the Holland Land Company's Survey, and being more particularly described as follows:

COMMENCING at the intersection of the east line of lands as shown on map filed in the office of the Clerk of the County of Erie under Map Cover No. 812 and the north line of Wojcik Street, as said north line is projected easterly; running thence southerly along said east line of lands under Cover No. 812 as aforesaid 15 feet; running thence easterly on a line which is parallel to the said north line of Wojcik Street as said north line is extended or projected easterly and forming an exterior angle of 90 degrees 34' 20" with the last described line 364.31 feet to a point in the west line of lands of the Niagara Mohawk Power Corporation; running thence northerly along said west line of the Niagara Mohawk Power Corporation's lands and forming an interior angle of 93 degrees 43' with the last described line 15.03 feet to its intersection with the said north line of Wojcik Street as said north line is extended or projected easterly; running thence westerly along the said north line of Wojcik Street as the same is projected easterly and forming an interior angle of 86 degrees 17' with the last described line 365.14 feet to a point in the east line of lands as shown under Cover No. 812 as aforesaid at the point or place of beginning.

PARCEL 5

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Lot No. 23, Township 11, Range 7 of the Holland Land Company's Survey, and being further bounded and described as follows:

COMMENCING at the intersection of the east line of lands shown under Map Cover 812 and the north line of Wojcik Street as projected easterly; thence southerly along the east line of Map Cover 812 a distance of 60 feet to a point (said point being the southeast corner of subdivision lot No. 51, Block S, Map Covers 553 and 812); thence easterly and along the southerly line of lands conveyed to the Town of Cheektowaga by deed recorded in the Erie County Clerk's Office in Liber 1450 of Deeds at page 288 and forming an interior angle of 89 degrees 25' 40" with the last described line a distance of 361.83 feet to a point in the west line of lands now owned by Niagara Mohawk Power Company; thence northerly along the lands of the Niagara Mohawk Power Company and forming an interior angle of 93 degrees 43' with the last described line a distance of 60.13 feet to its intersection with the north line of Wojcik Street as said line is extended or projected easterly; thence westerly along said north line of Wojcik Street as extended easterly and forming an interior angle of 86 degrees 17' with the last described line 365.14 feet to a point in the east line of Cover No. 812, at the point of beginning.

EXCEPTING land conveyed by Town of Cheektowaga to Ashland Oil & Refining Company by deed recorded in Deed Liber 5291, page 317.

PARCEL 6

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Lot No. 23, Township 11 and Range 7 of the Holland Land Company's Survey and according to maps filed in the Erie County Clerk's Office under Covers Nos. 553 and 812 is known as subdivision lots Nos. 51 and 52 in Block "S", and being further bounded and described as follows:

BEGINNING at a point in the easterly line of Starlite Avenue (formerly Dombrowski Avenue) at the southwest corner of the aforesaid Subdivision Lot No. 51, thence easterly at right angles to Starlite Avenue and along the south line of said Subdivision Lot No. 51, 123.60 feet to the southeast corner of said Subdivision Lot; thence northerly and forming an interior angle of 90 degrees 34' 20" with the last described line and along the east line of Sublots 51 and 52 as aforesaid 60.0 feet to the northeast corner of Sublot 52; thence westerly along the north line of Sublot 52 and forming an interior angle of 89 degrees 25' 40" with the last described line 124.20 feet to the east line of Starlite Avenue; thence southerly at right angles to the last described line 60.0 feet to the point or place of beginning.

Schedule II

Additional Permitted Property Liens

NONE

Schedule III

Local Law Provisions

1. NYRPL 291-f. Section 291-f of the New York State Real Property Law shall apply to any cancellation, abridgement, modification, or prepayment of any Lease, it being intended that Mortgagee shall have the benefit of Section 291-f.

2. Commercial Property. Mortgagee represents that this Mortgage does not encumber real property principally improved or to be improved by one or more structures containing in the aggregate not more than six (6) residential dwelling units, each having its own separate cooking facilities.

3. Trust Fund. Mortgagor agrees that it will receive the advances secured by this Mortgage and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of improvement, if any, and will apply the same first to the payment of such costs before using any part of the total of the same for any other purpose and will comply with Section 13 of the New York Lien Law. To the extent permitted by Applicable Law, Mortgagor will indemnify and hold Mortgagee harmless against any loss or liability, cost or expense, including, without limitation, any judgments, attorneys' fees, costs of appeal, bonds, arising out of or relating to any proceeding instituted by any claimant alleging a violation by Mortgagee or Mortgagor of any Section of Article 3A of the New York Lien Law. The provisions of this Section 3 shall survive the payment and performance of Mortgagor's obligations under this Mortgage and the other Operative Documents.

4. Maximum Principal Indebtedness. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE MAXIMUM PRINCIPAL INDEBTEDNESS WHICH IS OR UNDER ANY CONTINGENCY MAY BE SECURED BY THIS MORTGAGE IS FIVE MILLION AND 00/100 U.S. DOLLARS (\$5,000,000), TOGETHER WITH (I) TAXES, CHARGES OR ASSESSMENTS WHICH MAY BE IMPOSED BY LAW UPON THE SUBJECT PROPERTY, (II) PREMIUMS ON INSURANCE POLICIES COVERING THE SUBJECT PROPERTY, AND (III) EXPENSES INCURRED IN UPHOLDING THE LIEN OF THIS MORTGAGE INCLUDING, BUT NOT LIMITED TO, (A) THE EXPENSES OF ANY LITIGATION TO PROSECUTE OR DEFEND THE RIGHTS AND LIEN CREATED BY THIS MORTGAGE, (B) ANY AMOUNT, COST OR CHARGE TO WHICH THE MORTGAGEE BECOMES SUBROGATED, UPON PAYMENT, WHETHER UNDER RECOGNIZED PRINCIPLES OF LAW OR EQUITY, OR UNDER EXPRESS STATUTORY AUTHORITY, AND (C) INTEREST AT THE OVERDUE RATE (OR REGULAR INTEREST RATE) AND PENALTIES PROVIDED FOR HEREIN OR IN THE OTHER OPERATIVE DOCUMENTS.

5. Last Dollars Secured; Priority. This Mortgage secures only a portion of the Obligations. The parties agree that any payments or payment on account of the Obligations shall be and be deemed to be applied first to the portion of the Obligations that is not secured hereby, it being the parties' intent that the portion of the Obligations last remaining unpaid shall be secured hereby.

Schedule IV

Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

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LEASE SUPPLEMENT
AND
SHORT FORM/MEMORANDUM OF LEASE

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Lessor

and

ITT INDUSTRIES, INC.,
as Lessee

LOCATION OF PROPERTY:

Street Address: 175 Standard Parkway
Cheektowaga, New York 14227
County: Erie
Block: 1
Lot: 28

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

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LEASE SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE

THIS LEASE SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE, dated as of December 15, 2004 (this "Supplement"), between REXUS L.L.C., a Delaware limited liability company with an address at Rexus L.L.C., c/o Societe Generale, (Canada), as Lessor Administrator, 1501 McGill College, Bureau 1800, Montreal, Quebec, H3A 3MB, Canada, as the lessor (the "Lessor"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at [ITT Industries, Inc., 4 West Red Oak Lane, White Plains, NY 10604, Attention: Donald Foley, Treasurer], as lessee (the "Lessee").

WHEREAS, pursuant to a Participation Agreement, dated as of the date hereof (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Participation Agreement"), among the Lessee, the Lessor, and Air Bail S.A.S. and RBS Lombard, Inc., as Investors, the Investors and the Lessor have agreed to finance the acquisition of the certain properties described therein, including the real property described on Schedule I hereto (such real property described on Schedule I hereto, the "Land"), and the payment of certain transaction expenses in connection therewith;

WHEREAS, subject to the terms and conditions set forth in the Participation Agreement, on the date hereof the Lessor purchased from the Lessee the Land;

WHEREAS, Lessor and Lessee have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of the date hereof (the "Master Lease"); and

WHEREAS, the Lessor wishes to lease the Land and lease all Improvements now thereon or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto to the Lessee (collectively, the "Subject Property");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Supplement, capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in Appendix A to the Master Lease, and the rules of interpretation set forth in such Appendix A shall apply to this Supplement.

SECTION 2. The Properties. Effective upon the execution and delivery of this Supplement by the Lessor and the Lessee, the Subject Property shall be subject to the terms and provisions of the Master Lease and the Lessor hereby grants, conveys, transfers and assigns to the Lessee those interests, rights, titles, estates, powers and privileges provided for in the Master Lease with respect to the Subject Property.

SECTION 3. Amendments to Master Lease with Respect to Subject Property. Effective upon the execution and delivery of this Supplement by the Lessor and the Lessee, the following terms and provisions shall apply to the Master Lease with respect to the Subject Property:

A. Short Form/Memorandum of Lease. The parties hereto set forth the following information which shall constitute a short form or memorandum of the Master Lease, as supplemented by this Supplement:

- (a) The name and address of the Lessor as set forth in the Master Lease is:

Rexus L.L.C.

Societe Generale (Canada), as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, QC, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Rexus L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

- (b) The name and address of the Lessee as set forth in the Master Lease is:

ITT Industries, Inc.

4 West Red Oak Lane
White Plains, NY 10604
Attention: Donald Foley, Treasurer

- (c) The lease to which this memorandum of lease pertains is the Master Lease as supplemented by this Supplement and the other Supplements.
- (d) The leased premises are the Subject Property which includes the Land more particularly described on Schedule I attached hereto.
- (e) The Lessor acquired title to the Land by deed dated on or about the date hereof and about to be recorded or filed for record in the Office of the County Clerk of Erie County, New York.

- (f) The term of the Master Lease shall commence on the date hereof and shall expire on December 17, 2014 unless earlier terminated in accordance with the terms of the Master Lease, as supplemented by this Supplement.
- (g) The Master Lease contains certain purchase rights and options during the Lease Term pursuant to which the Lessee or its designee may acquire the Subject Property.
- (h) In addition to those terms referred to herein, the Master Lease contains numerous other terms, covenants and conditions that affect the Subject Property, and notice is hereby given that reference should be had to the Master Lease with respect to the details of such terms, covenants and conditions. A copy of the Master Lease or of the other agreements referenced herein or therein may be obtained from any of the parties hereto at the addresses set forth herein.

B. Ownership of the Subject Property. The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the Lease will be treated as a financing arrangement, (2) the Lessor will be deemed a lender making a loan to the Lessee in an aggregate amount equal to the Original Aggregate Property Cost which loan is secured by the Properties, and (3) the Lessee will be treated as the owner of the Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes. Nevertheless, the Lessee acknowledges and agrees that none of the Lessor, the Arranger or any Investor has made any representations or warranties to the Lessee concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein. It is the intent of the parties hereto that the Master Lease, as supplemented by the Lease Supplements, grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor for the benefit of the Lessor to secure the performance of the Lessee under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement. Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee, the Lessor or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee by the Lessor and the Investors as unrelated third party lenders of the Lessee.

SECTION 4. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Master Lease are hereby ratified and confirmed and remain in full force and effect. The terms of the Master Lease (as amended by this Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 5. Original Supplement. The single executed original of this Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Lessor therefor on or following the signature page thereof shall be the original executed counterpart of this Supplement (the "Original Executed Counterpart"). To the extent that this Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 6. Applicable Law; Certain Particular Provisions. This Supplement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. No Merger of Title. There shall be no merger of the Master Lease (as amended by this Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by this Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by this Supplement) or such leasehold estate, (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor.

SECTION 8. Notices. All notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be deemed to have been given as set forth in Section 26.4 of the Master Lease.

SECTION 9. Counterpart Execution. This Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Lessor

By: /s/ Larry Bowman

Name: Larry Bowman

Title: President

ITT INDUSTRIES, INC., as Lessee

By: /s/ Donald Foley

Name: Donald Foley

Title: Senior Vice President,
Treasurer and Director
of Tax

N-2

Schedule I

Legal Description

PARCEL 1

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Lot No. 23, Township 11, Range 7 of the Holland Land Company's Survey, further described as part of the premises designated and subdivided on map filed in Erie County Clerk's Office under Cover of Maps No. 553, more particularly bounded and described as follows:

BEGINNING at a point in the easterly line of said Subdivision Tract distant southerly, at right angles, 20 feet from the southerly line of lands of the former Lehigh Valley Railroad Company, now Conrail; thence southerly along the easterly line of said Subdivision Tract 1354.22 feet to the northerly line of Wojcik Avenue as said line is extended easterly in a direct line; running thence westerly along the northerly line of Wojcik Avenue and said line extended and forming an interior angle of 90 degrees 35' 50" with the last described line 388.2 feet to the easterly line of Walkowiak Avenue; running thence northerly along the easterly line of Walkowiak Avenue and said line extended northerly in a direct line and forming an interior angle of 90 degrees with the last described line 1206.09 feet to a point therein 20.0 feet southerly at right angles from the southerly line of lands of Conrail (formerly the Lehigh Valley Railway Company); running thence easterly along a line drawn parallel with the southerly line of said railway company's land and forming an interior angle of 100 degrees 12' 10" with the last described line 428.70 feet to the point or place of beginning.

PARCEL 2

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being parts of Lots Nos. 15 and 23, Township 11, Range 7 of the Holland Land Company's Survey, bounded and described as follows:

BEGINNING at the point or intersection of the northerly line of Wojcik Avenue, as described in deed to the Town of Cheektowaga recorded in Erie County Clerk's Office in Liber 1450 of Deeds at page 288, with the easterly line of the lands shown upon map filed in said Clerk's Office under Cover of Maps No. 553; running thence easterly along said northerly line of Wojcik Avenue 365.14 feet to the westerly line of lands conveyed to Niagara, Lockport & Ontario Power Company by deed recorded in said Clerk's Office in Liber 1392 of Deeds at page 474; running thence northerly along the westerly line of lands so conveyed to said power company and forming an interior angle of 93 degrees 43' with the last described line 1271.80 feet to an angle therein; running thence northerly along the westerly line of lands so conveyed to said power company and forming an exterior angle of 184 degrees 50' 10" with the last described course 158.08 feet to the southerly line of lands conveyed to Buffalo General Electric Company by deed recorded in said Clerk's Office in Liber 1894 of Deeds at page 49; running thence westerly along

the southerly line of lands so conveyed to Buffalo General Electric Company and forming an interior angle of 71(degree) with the last described course 459.28 feet to the easterly line of the lands shown upon said map filed under Cover No. 553; running thence southerly along the easterly line of the lands, shown upon said map and forming an interior angle of 110(degree) 48' with the last described line 1268.64 feet to the point or place of beginning.

EXCEPTING THEREFROM a triangular parcel of land situate in the Town of Cheektowaga, County of Erie and State of New York, being a part of Lots 15 and 23, Township 11, Range 7 of the Holland Land Company's Survey, bounded and described as follows:

BEGINNING at the point of intersection of the southerly line of lands conveyed by Philip Stephan by executors to the Buffalo General Electric Company by deed dated June 16, 1926 and recorded in the Office of the Clerk of the County of Erie in Liber 1894 of Deeds at page 49 and the westerly line of lands conveyed by same grantors to the Niagara, Lockport and Ontario Power Company by deed dated January 15, 1917 and recorded in the Office of said Clerk in Liber 1392 of Deeds at page 474; thence southerly along the lands so conveyed to said Niagara, Lockport and Ontario Power Company, 73.47 feet to a point; thence westerly, and forming an exterior angle of 107 degrees 25' with the last described line 117.01 feet to a point on the southerly line of lands conveyed to the Buffalo General Electric Company as above mentioned at a point on said southerly line, 118.08 feet westerly measured along said southerly line from the point of beginning; thence easterly along the southerly line of lands so conveyed to said Buffalo General Electric Company, and forming an interior angle of 36 degrees 25' with the last described line 118.08 feet to the point of beginning.

PARCEL 3

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Farm Lot 23, Township 11, Range 7 of the Holland Land Company's Survey, more particularly bounded and described as follows:

BEGINNING at the intersection of the east line of land as shown on a subdivision map filed in the Erie County Clerk's Office under Cover No. 812 with the south line of Wojcik Street, as a sixty (60) foot highway; running thence easterly along the south line of said Wojcik Street 361.83 feet to the west line of lands of the Niagara, Lockport and Ontario Power Company; running thence southerly along the said west line of the lands of the Niagara, Lockport and Ontario Power Company and forming an interior angle of 86 degrees 17' with the last described line 692.31 feet; thence west on a line parallel with William Street and forming an interior angle of 93 degrees 02' 50" with the last described line 324.10 feet to a point in the said east line of lands as shown on said subdivision map under Cover No. 812; running thence northerly along said east line of lands on map under Cover No. 812 and forming an interior angle of 90 degrees 04' 20" with the last described line 687.10 feet to the point or place of beginning.

PARCEL 4

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Farm Lot 23, Township 11, Range 7 of the Holland Land Company's Survey, and being more particularly described as follows:

COMMENCING at the intersection of the east line of lands as shown on map filed in the office of the Clerk of the County of Erie under Map Cover No. 812 and the north line of Wojcik Street, as said north line is projected easterly; running thence southerly along said east line of lands under Cover No. 812 as aforesaid 15 feet; running thence easterly on a line which is parallel to the said north line of Wojcik Street as said north line is extended or projected easterly and forming an exterior angle of 90 degrees 34' 20" with the last described line 364.31 feet to a point in the west line of lands of the Niagara Mohawk Power Corporation; running thence northerly along said west line of the Niagara Mohawk Power Corporation's lands and forming an interior angle of 93 degrees 43' with the last described line 15.03 feet to its intersection with the said north line of Wojcik Street as said north line is extended or projected easterly; running thence westerly along the said north line of Wojcik Street as the same is projected easterly and forming an interior angle of 86(0) 17' with the last described line 365.14 feet to a point in the east line of lands as shown under Cover No. 812 as aforesaid at the point or place of beginning.

PARCEL 5

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Lot No. 23, Township 11, Range 7 of the Holland Land Company's Survey, and being further bounded and described as follows:

COMMENCING at the intersection of the east line of lands shown under Map Cover 812 and the north line of Wojcik Street as projected easterly; thence southerly along the east line of Map Cover 812 a distance of 60 feet to a point (said point being the southeast corner of subdivision lot No. 51, Block S, Map Covers 553 and 812); thence easterly and along the southerly line of lands conveyed to the Town of Cheektowaga by deed recorded in the Erie County Clerk's Office in Liber 1450 of Deeds at page 288 and forming an interior angle of 89 degrees 25' 40" with the last described line a distance of 361.83 feet to a point in the west line of lands now owned by Niagara Mohawk Power Company; thence northerly along the lands of the Niagara Mohawk Power Company and forming an interior angle of 93 degrees 43' with the last described line a distance of 60.13 feet to its intersection with the north line of Wojcik Street as said line is extended or projected easterly; thence westerly along said north line of Wojcik Street as extended easterly and forming an interior angle of 86 degrees 17' with the last described line 365.14 feet to a point in the east line of Cover No. 812, at the point of beginning.

EXCEPTING land conveyed by Town of Cheektowaga to Ashland Oil & Refining Company by deed recorded in Deed Liber 5291, page 317.

PARCEL 6

ALL THAT TRACT OR PARCEL OF LAND, situate in the Town of Cheektowaga, County of Erie and State of New York, being part of Lot No. 23, Township 11 and Range 7 of the Holland Land Company's Survey and according to maps filed in the Erie County Clerk's Office under Covers Nos. 553 and 812 is known as subdivision lots Nos. 51 and 52 in Block "S", and being further bounded and described as follows:

BEGINNING at a point in the easterly line of Starlite Avenue (formerly Dombrowski Avenue) at the southwest corner of the aforesaid Subdivision Lot No. 51, thence easterly at right angles to Starlite Avenue and along the south line of said Subdivision Lot No. 51, 123.60 feet to the southeast corner of said Subdivision Lot; thence northerly and forming an interior angle of 90 degrees 34' 20" with the last described line and along the east line of Sublots 51 and 52 as aforesaid 60.0 feet to the northeast corner of Sublot 52; thence westerly along the north line of Sublot 52 and forming an interior angle of 89 degrees 25' 40" with the last described line 124.20 feet to the east line of Starlite Avenue; thence southerly at right angles to the last described line 60.0 feet to the point or place of beginning.

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MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING),
AND
SUPPLEMENT
AND
SHORT FORM/MEMORANDUM OF LEASE

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Lessor/Mortgagee

and

ITT INDUSTRIES, INC.,
as Lessee/Mortgagor

LOCATION OF MORTGAGED PROPERTY:

Street Address: 4410 & 4450 Fountain Boulevard
Colorado Springs, Colorado
County: El Paso County, Colorado

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

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MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING),
AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE (this "Supplement") dated as of December 17, 2004, between REXUS L.L.C., a Delaware limited liability company with an address at Societe Generale, New York Branch, 1221 Avenue of the Americas, New York, New York 10020 as the lessor/mortgagee (the "Lessor/Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Lessee/Mortgagor (the "Lessee/Mortgagor").

WHEREAS, Lessor/Mortgagee and Lessee/Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of December 14, 2004 (the "Master Lease");

WHEREAS the Lessor/Mortgagee is the owner of the land described on Schedule I attached hereto (the "Land"), and wishes to lease the Land and lease all Improvements now thereon or which hereafter may be constructed thereon to the Lessee/Mortgagor;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Supplement, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease, and the rules of interpretation set forth in such Appendix A shall apply to this Supplement.

SECTION 2. The Properties. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the Land, all Improvements on the Land and all other improvements now on the Land or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto and all Equipment (collectively, the "Subject Property") shall be subject to the terms and provisions of the Master Lease and the Lessor/Mortgagee hereby grants, conveys, transfers and assigns to the Lessee/Mortgagor those interests, rights, titles, estates, powers and privileges provided for in the Master Lease with respect to the Subject Property.

SECTION 3. Amendments to Master Lease with Respect to Subject Property. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the following terms and provisions shall apply to the Master Lease with respect to the Subject Property:

A. Short Form/Memorandum of Lease. The parties hereto set forth the following information which shall constitute a short form or memorandum of the Master Lease, as supplemented by this Supplement:

- (a) The name and address of the Lessor/Mortgagee as set forth in the is:

Rexus L.L.C.
c/o Societe Generale (Canada), as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, Quebec, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

- (b) The name and address of the Lessee/Mortgagor as set forth in the Master Lease is:

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

- (c) The lease to which this memorandum of lease pertains is the Master Lease as supplemented by this Supplement and the other Supplements.
- (d) The leased premises are the Subject Property which includes the Land more particularly described on Schedule I attached hereto.
- (e) The Lessor/Mortgagee acquired title to the Land by deed dated on or about the date hereof and about to be recorded or filed for record in the El Paso County, Colorado Clerk's office.
- (f) The term of the Master Lease shall commence on the date hereof and shall expire on December 17, 2014 unless earlier terminated in accordance with the terms of the Master Lease, as supplemented by this Supplement.
- (g) The Master Lease contains certain purchase rights and options during the Lease Term pursuant to which the Lessee/Mortgagor or its designee may acquire the Subject Property.

- (h) In addition to those terms referred to herein, the Master Lease contains numerous other terms, covenants and conditions that affect the Subject Property, and notice is hereby given that reference should be had to the Master Lease with respect to the details of such terms, covenants and conditions. A copy of the Master Lease or of the other agreements referenced herein or therein may be obtained from any of the parties hereto at the addresses set forth herein.

B. Ownership of the Subject Property. The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee/Mortgagor, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the Lease will be treated as a financing arrangement, (2) the Lessor/Mortgagee will be deemed a lender making a loan to the Lessee/Mortgagor in an aggregate amount equal to the Original Aggregate Property Cost which loan is secured by the Properties, and (3) the Lessee/Mortgagor will be treated as the owner of the Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes. Nevertheless, the Lessee/Mortgagor acknowledges and agrees that none of the Lessor/Mortgagee, the Arranger or any Investor has made any representations or warranties to the Lessee/Mortgagor concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee/Mortgagor has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein. It is the intent of the parties hereto that this Lease grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor/Mortgagee for the benefit of the Lessor/Mortgagee to secure the performance of the Lessee/Mortgagor under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement. Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee/Mortgagor, the Lessor/Mortgagee or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee/Mortgagor by the Lessor/Mortgagee and the Investors as unrelated third party lenders of the Lessee/Mortgagor.

C. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Lessor/Mortgagee the payment and performance of all Obligations:

- (a) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder), the Lessee/Mortgagor has caused the Lessor/Mortgagee to hold title to the Subject Property and Lessee/Mortgagor does hereby mortgage, grant, bargain, sell, convey, assign, transfer and set over to the Lessor/Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Lessee/Mortgagor's right, title and interest from time to time in the

Subject Property of whatever nature including, without limitation, Lessee/Mortgagor's leasehold interest under the Master Lease; all condemnation and insurance proceeds relative to the Subject Property and all Profits as defined below; and (ii) all of the Lessee/Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same, which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Lessor/Mortgagee, its successors and assigns forever.

- (i) Protective Advances. The Lessor/Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Supplement to the fullest extent and with the highest priority contemplated by applicable law.

- (ii) Mortgage. The Lessee/Mortgagor and the Lessor/Mortgagee intend that this Supplement shall secure Lessee/Mortgagor's obligation to repay the unpaid balance of advances made by the Lessor/Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by applicable law. The obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Lessee/Mortgagor under the Master Lease. The maximum amount of advances, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property, all of which are also secured by this Supplement, which may be outstanding at any time is One Hundred Twenty Million and 00/100 Dollars (\$120,000,000.00).

- (b) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder so long as no Lease Event of Default has occurred and is continuing), the Lessee/Mortgagor hereby grants to the Lessor/Mortgagee a security interest in the Lessee/Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of Colorado (the "UCC"). The Master Lease, as supplemented by this Supplement, shall also be deemed to be a security agreement and shall support any financing statement showing the Lessor/Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Lessee/Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Lessor/Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Supplement.
- (c) The Lessee/Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Lessor/Mortgagee (subject, however, to the Master Lease and the rights of the Lessee/Mortgagor thereunder and hereunder) any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") and all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of the Subleases, provided, that, unless a Lease Event of Default is continuing, the Lessee/Mortgagor shall have the right to collect and retain such Profits. Upon request of the Lessor/Mortgagee, the Lessee/Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.
- (d) Notwithstanding that this Supplement is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in the Profits and the Subleases, the Lessor/Mortgagee grants to the Lessee/Mortgagor a revocable license to collect and receive the Profits and to retain, use and enjoy such Profits. Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.

D. Remedies.

- (a) Upon the occurrence and during the continuance of a Lease Event of Default, each of which are also events of default under this Supplement, the Lessor/Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:
- (i) collect interest on all past due sums at the Overdue Rate;
 - (ii) terminate the Master Lease and, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Lessor/Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in possession of the Lessor/Mortgagee or the collection, receipt and application of Profits by the Lessor/Mortgagee, the Lessor/Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, the right to exercise the power of sale;
 - (iii) declare all sums secured hereby immediately due and payable by delivery to the Lessee/Mortgagor a written declaration of the occurrence and continuance of a Lease Event of Default and deliver a notice of non-judicial foreclosure by power of sale of the Subject Property, and proceed with such non-judicial foreclosure in accordance with Applicable Law;
 - (iv) in lieu of sale pursuant to the power of sale conferred hereby, foreclose in the manner provided by Applicable Law for the foreclosure of mortgages on real property;

- (v) whether or not a non-judicial or judicial foreclosure proceeding as described above has been commenced, declare immediately due and payable without notice or demand, as otherwise required hereunder or under Applicable Law, all amounts payable by the Lessee/Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and exercise all rights and remedies available hereunder, at law, in equity or otherwise;
- (vi) as a matter of right, and upon notice to the Lessee/Mortgagor or anyone under the Lessee/Mortgagor and without regard to the adequacy of its security or the then value of the Security Property or the interest of the Lessee/Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Lessee/Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Lessor/Mortgagee provided for above, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Lessor/Mortgagee in its sole discretion.

Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Lessor/Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Lessor/Mortgagee, and the Lessor/Mortgagee shall be entitled to enforce the rights and remedies provided for herein and any other security now or hereafter held by the Lessor/Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Lessor/Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute. Every power or remedy given hereby to the Lessor/Mortgagee or to which the Lessor/Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be

deemed expedient by the Lessor/Mortgagee, and the Lessor/Mortgagee may pursue inconsistent remedies.

- (b) Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.
- (c) It is the intent of the parties hereto that the Master Lease be treated as a secured borrowing as provided in Section 3B above, and that, upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall have remedies provided for herein. In the event that, notwithstanding the intention of the parties, a court of competent jurisdiction determines that, for the purpose of remedies, the transaction contemplated by the Master Lease constitutes a leasing arrangement, the parties hereto acknowledge and agree that the Lessor/Mortgagee shall have, as a result of such determination, in addition to the remedies set forth in this Section 3D(a) above, all of the rights and remedies of a landlord provided for in Article XVI of the Master Lease, provided that the parties hereto acknowledge and agree that it is their intent that the Master Lease be construed as provided in Section 3B above.

SECTION 4. Lessor/Mortgagee Grant. (a) The Lessor/Mortgagee hereby unconditionally grants a security interest in and a Lien to the Lessee/Mortgagor against all of the Lessor/Mortgagee's right, title and interest in and to the Security Property, which Lien shall be effective only if the Lessor/Mortgagee shall become the subject of any bankruptcy, insolvency or similar proceeding and such proceeding shall result in the rejection of the Master Lease. Such Lien shall secure the satisfaction of the Lessee/Mortgagor's right to damages and other claims arising out of the rejection of the Master Lease to the extent and in the manner provided for pursuant to the Operative Documents.

(b) The Lessee/Mortgagor agrees that the conditional Lien created in paragraph (a) of this Section 4 will terminate upon the termination of the Master Lease with respect to the Subject Property for any reason other than a rejection of the Master Lease in connection with a bankruptcy, insolvency or similar proceeding with respect to the Lessor/Mortgagee. Lessee/Mortgagor covenants to promptly deliver any releases or reconveyances reasonably required by Lessor/Mortgagee to evidence such termination of Lien.

(c) The Lien created in paragraph (a) of this Section 4 is junior and subordinate in all respects to the Liens granted by the Lessee/Mortgagor in favor of the Lessor/Mortgagee pursuant to this Supplement and the other Operative Documents.

SECTION 5. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Master Lease are hereby ratified and confirmed and remain in full force and effect. The terms of the Master Lease (as amended by this Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 6. Original Supplement. The single executed original of this Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Lessor/Mortgagee therefor on or following the signature page thereof shall be the original executed counterpart of this Supplement (the "Original Executed Counterpart"). To the extent that this Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 7. Applicable Law; Certain Particular Provisions. This Supplement shall be governed by and construed in accordance with the laws of the jurisdictions identified in this Section 7 (the "Applicable Law") which shall for most purposes be the laws of the State of New York; provided, however, that the provisions of this Supplement relating to the creation, perfection and enforcement of the lien and security interest created by this Supplement in respect of the Subject Property and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Supplement, shall be governed by and construed in accordance with the internal law of the State of Colorado, and each of the Lessor/Mortgagee and the Lessee/Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Supplement in the State of Colorado. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of the Master Lease (as amended by this Supplement) and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 8. No Merger of Title. There shall be no merger of the Master Lease (as amended by this Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by this Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by this Supplement) or such leasehold estate, (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor/Mortgagee.

SECTION 9. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Lessee/Mortgagor complies with the provisions of this Supplement and irrevocably pays and performs (to the reasonable satisfaction of Lessor/Mortgagee) all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, as supplemented by this Supplement and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Supplement and the estate hereby granted and created in favor of the Lessor/Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 10. Maximum Interest Rate. No provision of this Supplement or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest or any other amount in such respect is herein or any other Operative Document provided for, the Lessee/Mortgagor shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Supplement and the other Operative Documents.

SECTION 11. Security Agreement and Fixture Financing Statement. This Supplement is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Lessee/Mortgagor in the Subject Property. In Section 3.C (b) above, Lessee/Mortgagor has granted to Lessor/Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may be subject to the UCC. The information contained in this Section 11 is provided in order that this Supplement shall comply with the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in Section 12 of this Supplement. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 3.C which constitute fixtures or personal property. The Lessor/Mortgagee is the record owner of the Land.

SECTION 12. Notices. For purposes of this instrument all notices shall be in writing and must be given in the manner provided in Section 14.3 of the Participation Agreement to the addresses set forth in Schedule V hereto.

SECTION 13. Counterpart Execution. This Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Lessor/Mortgagee

By: /s/ Larry Bowman

Name: Larry Bowman
Title: President

ITT INDUSTRIES, INC., as Lessee/Mortgagor

By: /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President,
Treasurer and Director
of Tax

Schedule I

Legal Description

LOT 1 IN FOSTER TECHNOLOGICAL CENTER, IN THE CITY OF COLORADO SPRINGS, EL PASO COUNTY, COLORADO (A PLAT OF WHICH IS RECORDED IN PLAT BOOK D-4 AT PAGE 76 OF THE RECORDS OF EL PASO COUNTY, COLORADO), TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR INGRESS, EGRESS AND PUBLIC UTILITY PURPOSES AS RECORDED IN BOOK 5556 AT PAGE 1087 OF THE EL PASO COUNTY RECORDS.

LOT 2 IN FOSTER TECHNOLOGICAL CENTER, IN THE CITY OF COLORADO SPRINGS, COUNTY OF EL PASO, STATE OF COLORADO, AS RECORDED IN PLAT BOOK D-4 AT PAGE 76 OF THE RECORDS OF EL PASO COUNTY, COLORADO AND AS AMENDED BY ENGINEER'S STATEMENT RECORDED NOVEMBER 16, 1989 IN BOOK 5686 AT PAGE 979 OF THE RECORDS OF EL PASO COUNTY, COLORADO.

THE ABOVE-DESCRIBED PROPERTY CONTAINS 5.79 ACRES, MORE OR LESS, AND IS SHOWN ON THAT CERTAIN SURVEY PREPARED BY JOHN KEILERS & ASSOCIATES, BY JOHN KEILERS, PROFESSIONAL LAND SURVEYOR NO. 23890, DATED DECEMBER 14, 1993.

AND

property located in the County of El Paso, State of Colorado, to wit:

LOT 1 IN BLOCK 1 IN GATEWAY SUBDIVISION NO. 13, IN EL PASO COUNTY, COLORADO. NOTE: SAID PROPERTY HAS BEEN REPLATTED INTO LOTS 1 AND 2, FOSTER TECHNOLOGICAL CENTER AND LOTS 1,2 AND 3, FOSTER TECHNOLOGICAL CENTER FILING NO. 2, COUNTY OF EL PASO, STATE OF COLORADO. EXCEPT: 1. LOT 2, FOSTER TECHNOLOGICAL CENTER (PARTIAL RELEASE RECORDED AUGUST 26, 1988 IN BOOK 5547 AT PAGE 1030). 2. THE MAJORITY OF LOT 1, FOSTER TECHNOLOGICAL CENTER (AS DESCRIBED IN PARTIAL RELEASE RECORDED JUNE 27, 1985 IN BOOK 5026 AT PAGE 103).

Schedule II

Additional Permitted Property Liens

NONE

Schedule III

Local Law Provisions

Schedule IV

Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Lessee/Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

Schedule V
Notice Information

LESSEE/MORTGAGOR

ITT INDUSTRIES, INC.
4 West Red Oak Lane
White Plains, New York 10604
Attention: Donald Foley, Treasurer

with a copy to:

Red Oak Corporate Park
4 West Red Oak Lane
White Plains, New York 10604
Attention: Keith Richey, International Tax Counsel

LESSOR/MORTGAGEE

REXUS L.L.C.
c/o Societe Generale (Canada), as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, Quebec, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

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OPEN-END MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING),
AND
SUPPLEMENT
AND
SHORT FORM/MEMORANDUM OF LEASE

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Lessor/Mortgagee

and

ITT INDUSTRIES, INC.,
as Lessee/Mortgagor

LOCATION OF MORTGAGED PROPERTY:

Street Address: 701 E. Lugbill Road
Archbold, Ohio
County: Fulton County, Ohio

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

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Archbold, Ohio Lease Supplement

OPEN-END MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING),
AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE

Maximum Principal Amount Secured Hereunder Not to Exceed \$120,000,000.00

THIS OPEN-END MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE (this "Supplement") dated as of December 17, 2004, between REXUS L.L.C., a Delaware limited liability company with an address at Societe Generale, New York Branch, 1221 Avenue of the Americas, New York, New York 10020 as the lessor/mortgagee (the "Lessor/Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Lessee/Mortgagor (the "Lessee/Mortgagor").

WHEREAS, Lessor/Mortgagee and Lessee/Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of December 14, 2004 (the "Master Lease");

WHEREAS the Lessor/Mortgagee is the owner of the real property legally described on Schedule I attached hereto, and wishes to lease the land (the "Land") and lease all Improvements now thereon or which hereafter may be constructed thereon to the Lessee/Mortgagor;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Supplement, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease, and the rules of interpretation set forth in such Appendix A shall apply to this Supplement.

SECTION 2. The Properties. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the Land, all Improvements on the Land and all other improvements now on the Land or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto and all Equipment (collectively, the "Subject Property") shall be subject to the terms and provisions of the Master Lease and the Lessor/Mortgagee hereby grants, conveys, transfers and assigns to the Lessee/Mortgagor those interests, rights, titles, estates, powers and privileges provided for in the Master Lease with respect to the Subject Property.

SECTION 3. Amendments to Master Lease with Respect to Subject Property. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the following terms and provisions shall apply to the Master Lease with respect to the Subject Property:

Archbold, Ohio Lease Supplement

A. Short Form/Memorandum of Lease. The parties hereto set forth the following information which shall constitute a short form or memorandum of the Master Lease, as supplemented by this Supplement:

- (a) The name and address of the Lessor/Mortgagee as referenced in the Master Lease and set forth in the Participation Agreement is:

Rexus L.L.C.
c/o Societe Generale (Canada), as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, Quebec, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

- (b) The name and address of the Lessee/Mortgagor as set forth in the Master Lease is:

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

- (c) The lease to which this memorandum of lease pertains is the Master Lease as supplemented by this Supplement and the other Supplements.
- (d) The leased premises are the Subject Property which includes the Land more particularly described on Schedule I attached hereto.
- (e) The Lessor/Mortgagee acquired title to the Land by deed dated on or about the date hereof and about to be recorded or filed for record in the Recorder's Office of Fulton County, Ohio.
- (f) The term of the Master Lease shall commence on the date hereof and shall expire on December 17, 2014 unless earlier terminated in accordance with the terms of the Master Lease, as supplemented by this Supplement.
- (g) The Master Lease contains certain purchase rights and options during the Lease Term pursuant to which the Lessee/Mortgagor or its designee may acquire the Subject Property.

Archbold, Ohio Lease Supplement

- (h) In addition to those terms referred to herein, the Master Lease contains numerous other terms, covenants and conditions that affect the Subject Property, and notice is hereby given that reference should be had to the Master Lease with respect to the details of such terms, covenants and conditions. A copy of the Master Lease or of the other agreements referenced herein or therein may be obtained from any of the parties hereto at the addresses set forth herein.

Lessor/Mortgagee and Lessee/Mortgagor agree to execute and record a separate document containing information set forth above.

B. Ownership of the Subject Property. The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee/Mortgagor, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the Master Lease will be treated as a financing arrangement, (2) the Lessor/Mortgagee will be deemed a lender making a loan to the Lessee/Mortgagor in an aggregate amount equal to the Original Aggregate Property Cost which loan is secured by the Properties, and (3) the Lessee/Mortgagor will be treated as the owner of the Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes. Nevertheless, the Lessee/Mortgagor acknowledges and agrees that none of the Lessor/Mortgagee, the Arranger or any Investor has made any representations or warranties to the Lessee/Mortgagor concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee/Mortgagor has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein. It is the intent of the parties hereto that the Master Lease grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor/Mortgagee for the benefit of the Lessor/Mortgagee to secure the performance of the Lessee/Mortgagor under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement. Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee/Mortgagor, the Lessor/Mortgagee or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee/Mortgagor by the Lessor/Mortgagee and the Investors as unrelated third party lenders of the Lessee/Mortgagor.

C. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Lessor/Mortgagee the payment and performance of all Obligations:

- (a) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder), the Lessee/Mortgagor has caused the Lessor/Mortgagee to hold title to the Subject Property and Lessee/Mortgagor does hereby mortgage, grant, bargain, sell, convey,

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assign, transfer and set over to the Lessor/Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Lessee/Mortgagor's right, title and interest from time to time in the Subject Property of whatever nature including, without limitation, Lessee/Mortgagor's leasehold interest under the Master Lease; all condemnation and insurance proceeds relative to the Subject Property and all Profits as defined below; and (ii) all of the Lessee/Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same, which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Lessor/Mortgagee, its successors and assigns forever.

- (i) Protective Advances. The Lessor/Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Supplement to the fullest extent and with the highest priority contemplated by applicable law.
- (ii) Mortgage. The Lessee/Mortgagor and the Lessor/Mortgagee intend that this Supplement shall secure Lessee/Mortgagor's obligation to repay the unpaid balance of advances made by the Lessor/Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by applicable law. The obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Lessee/Mortgagor under the Master Lease. The maximum amount of advances, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property, all of which are also secured by this Supplement, which may be

outstanding at any time is One Hundred Twenty Million and 00/100 Dollars (\$120,000,000.00).

- (b) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder so long as no Lease Event of Default has occurred and is continuing), the Lessee/Mortgagor hereby grants to the Lessor/Mortgagee a security interest in the Lessee/Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of Ohio (the "UCC"). The Master Lease, as supplemented by this Supplement, shall also be deemed to be a security agreement and shall support any financing statement showing the Lessor/Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Lessee/Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Lessor/Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Supplement.
- (c) The Lessee/Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Lessor/Mortgagee (subject, however, to the Master Lease and the rights of the Lessee/Mortgagor thereunder and hereunder) any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") and all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of the Subleases, provided, that, unless a Lease Event of Default is continuing, the Lessee/Mortgagor shall have the right to collect and retain such Profits. Upon request of the Lessor/Mortgagee, the Lessee/Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.
- (d) Notwithstanding that this Supplement is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in the Profits and the Subleases, the Lessor/Mortgagee grants to the Lessee/Mortgagor a revocable license to collect and receive the Profits and to retain, use and enjoy such Profits.

Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.

D. Remedies.

- (a) Upon the occurrence and during the continuance of a Lease Event of Default, each of which are also events of default under this Supplement, the Lessor/Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:
- (i) collect interest on all past due sums at the Overdue Rate;
 - (ii) terminate the Master Lease and, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Lessor/Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in possession of the Lessor/Mortgagee or the collection, receipt and application of Profits by the Lessor/Mortgagee, the Lessor/Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, the right to exercise the power of sale;
 - (iii) declare all sums secured hereby immediately due and payable by delivery to the Lessee/Mortgagor a written declaration of the occurrence and continuance of a Lease Event of Default and deliver a notice of non-judicial foreclosure by power of sale of the Subject Property, and proceed with such non-judicial foreclosure in accordance with Applicable Law;

- (iv) whether or not a non-judicial or judicial foreclosure proceeding as described above has been commenced, declare immediately due and payable without notice or demand, as otherwise required hereunder or under Applicable Law, all amounts payable by the Lessee/Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and foreclose against the Security Property in the manner provided by Applicable Law, and exercise all other rights and remedies available hereunder, at law, in equity or otherwise;
- (v) as a matter of right, and upon notice to the Lessee/Mortgagor or anyone under the Lessee/Mortgagor and without regard to the adequacy of its security or the then value of the Security Property or the interest of the Lessee/Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Lessee/Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Lessor/Mortgagee provided for above, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Lessor/Mortgagee in its sole discretion.

Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Lessor/Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Lessor/Mortgagee, and the Lessor/Mortgagee shall be entitled to enforce the rights and remedies provided for herein and any other security now or hereafter held by the Lessor/Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Lessor/Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute. Every power or remedy given hereby to the Lessor/Mortgagee or to which the Lessor/Mortgagee may be otherwise entitled, may be exercised,

concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor/Mortgagee, and the Lessor/Mortgagee may pursue inconsistent remedies.

- (b) Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.
- (c) It is the intent of the parties hereto that the Master Lease be treated as a secured borrowing as provided in Section 3B above, and that, upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall have remedies provided for herein. In the event that, notwithstanding the intention of the parties, a court of competent jurisdiction determines that, for the purpose of remedies, the transaction contemplated by the Master Lease constitutes a leasing arrangement, the parties hereto acknowledge and agree that the Lessor/Mortgagee shall have, as a result of such determination, in addition to the remedies set forth in this Section 3D(a) above, all of the rights and remedies of a landlord provided for in Article XVI of the Master Lease, provided that the parties hereto acknowledge and agree that it is their intent that the Master Lease be construed as provided in Section 3B above.

SECTION 4. Lessor/Mortgagee Grant. (a) The Lessor/Mortgagee hereby unconditionally grants a security interest in and a Lien to the Lessee/Mortgagor against all of the Lessor/Mortgagee's right, title and interest in and to the Security Property, which Lien shall be effective only if the Lessor/Mortgagee shall become the subject of any bankruptcy, insolvency or similar proceeding and such proceeding shall result in the rejection of the Master Lease. Such Lien shall secure the satisfaction of the Lessee/Mortgagor's right to damages and other claims arising out of the rejection of the Master Lease to the extent and in the manner provided for pursuant to the Operative Documents.

(b) The Lessee/Mortgagor agrees that the conditional Lien created in paragraph (a) of this Section 4 will terminate upon the termination of the Master Lease with respect to the Subject Property for any reason other than a rejection of the Master Lease in connection with a bankruptcy, insolvency or similar proceeding with respect to the Lessor/Mortgagee. Lessee/Mortgagor covenants to promptly deliver any releases or reconveyances reasonably required by Lessor/Mortgagee to evidence such termination of Lien.

(c) The Lien created in paragraph (a) of this Section 4 is junior and subordinate in all respects to the Liens granted by the Lessee/Mortgagor in favor of the Lessor/Mortgagee pursuant to this Supplement and the other Operative Documents.

SECTION 5. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Master Lease are hereby ratified and confirmed and remain in full

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force and effect. The terms of the Master Lease (as amended by this Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 6. Original Supplement. The single executed original of this Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Lessor/Mortgagee therefor on or following the signature page thereof shall be the original executed counterpart of this Supplement (the "Original Executed Counterpart"). To the extent that this Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 7. Applicable Law; Certain Particular Provisions. This Supplement shall be governed by and construed in accordance with the laws of the jurisdictions identified in this Section 7 (the "Applicable Law") which shall for most purposes be the laws of the State of New York; provided, however, that the provisions of this Supplement relating to the creation, perfection and enforcement of the lien and security interest created by this Supplement in respect of the Subject Property and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Supplement, shall be governed by and construed in accordance with the internal law of the State of Ohio, and each of the Lessor/Mortgagee and the Lessee/Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Supplement in the State of Ohio. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of the Master Lease (as amended by this Supplement) and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 8. No Merger of Title. There shall be no merger of the Master Lease (as amended by this Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by this Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by this Supplement) or such leasehold estate, (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor/Mortgagee.

SECTION 9. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Lessee/Mortgagor complies with the provisions of this Supplement and irrevocably pays and performs (to the reasonable satisfaction of Lessor/Mortgagee) all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, as supplemented by this Supplement and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Supplement and the estate hereby granted and created in favor of the Lessor/Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 10. Maximum Interest Rate. No provision of this Supplement or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest

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or any other amount in such respect is herein or any other Operative Document provided for, the Lessee/Mortgagor shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Supplement and the other Operative Documents.

SECTION 11. Security Agreement and Fixture Financing Statement. This Supplement is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Lessee/Mortgagor in the Subject Property. In Section 3.C (b) above, Lessee/Mortgagor has granted to Lessor/Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may be subject to the UCC. The information contained in this Section 11 is provided in order that this Supplement shall comply with the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in Section 12 of this Supplement. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 3.C which constitute fixtures or personal property. The Lessor/Mortgagee is the record owner of the Land.

SECTION 12. Notices. For purposes of this instrument all notices shall be in writing and must be given in the manner provided in Section 14.3 of the Participation Agreement to the addresses set forth in Schedule V hereto.

SECTION 13. Counterpart Execution. This Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

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IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Lessor/Mortgagee

By: /s/ Larry Bowman

Name: Larry Bowman
Title: President

ITT INDUSTRIES, INC., as Lessee/Mortgagor

By: /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President,
Treasurer and Director of Tax

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Schedule I

Legal Description

Being a parcel of land in the northwest 1/4 of Section 4, Town 6 North, Range 5 East, Archbold Village, German Township, Fulton County, Ohio; more particularly described as follows:

Commencing at the 1/4 corner on the north side of the above described section; thence in a southerly direction and binding upon the quarter line a distance of 1078.82 feet to a metal surveyor's stake and the place of beginning; thence continuing in a southerly direction and binding upon the quarter line a distance of 550 feet to an anchor post and the north right of way line of Lugbill Road; thence in a westerly direction and binding upon the north right of way line of Lugbill Road a distance of 1188 feet to a metal surveyor's stake; thence in a northerly direction and parallel with quarter line a distance of 550 feet to a metal surveyor's stake; thence in an easterly direction and parallel with Lugbill Road a distance of 1188 feet to a metal surveyor's stake and the place of beginning and containing fifteen (15) acres of land, more or less; subject, however, to all legal highways and easements of record.

Address of Premises: 701 E. Lugbill Road

Archbold, Ohio

Permanent Parcel Number: 17-033388-00.000

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Schedule II

Additional Permitted Property Liens

NONE

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Schedule III

Local Law Provisions

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Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Lessee/Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

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Schedule V
Notice Information

LESSEE/MORTGAGOR

ITT INDUSTRIES, INC.
4 West Red Oak Lane
White Plains, New York 10604
Attention: Donald Foley, Treasurer

with a copy to:

Red Oak Corporate Park
4 West Red Oak Lane
White Plains, New York 10604

Attention: Keith Richey, International Tax Counsel

LESSOR/MORTGAGEE

REXUS L.L.C.
c/o Societe Generale (Canada), as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, Quebec, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

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MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING),
AND
SUPPLEMENT
AND
SHORT FORM/MEMORANDUM OF LEASE

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Lessor/Mortgagee

and

ITT INDUSTRIES, INC.,
as Lessee/Mortgagor

LOCATION OF MORTGAGED PROPERTY:

Street Address: 8200 Austin Avenue
Morton Grove, Illinois

County: Cook County, Illinois

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING),
AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE (this "Supplement") dated as of December 17, 2004, between REXUS L.L.C., a Delaware limited liability company with an address at Societe Generale (Canada), as Lessor Administrator, 1501 McGill College, Bureau 1800, Montreal, Quebec, H3A 3MB, Canada, as the lessor/mortgagee (the "Lessor/Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Lessee/Mortgagor (the "Lessee/Mortgagor").

WHEREAS, Lessor/Mortgagee and Lessee/Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of December 14, 2004 (the "Master Lease");

WHEREAS the Lessor/Mortgagee is the owner of the land described on Schedule I attached hereto (the "Land"), and wishes to lease the Land and lease all Improvements now thereon or which hereafter may be constructed thereon to the Lessee/Mortgagor;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Supplement, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease, and the rules of interpretation set forth in such Appendix A shall apply to this Supplement.

SECTION 2. The Properties. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the Land, all Improvements on the Land and all other improvements now on the Land or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto and all Equipment (collectively, the "Subject Property") shall be subject to the terms and provisions of the Master Lease and the Lessor/Mortgagee hereby grants, conveys, transfers and assigns to the Lessee/Mortgagor those interests, rights, titles, estates, powers and privileges provided for in the Master Lease with respect to the Subject Property.

SECTION 3. Amendments to Master Lease with Respect to Subject Property. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the following terms and provisions shall apply to the Master Lease with respect to the Subject Property:

A. Short Form/Memorandum of Lease. The parties hereto set forth the following information which shall constitute a short form or memorandum of the Master Lease, as supplemented by this Supplement:

- (a) The name and address of the Lessor/Mortgagee as set forth in the Master Lease is:

Rexus L.L.C.
Societe Generale (Canada) as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, QC, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Rexus L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

- (b) The name and address of the Lessee/Mortgagor as set forth in the Master Lease is:

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

- (c) The lease to which this memorandum of lease pertains is the Master Lease as supplemented by this Supplement and the other Supplements.
- (d) The leased premises are the Subject Property which includes the Land more particularly described on Schedule I attached hereto.
- (e) The Lessor/Mortgagee acquired title to the Land by deed dated on or about the date hereof and about to be recorded or filed for record in the office of the Cook County Recorder.
- (f) The term of the Master Lease shall commence on the date hereof and shall expire on December 17, 2014 unless earlier terminated in accordance with the terms of the Master Lease, as supplemented by this Supplement.

- (g) The Master Lease contains certain purchase rights and options during the Lease Term pursuant to which the Lessee/Mortgagor or its designee may acquire the Subject Property.
- (h) In addition to those terms referred to herein, the Master Lease contains numerous other terms, covenants and conditions that affect the Subject Property, and notice is hereby given that reference should be had to the Master Lease with respect to the details of such terms, covenants and conditions. A copy of the Master Lease or of the other agreements referenced herein or therein may be obtained from any of the parties hereto at the addresses set forth herein.

B. Ownership of the Subject Property. The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee/Mortgagor, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the Lease will be treated as a financing arrangement, (2) the Lessor/Mortgagee will be deemed a lender making a loan to the Lessee/Mortgagor in an aggregate amount equal to the Original Aggregate Property Cost which loan is secured by the Properties, and (3) the Lessee/Mortgagor will be treated as the owner of the Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes. Nevertheless, the Lessee/Mortgagor acknowledges and agrees that none of the Lessor/Mortgagee, the Arranger or any Investor has made any representations or warranties to the Lessee/Mortgagor concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee/Mortgagor has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein. It is the intent of the parties hereto that this Lease grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor/Mortgagee for the benefit of the Lessor/Mortgagee to secure the performance of the Lessee/Mortgagor under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement. Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee/Mortgagor, the Lessor/Mortgagee or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee/Mortgagor by the Lessor/Mortgagee and the Investors as unrelated third party lenders of the Lessee/Mortgagor.

C. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Lessor/Mortgagee the payment and performance of all Obligations:

- (a) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder), the Lessee/Mortgagor has caused the Lessor/Mortgagee to hold title to the Subject Property and

Lessee/Mortgagor does hereby mortgage, grant, bargain, sell, convey, assign, transfer and set over to the Lessor/Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Lessee/Mortgagor's right, title and interest from time to time in the Subject Property of whatever nature including, without limitation, Lessee/Mortgagor's leasehold interest under the Master Lease; all condemnation and insurance proceeds relative to the Subject Property and all Profits as defined below; and (ii) all of the Lessee/Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same, which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Lessor/Mortgagee, its successors and assigns forever.

- (i) Protective Advances. The Lessor/Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Supplement to the fullest extent and with the highest priority contemplated by applicable law.
- (ii) Mortgage. The Lessee/Mortgagor and the Lessor/Mortgagee intend that this Supplement shall secure Lessee/Mortgagor's obligation to repay the unpaid balance of advances made by the Lessor/Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by applicable law. The obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Lessee/Mortgagor under the Master Lease. The maximum amount of advances, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property, all of which are also secured by this Supplement, which may be

outstanding at any time is One Hundred Twenty Million and 00/100 Dollars (\$120,000,000.00).

- (b) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder so long as no Lease Event of Default has occurred and is continuing), the Lessee/Mortgagor hereby grants to the Lessor/Mortgagee a security interest in the Lessee/Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of Illinois (the "UCC"). The Master Lease, as supplemented by this Supplement, shall also be deemed to be a security agreement and shall support any financing statement showing the Lessor/Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Lessee/Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Lessor/Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Supplement.
- (c) The Lessee/Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Lessor/Mortgagee (subject, however, to the Master Lease and the rights of the Lessee/Mortgagor thereunder and hereunder) any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") and all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of the Subleases, provided, that, unless a Lease Event of Default is continuing, the Lessee/Mortgagor shall have the right to collect and retain such Profits. Upon request of the Lessor/Mortgagee, the Lessee/Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.
- (d) Notwithstanding that this Supplement is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in the Profits and the Subleases, the Lessor/Mortgagee grants to the Lessee/Mortgagor a revocable license to collect and receive the Profits and to retain, use and enjoy such Profits.

Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.

D. Remedies.

- (a) Upon the occurrence and during the continuance of a Lease Event of Default, each of which are also events of default under this Supplement, the Lessor/Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:
- (i) collect interest on all past due sums at the Overdue Rate;
 - (ii) terminate the Master Lease and, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Lessor/Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in possession of the Lessor/Mortgagee or the collection, receipt and application of Profits by the Lessor/Mortgagee, the Lessor/Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, the right to exercise the power of sale;
 - (iii) declare all sums secured hereby immediately due and payable by delivery to the Lessee/Mortgagor a written declaration of the occurrence and continuance of a Lease Event of Default and deliver a notice of non-judicial foreclosure by power of sale of the Subject Property, and proceed with such non-judicial foreclosure in accordance with Applicable Law;

- (iv) in lieu of sale pursuant to the power of sale conferred hereby, foreclose in the manner provided by Applicable Law for the foreclosure of mortgages on real property;
- (v) whether or not a non-judicial or judicial foreclosure proceeding as described above has been commenced, declare immediately due and payable without notice or demand, as otherwise required hereunder or under Applicable Law, all amounts payable by the Lessee/Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and exercise all rights and remedies available hereunder, at law, in equity or otherwise;
- (vi) as a matter of right, and upon notice to the Lessee/Mortgagor or anyone under the Lessee/Mortgagor and without regard to the adequacy of its security or the then value of the Security Property or the interest of the Lessee/Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Lessee/Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Lessor/Mortgagee provided for above, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Lessor/Mortgagee in its sole discretion.

Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Lessor/Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Lessor/Mortgagee, and the Lessor/Mortgagee shall be entitled to enforce the rights and remedies provided for herein and any other security now or hereafter held by the Lessor/Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Lessor/Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute.

Every power or remedy given hereby to the Lessor/Mortgagee or to which the Lessor/Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor/Mortgagee, and the Lessor/Mortgagee may pursue inconsistent remedies.

- (b) Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.
- (c) It is the intent of the parties hereto that the Master Lease be treated as a secured borrowing as provided in Section 3B above, and that, upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall have remedies provided for herein. In the event that, notwithstanding the intention of the parties, a court of competent jurisdiction determines that, for the purpose of remedies, the transaction contemplated by the Master Lease constitutes a leasing arrangement, the parties hereto acknowledge and agree that the Lessor/Mortgagee shall have, as a result of such determination, in addition to the remedies set forth in this Section 3D(a) above, all of the rights and remedies of a landlord provided for in Article XVI of the Master Lease, provided that the parties hereto acknowledge and agree that it is their intent that the Master Lease be construed as provided in Section 3B above.

SECTION 4. Lessor/Mortgagee Grant. (a) The Lessor/Mortgagee hereby unconditionally grants a security interest in and a Lien to the Lessee/Mortgagor against all of the Lessor/Mortgagee's right, title and interest in and to the Security Property, which Lien shall be effective only if the Lessor/Mortgagee shall become the subject of any bankruptcy, insolvency or similar proceeding and such proceeding shall result in the rejection of the Master Lease. Such Lien shall secure the satisfaction of the Lessee/Mortgagor's right to damages and other claims arising out of the rejection of the Master Lease to the extent and in the manner provided for pursuant to the Operative Documents.

(b) The Lessee/Mortgagor agrees that the conditional Lien created in paragraph (a) of this Section 4 will terminate upon the termination of the Master Lease with respect to the Subject Property for any reason other than a rejection of the Master Lease in connection with a bankruptcy, insolvency or similar proceeding with respect to the Lessor/Mortgagee. Lessee/Mortgagor covenants to promptly deliver any releases or reconveyances reasonably required by Lessor/Mortgagee to evidence such termination of Lien.

(c) The Lien created in paragraph (a) of this Section 4 is junior and subordinate in all respects to the Liens granted by the Lessee/Mortgagor in favor of the Lessor/Mortgagee pursuant to this Supplement and the other Operative Documents.

SECTION 5. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Master Lease are hereby ratified and confirmed and remain in full force and effect. The terms of the Master Lease (as amended by this Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 6. Original Supplement. The single executed original of this Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Lessor/Mortgagee therefor on or following the signature page thereof shall be the original executed counterpart of this Supplement (the "Original Executed Counterpart"). To the extent that this Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 7. Applicable Law; Certain Particular Provisions. This Supplement shall be governed by and construed in accordance with the laws of the jurisdictions identified in this Section 7 (the "Applicable Law") which shall for most purposes be the laws of the State of New York; provided, however, that the provisions of this Supplement relating to the creation, perfection and enforcement of the lien and security interest created by this Supplement in respect of the Subject Property and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Supplement, shall be governed by and construed in accordance with the internal law of the State of Illinois, and each of the Lessor/Mortgagee and the Lessee/Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Supplement in the State of Illinois. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of the Master Lease (as amended by this Supplement) and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 8. No Merger of Title. There shall be no merger of the Master Lease (as amended by this Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by this Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by this Supplement) or such leasehold estate, (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor/Mortgagee.

SECTION 9. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Lessee/Mortgagor complies with the provisions of this Supplement and irrevocably pays and performs (to the reasonable satisfaction of Lessor/Mortgagee) all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, as supplemented by this Supplement and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Supplement and the estate hereby granted and created in favor of the Lessor/Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 10. Maximum Interest Rate. No provision of this Supplement or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest or any other amount in such respect is herein or any other Operative Document provided for, the Lessee/Mortgagor shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Supplement and the other Operative Documents.

SECTION 11. Security Agreement and Fixture Financing Statement. This Supplement is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Lessee/Mortgagor in the Subject Property. In Section 3.C (b) above, Lessee/Mortgagor has granted to Lessor/Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may be subject to the UCC. The information contained in this Section 11 is provided in order that this Supplement shall comply with the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in Section 12 of this Supplement. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 3.C which constitute fixtures or personal property. The Lessor/Mortgagee is the record owner of the Land.

SECTION 12. Notices. For purposes of this instrument all notices shall be in writing and must be given in the manner provided in Section 14.3 of the Participation Agreement to the addresses set forth in Schedule V hereto.

SECTION 13. Counterpart Execution. This Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Lessor/Mortgagee

By: /s/ Larry Bowman

Name: Larry Bowman
Title: President

ITT INDUSTRIES, INC., as Lessee/Mortgagor

By: /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President,
Treasurer and Director of Tax

Schedule I

Legal Description

That part of the South half of the South half of Section 20; Township 41 North, Range 13, East of the Third Principal Meridian, described as follows:

Beginning at the North East corner of the South East quarter of the South West quarter of said Section; thence South on the East line of said South West quarter, 164.89 feet to the North line of the South 2 1/2 acres of the North 5 acres of the West half of the South West quarter of the South East quarter of said Section; thence East on said North line of South 2 1/2 acres of the North 5 acres of the West half of the South West quarter of the South East quarter of said Section, 660.52 feet to the East line of the West half of the South West quarter of the South East quarter of said Section; thence South on said East line of the West half of the South West quarter of the South East quarter of said Section, 494.76 feet to the South line of North 10 acres of the West half of the South West quarter of the South East quarter of said Section; thence West on the South line of North 10 acres of the West half of the South West quarter of the South East quarter of said Section, 660.36 feet to the East line of the South West quarter of said Section; thence North on East line of said South West quarter 0.15 feet to South line of the North half of the South East quarter of the South West quarter of said Section 20; thence West on said South line of the North half of the South East quarter of the South West quarter of said Section, 264.29 feet to East line of the West 1 1/2 acres of the East 5 1/2 acres of the South half of the South half of the South West quarter of said Section; thence South on said East line of West 1 1/2 acres of the East 5 1/2 acres of the South half of the South half of the South West quarter of said Section to South line of North 310 feet of the East 12 acres of the South half of the South half of the South West quarter of said Section; thence West on said South line of North 310 feet of East 12 acres of the South half of the South half of the South West quarter of said Section, 508.88 feet to East line of West 20 feet of East 12 acres of the South half of the South half of the South West quarter of said Section; thence South on the East line of said West 20 feet of the East 12 acres of the South half of the South half of the South West quarter of said Section, 298.77 feet to a point 50 feet North of the South line of the South West quarter of said Section 20; thence West on a line parallel to and 50 feet North of South line of the South West quarter of said Section, 35 feet; thence North on a line parallel to and 15 feet West of the West line of the East 12 acres of the South half of the South half of the South West quarter of said Section, 359 feet and 5 inches; thence North Easterly 42.95 feet to a point on West line of East 12 acres of the South half of the South half of the South West quarter of said Section, said point being 449 feet 5 inches North of South line of said South West quarter of said Section 20; thence North on West line of East 12 acres of the South half of the South West quarter of said Section, 209.34 feet to South line of the North half of the South East quarter of the South West quarter of said Section; thence West on said South line of the North half of the South East quarter of the South West quarter of said Section, 461.44 feet to Easterly line of the Chicago, Milwaukee, St. Paul and Pacific Railroad right of way; thence northwesterly on said Easterly line of the Chicago, Milwaukee, St. Paul and Pacific railroad right of way, 353.0 feet to North line of the South half of the North half of the South West quarter of the South West quarter of said Section; thence East on said North line of the South half of the North half of the South West quarter of the South West quarter of said Section, 73.65 feet to West line of the South East quarter of the South West quarter of said

Section; thence North on West line of said South East quarter of the South West quarter of said Section, 329.13 feet to North line of the South East quarter of the South West quarter of said Section; thence East on said North line of the South East quarter of the South West quarter of said Section, 1315.35 feet to place of beginning, as shown on the plat of survey made by Chicago Guarantee Survey Company dated August 15, 1963, No. 6307019. Except from the above that part thereof conveyed by Quit Claim Deeds to the Village of Morton Grove, Illinois, for road purposes recorded as documents 18992719 and 19036359 in Cook County, Illinois. The legal descriptions of said part thereof conveyed are set forth in said Quit Claim Deeds as follows:

The East 33 feet of the North 1/2 of the Southeast 1/4 of the Southwest 1/4 (except that part convey to Chicago, Milwaukee, St. Paul and Pacific Railroad) of Section 20, Township 41 North, Range 13 East of the Third Principal Meridian, in Cook County, Illinois, and

The East 33 feet of the South 2-1/2 acres of the North 10 acres of the West 1/2 of the Southwest 1/4 of the Southeast 1/4 of Section 20, Township 41 North, Range 13, East of the Third Principal Meridian in Cook County, Illinois, and

The West 33 feet of the South 7-1/2 acres of the North 10 Acres of the West 1/2 of the Southwest 1/4 of the Southeast 1/4 of Section 20, Township 41 North, Range 13, East of the Third Principal Meridian in Cook County, Illinois, and

The East 33 feet of the South 5 acres of the North 7-1/2 acres of W 1/2, SW 1/4, SE 1/4 of Section 20, Township 41 North, Range 13 East of the Third Principal Meridian Cook County, Illinois.

Schedule II

Additional Permitted Property Liens

NONE

Schedule III

Local Law Provisions

Schedule IV

Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Lessee/Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

Schedule V
Notice Information

LESSEE/MORTGAGOR

ITT INDUSTRIES, INC.
4 West Red Oak Lane
White Plains, New York 10604
Attention: Donald Foley, Treasurer

with a copy to:

Red Oak Corporate Park
4 West Red Oak Lane
White Plains, New York 10604
Attention: Keith Richey, International Tax Counsel

LESSOR/MORTGAGEE

REXUS L.L.C.
Societe Generale (Canada) as Lessor Administrator
1501 McGill College
Bureau 1800
Montreal, QC, H3A 3MB
Canada
Attention: Manager, Treasury & Loan Servicing Group

with a copy to:

Rexus L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING),
AND
SUPPLEMENT
AND
SHORT FORM/MEMORANDUM OF LEASE

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Lessor/Mortgagee

and

ITT INDUSTRIES, INC.,
as Lessee/Mortgagor

LOCATION OF MORTGAGED PROPERTY:

Street Address: 3500 N. Spaulding Avenue
Chicago, Illinois

County: Cook County, Illinois

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING),
AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), AND SUPPLEMENT AND SHORT FORM/MEMORANDUM OF LEASE (this "Supplement") dated as of December 17, 2004, between REXUS L.L.C., a Delaware limited liability company with an address at Societe Generale, New York Branch, 1221 Avenue of the Americas, New York, New York 10020 as the lessor/mortgagee (the "Lessor/Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Lessee/Mortgagor (the "Lessee/Mortgagor").

WHEREAS, Lessor/Mortgagee and Lessee/Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of December 14, 2004 (the "Master Lease");

WHEREAS the Lessor/Mortgagee is the owner of the land described on Schedule I attached hereto (the "Land"), and wishes to lease the Land and lease all Improvements now thereon or which hereafter may be constructed thereon to the Lessee/Mortgagor;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Interpretation. For purposes of this Supplement, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease, and the rules of interpretation set forth in such Appendix A shall apply to this Supplement.

SECTION 2. The Properties. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the Land, all Improvements on the Land and all other improvements now on the Land or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto and all Equipment (collectively, the "Subject Property") shall be subject to the terms and provisions of the Master Lease and the Lessor/Mortgagee hereby grants, conveys, transfers and assigns to the Lessee/Mortgagor those interests, rights, titles, estates, powers and privileges provided for in the Master Lease with respect to the Subject Property.

SECTION 3. Amendments to Master Lease with Respect to Subject Property. Effective upon the execution and delivery of this Supplement by the Lessor/Mortgagee and the Lessee/Mortgagor, the following terms and provisions shall apply to the Master Lease with respect to the Subject Property:

A. Short Form/Memorandum of Lease. The parties hereto set forth the following information which shall constitute a short form or memorandum of the Master Lease, as supplemented by this Supplement:

- (a) The name and address of the Lessor/Mortgagee as set forth in the Master Lease is:

Rexus L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

- (b) The name and address of the Lessee/Mortgagor as set forth in the Master Lease is:

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

- (c) The lease to which this memorandum of lease pertains is the Master Lease as supplemented by this Supplement and the other Supplements.
- (d) The leased premises are the Subject Property which includes the Land more particularly described on Schedule I attached hereto.
- (e) The Lessor/Mortgagee acquired title to the Land by deed dated on or about the date hereof and about to be recorded or filed for record in the office of the Cook County Recorder.
- (f) The term of the Master Lease shall commence on the date hereof and shall expire on December 17, 2014 unless earlier terminated in accordance with the terms of the Master Lease, as supplemented by this Supplement.
- (g) The Master Lease contains certain purchase rights and options during the Lease Term pursuant to which the Lessee/Mortgagor or its designee may acquire the Subject Property.
- (h) In addition to those terms referred to herein, the Master Lease contains numerous other terms, covenants and conditions that affect the Subject Property, and notice is hereby given that reference should be had to the Master Lease with respect to the details of such terms, covenants and conditions. A copy of the Master Lease or of the other agreements referenced herein or therein may be obtained from any of the parties hereto at the addresses set forth herein.

B. Ownership of the Subject Property. The parties hereto intend that for (i) financial accounting purposes with respect to the Lessee/Mortgagor, (ii) United States federal and all United States state and local income tax purposes and (iii) United States state real estate and commercial law and bankruptcy purposes, (1) the Lease will be treated as a financing arrangement, (2) the Lessor/Mortgagee will be deemed a lender making a loan to the Lessee/Mortgagor in an aggregate amount equal to the Original Aggregate Property Cost which loan is secured by the Properties, and (3) the Lessee/Mortgagor will be treated as the owner of the Properties described in the Lease Supplements and will be entitled to all tax benefits ordinarily available to an owner of properties similar to the Properties for such tax purposes. Nevertheless, the Lessee/Mortgagor acknowledges and agrees that none of the Lessor/Mortgagee, the Arranger or any Investor has made any representations or warranties to the Lessee/Mortgagor concerning the tax, accounting or legal characteristics of the Operative Documents and that the Lessee/Mortgagor has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate. The parties hereto will not take any position inconsistent with the intentions expressed herein. It is the intent of the parties hereto that this Lease grants a security interest and mortgage or deed to secure debt or deed of trust, as the case may be, in and on each Property to the Lessor/Mortgagee for the benefit of the Lessor/Mortgagee to secure the performance of the Lessee/Mortgagor under and payment of all amounts under this Master Lease and the other Operative Documents all as more specifically set forth in each Lease Supplement. Specifically, without limiting the generality of the foregoing, the parties hereto intend and agree that in the event of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any state or commonwealth thereof affecting the Lessee/Mortgagor, the Lessor/Mortgagee or the Investors or any collection actions, the transactions evidenced by the Operative Documents shall be regarded as loans made to the Lessee/Mortgagor by the Lessor/Mortgagee and the Investors as unrelated third party lenders of the Lessee/Mortgagor.

C. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Lessor/Mortgagee the payment and performance of all Obligations:

- (a) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder), the Lessee/Mortgagor has caused the Lessor/Mortgagee to hold title to the Subject Property and Lessee/Mortgagor does hereby mortgage, grant, bargain, sell, convey, assign, transfer and set over to the Lessor/Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Lessee/Mortgagor's right, title and interest from time to time in the Subject Property of whatever nature including, without limitation, Lessee/Mortgagor's leasehold interest under the Master Lease; all condemnation and insurance proceeds relative to the Subject Property and all Profits as defined below; and (ii) all of the Lessee/Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same,

which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Lessor/Mortgagee, its successors and assigns forever.

(i) Protective Advances. The Lessor/Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Supplement to the fullest extent and with the highest priority contemplated by applicable law.

(ii) Mortgage. The Lessee/Mortgagor and the Lessor/Mortgagee intend that this Supplement shall secure Lessee/Mortgagor's obligation to repay the unpaid balance of advances made by the Lessor/Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by applicable law. The obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Lessee/Mortgagor under the Master Lease. The maximum amount of advances, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property, all of which are also secured by this Supplement, which may be outstanding at any time is One Hundred Twenty Million and 00/100 Dollars (\$120,000,000.00).

(b) Subject to the terms and conditions of the Master Lease as supplemented by this Supplement (including, without limitation, the Lessee/Mortgagor's rights hereunder and thereunder so long as no Lease Event of Default has occurred and is continuing), the Lessee/Mortgagor hereby grants to the Lessor/Mortgagee a security interest in the Lessee/Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of Illinois (the "UCC"). The Master Lease, as supplemented by this Supplement, shall also be deemed to be a security agreement and shall support any financing statement

showing the Lessor/Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Lessee/Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Lessor/Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Supplement.

- (c) The Lessee/Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Lessor/Mortgagee (subject, however, to the Master Lease and the rights of the Lessee/Mortgagor thereunder and hereunder) any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") and all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of the Subleases, provided, that, unless a Lease Event of Default is continuing, the Lessee/Mortgagor shall have the right to collect and retain such Profits. Upon request of the Lessor/Mortgagee, the Lessee/Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.
- (d) Notwithstanding that this Supplement is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in the Profits and the Subleases, the Lessor/Mortgagee grants to the Lessee/Mortgagor a revocable license to collect and receive the Profits and to retain, use and enjoy such Profits. Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.

D. Remedies.

- (a) Upon the occurrence and during the continuance of a Lease Event of Default, each of which are also events of default under this Supplement, the Lessor/Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:
 - (i) collect interest on all past due sums at the Overdue Rate;

- (ii) terminate the Master Lease and, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Lessor/Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in possession of the Lessor/Mortgagee or the collection, receipt and application of Profits by the Lessor/Mortgagee, the Lessor/Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, the right to exercise the power of sale;
- (iii) declare all sums secured hereby immediately due and payable by delivery to the Lessee/Mortgagor a written declaration of the occurrence and continuance of a Lease Event of Default and deliver a notice of non-judicial foreclosure by power of sale of the Subject Property, and proceed with such non-judicial foreclosure in accordance with Applicable Law;
- (iv) in lieu of sale pursuant to the power of sale conferred hereby, foreclose in the manner provided by Applicable Law for the foreclosure of mortgages on real property;
- (v) whether or not a non-judicial or judicial foreclosure proceeding as described above has been commenced, declare immediately due and payable without notice or demand, as otherwise required hereunder or under Applicable Law, all amounts payable by the Lessee/Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and exercise all rights and remedies available hereunder, at law, in equity or otherwise;

(vi) as a matter of right, and upon notice to the Lessee/Mortgagor or anyone under the Lessee/Mortgagor and without regard to the adequacy of its security or the then value of the Security Property or the interest of the Lessee/Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Lessee/Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Lessor/Mortgagee provided for above, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Lessor/Mortgagee in its sole discretion.

Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Lessor/Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Lessor/Mortgagee, and the Lessor/Mortgagee shall be entitled to enforce the rights and remedies provided for herein and any other security now or hereafter held by the Lessor/Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Lessor/Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute. Every power or remedy given hereby to the Lessor/Mortgagee or to which the Lessor/Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Lessor/Mortgagee, and the Lessor/Mortgagee may pursue inconsistent remedies.

(b) Upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.

- (c) It is the intent of the parties hereto that the Master Lease be treated as a secured borrowing as provided in Section 3B above, and that, upon the occurrence and during the continuance of a Lease Event of Default, the Lessor/Mortgagee shall have remedies provided for herein. In the event that, notwithstanding the intention of the parties, a court of competent jurisdiction determines that, for the purpose of remedies, the transaction contemplated by the Master Lease constitutes a leasing arrangement, the parties hereto acknowledge and agree that the Lessor/Mortgagee shall have, as a result of such determination, in addition to the remedies set forth in this Section 3D(a) above, all of the rights and remedies of a landlord provided for in Article XVI of the Master Lease, provided that the parties hereto acknowledge and agree that it is their intent that the Master Lease be construed as provided in Section 3B above.

SECTION 4. Lessor/Mortgagee Grant. (a) The Lessor/Mortgagee hereby unconditionally grants a security interest in and a Lien to the Lessee/Mortgagor against all of the Lessor/Mortgagee's right, title and interest in and to the Security Property, which Lien shall be effective only if the Lessor/Mortgagee shall become the subject of any bankruptcy, insolvency or similar proceeding and such proceeding shall result in the rejection of the Master Lease. Such Lien shall secure the satisfaction of the Lessee/Mortgagor's right to damages and other claims arising out of the rejection of the Master Lease to the extent and in the manner provided for pursuant to the Operative Documents.

(b) The Lessee/Mortgagor agrees that the conditional Lien created in paragraph (a) of this Section 4 will terminate upon the termination of the Master Lease with respect to the Subject Property for any reason other than a rejection of the Master Lease in connection with a bankruptcy, insolvency or similar proceeding with respect to the Lessor/Mortgagee. Lessee/Mortgagor covenants to promptly deliver any releases or reconveyances reasonably required by Lessor/Mortgagee to evidence such termination of Lien.

(c) The Lien created in paragraph (a) of this Section 4 is junior and subordinate in all respects to the Liens granted by the Lessee/Mortgagor in favor of the Lessor/Mortgagee pursuant to this Supplement and the other Operative Documents.

SECTION 5. Ratification; Incorporation. Except as specifically modified hereby, the terms and provisions of the Master Lease are hereby ratified and confirmed and remain in full force and effect. The terms of the Master Lease (as amended by this Supplement) are by this reference incorporated herein and made a part hereof.

SECTION 6. Original Supplement. The single executed original of this Supplement marked "THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART" on the signature page thereof and containing the receipt of the Lessor/Mortgagee therefor on or following the signature page thereof shall be the original executed counterpart of this Supplement (the "Original Executed Counterpart"). To the extent that this Supplement constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Supplement may be created through the transfer or possession of any counterpart other than the Original Executed Counterpart.

SECTION 7. Applicable Law; Certain Particular Provisions. This Supplement shall be governed by and construed in accordance with the laws of the jurisdictions identified in this Section 7 (the "Applicable Law") which shall for most purposes be the laws of the State of New York; provided, however, that the provisions of this Supplement relating to the creation, perfection and enforcement of the lien and security interest created by this Supplement in respect of the Subject Property and the exercise of each remedy provided hereby, including the power of foreclosure or power of sale procedures set forth in this Supplement, shall be governed by and construed in accordance with the internal law of the State of Illinois, and each of the Lessor/Mortgagee and the Lessee/Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Supplement in the State of Illinois. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of the Master Lease (as amended by this Supplement) and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 8. No Merger of Title. There shall be no merger of the Master Lease (as amended by this Supplement) or of the leasehold estate created thereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, in whole or in part, (a) the Master Lease (as amended by this Supplement) or the leasehold estate created thereby or any interest in the Master Lease (as amended by this Supplement) or such leasehold estate, (b) the fee estate or ground leasehold estate in the Subject Property, except as may expressly be stated in a written instrument duly executed and delivered by the Lessor/Mortgagee.

SECTION 9. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Lessee/Mortgagor complies with the provisions of this Supplement and irrevocably pays and performs (to the reasonable satisfaction of Lessor/Mortgagee) all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, as supplemented by this Supplement and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Supplement and the estate hereby granted and created in favor of the Lessor/Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 10. Maximum Interest Rate. No provision of this Supplement or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest or any other amount in such respect is herein or any other Operative Document provided for, the Lessee/Mortgagor shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Supplement and the other Operative Documents.

SECTION 11. Security Agreement and Fixture Financing Statement. This Supplement is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Lessee/Mortgagor in the Subject Property. In Section 3.C (b) above, Lessee/Mortgagor has granted to Lessor/Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may

be subject to the UCC. The information contained in this Section 11 is provided in order that this Supplement shall comply with the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in Section 12 of this Supplement. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 3.C which constitute fixtures or personal property. The Lessor/Mortgagee is the record owner of the Land.

SECTION 12. Notices. For purposes of this instrument all notices shall be in writing and must be given in the manner provided in Section 14.3 of the Participation Agreement to the addresses set forth in Schedule V hereto.

SECTION 13. Counterpart Execution. This Supplement may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

[Signature Blocks on Following Page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Supplement to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

REXUS L.L.C., as Lessor/Mortgagee

By: /s/ Larry Bowman

Name: Larry Bowman
Title: President

ITT INDUSTRIES, INC., as Lessee/Mortgagor

By: /s/ Donald Foley

Name: Donald Foley
Title: Senior Vice President,
Treasurer and Director
of Tax

Schedule I

Legal Description

Tract 1:

The East 140 feet of the West 954.72 feet of the South 145.56 feet of the North 521 feet of the North East quarter of the South East quarter of Section 23, Township 40 North, Range 13, East of the Third Principal Meridian (excepting therefrom a triangular parcel in the Southeast corner of the described tract lying East of a line drawn from a point 4.16 feet West of the South East corner to a point 32.27 feet North of the South East corner of said tract also except from said tract a parcel of land lying between the East line of the West 814.72 feet of the aforesaid North East quarter of the South East quarter of Section 23 and a curved line having a radius of 33 feet, said curved line being tangent to the East line of the West 754.72 feet and also tangent to the South line of the North 521 feet of the North East quarter of the South East quarter of Section 23 aforesaid);

Also a parcel of land in the aforesaid North East quarter of the South East quarter of Section 23 bounded and described as follows: beginning at a point on the South line of the North 521 feet of said quarter of the quarter Section bearing South 89 Degrees 50 Minutes 30 Seconds East 929.02 feet from the West line thereof; thence South 0.06 feet to the point of tangency of a curved line lying on the East line of the West 929.02 feet of the aforesaid quarter, quarter Section curve convex to the South East; thence South Westerly along said curved line with a radius of 349.76 feet a distance of 191.65 feet; thence North 31 Degrees 23 Minutes 45 Seconds East 45.50 feet tangent to the last described curved line to the point of tangency of a curved line convex to the South East; thence North Easterly along said curved line with a radius of 349.76 feet a distance of 152.73 feet to an intersection with the South line of the North 521 feet of the North East quarter of the South East quarter of Section 23 aforesaid; thence North 89 Degrees 50 Minutes 30 Seconds West 21.54 feet along said line to the place of beginning, all in Cook County, Illinois.

Tract 2:

That part of the South 418.19 feet of the North 939.19 feet of the North East Quarter of South East Quarter of Section 23, Township 40 North, range 13 East of the Third Principal Meridian described as follows: Beginning at a point on the North line of said tract which is 580 feet East of the West line of the Northeast 1/4 of the Southeast 1/4 of said Section 23; thence Southeasterly along a curved line convex to the Southwest with a radius of 945.37 feet a distance of 264.54 feet to a point 608.99 feet East of the West line and 783 feet South of the North line of the aforesaid quarter quarter Section; thence South 22 Degrees 55 Minutes 36 Seconds East 169.78 feet to a point on the South line of the North 939.19 feet of the Northeast quarter of the Southeast quarter of Section 23 aforesaid which bears South 89 Degrees, 50 Minutes, 30 Seconds East 675.13 feet from the West line thereof; thence South 89 Degrees 50 Minutes 30 Seconds East along the South line of the tract 59.02 feet; thence North 31 Degrees 23 Minutes 45 Seconds East 275.76 feet to the point of tangency of a curved line convex to the Southeast; thence Northeasterly along said curved line with a radius of 349.76 feet a distance of 191.65 feet to the

point of tangency of said curved line on the East line of the West 929.02 feet of the aforesaid quarter quarter Section; thence North along said tangent line 0.06 feet to the South line of the North 521 feet of said quarter quarter section; thence North 89 Degrees, 50 Minutes, 30 Seconds West along said line 349.02 feet to the beginning, except that part of the North 939.19 feet of the Northeast quarter of the Southeast quarter of Section 23, Township 40 North, Range 13 East of the Third Principal Meridian, described as beginning at a point on the South line of above described premises, said point being 734.15 feet East of the West line of said 1/4 1/4 Section; said South line of the North 939.19 feet bears South 89 Degrees, 50 Minutes, 30 Seconds East; thence North 31 Degrees, 23 Minutes, 45 Seconds East, 83.51 feet to a point; thence South 37 Degrees 24 Minutes, 45 Seconds West, 89.71 feet to the South line of the North 939.19 feet of said quarter quarter Section; thence South 89 Degrees 50 Minutes 30 Seconds East along said line 11.0 feet to the point of beginning.

Tract 3:

That part of South 120 feet of the North 521 feet of the West 754.72 feet of the Northeast 1/4 of Southeast 1/4 of Section 23, Township 40 North, range 13 East of the Third Principal Meridian, lying East of a line drawn from a point on the North line of said tract 182.72 feet West of the Northeast corner thereof to a point on South line of said tract 194.72 feet West of the Southeast corner thereof, in Cook County, Illinois. Also That part of the Northeast 1/4 of Southeast 1/4 of Section 23 bounded and described as follows: beginning at Southwest corner of above described tract; thence East along South line thereof 20 feet; thence Southeasterly along a curved line convex to Southwest with radius 945.37 feet, a distance of 264.54 feet to a point 608.99 feet East of the West line of the Northeast 1/4 of Southeast 1/4 of Section 23 aforesaid and on a line 783 feet South of the North line of said 1/4 1/4 Section; thence North 89 Degrees, 50 Minutes, 30 Seconds West along said line 3.03 feet; thence North 14 Degrees, 24 Minutes, 53 Seconds West 138.53 feet to a point of tangency of curved line convex to the Southwest; thence Northwesterly along said curved line with a radius of 332.76 feet a distance of 83.72 feet to the point of tangency of the East line of the West 561 feet of the Northeast 1/4 of the Southeast 1/4 of said Section 23 which is 586.21 feet South of the North line thereof; thence Northwesterly 45.22 feet to the place of beginning, all in Cook County, Illinois.

Tract 4:

That part of the South 543.0 feet of the North 783.0 feet of the Northeast 1/4 of the Southeast 1/4 of Section 23, Township 40 North, Range 13 East of the Third Principal Meridian described as: Beginning at a point in the South line of above described premises said point of beginning 605.75 feet East of the West line of said 1/4 1/4 Section said South line of the North 783.0 feet bears South 89 Degrees, 50 Minutes, 30 Seconds East; thence South 89 Degrees, 50 Minutes 30 Seconds East along said line a distance of 0.21 feet; thence North 14 Degrees, 24 Minutes, 53 Seconds West 138.53 feet to a point of tangency on a curved line convex to the West; thence Northwesterly along said curved line with a radius of 332.76 feet a distance of 83.72 feet to its point of tangency on the East line of the West 561.0 feet of said 1/4 1/4 Section which is 586.21 feet South of the North line of said 1/4 1/4 Section; thence Northwesterly 45.22 feet to a point 521.0 feet South of the North line of said 1/4 1/4 Section and on the East line of the West 586.21 feet South of the North line of said 1/4 1/4 Section and on the East line of the West 560 feet of

said 1/4 1/4 Section; thence North on said line 281.0 feet to the South line of the North 240.0 feet of aforesaid 1/4 1/4 Section; thence West on said line 17.0 feet to the East line to the West 543 feet of said 1/4 1/4 Section; thence South on said line 286.26 feet; thence Southeasterly 40.01 feet to a point which is 586.26 feet South of the North line and 544.0 feet East of the West line of said 1/4 1/4 Section said point being also the point of tangency of a curved line convex to the Southwest which is tangent to the East line of the West 544.0 feet aforesaid; thence Southeasterly along said curved line with a radius of 349.76 feet a distance of 139.95 feet to a point of tangency; thence South 22 Degrees, 55 Minutes, 36 Seconds East along said tangent 87.58 feet to the place of beginning, in Cook County, Illinois, excepting therefrom the South 161.0 feet of the North 401 feet of the East 17.0 feet of the West 560 feet of the Northeast 1/4 of the Southeast 1/4 of Section 23, Township 40 North, range 13, East of the third Principal meridian, in Cook County, Illinois.

Tract 5:

That part of the South 236.02 feet of the North 899.19 feet of the East 1/2 of the South East 1/4 of Section 23, Township 40 North, Range 13 East of the Third Principal Meridian, described as follows:

Beginning at the point of the intersection of the South line of the North 663.17 feet of the East 1/2 of said South East 1/4 with the East line of the West 555.0 feet of the East 1/2 of the said South East 1/4; thence South 0 Degrees, 00 Minutes, 00 Seconds West, along the East line of the West 555.00 feet of the East 1/2 of said South East 1/4 a distance of 210.02 feet to a point on the South line of the North 873.19 feet of the East 1/2 of said South East 1/4; thence South 44 Degrees, 55 Minutes, 15 Seconds East 36.82 feet to a point on the South line of the North 899.19 feet of the east 1/2 of said South East 1/4 which bears South 89 Degrees, 50 Minutes, 30 Seconds East 581.00 feet from the West line of the East 1/2 of said South East 1/4; thence South 89 Degrees, 50 minutes, 30 Seconds East, along the South line of the North 899.19 feet of the East 1/2 of said Southeast 1/4, 77.19 feet to a point on a line "A", said line "A" being a line drawn from a point 608.99 feet East of the West line and 783.00 feet South of the North line of said South East 1/4 to a point on the South line of the North 939.19 feet of said South East 1/4 which bears South 89 Degrees, 50 Minutes, 30 Seconds East 675.13 feet from the west line thereof; thence North 22 Degrees, 55 Minutes, 36 Seconds West along said line "A", 126.30 feet to said point being 608.99 feet East of said west line and 783.00 feet South of said North line; thence North 89 Degrees, 50 Minutes, 30 Seconds West along the South line of the North 783.00 feet thereof, 3.24 feet to a point 605.75 feet East of said West line; thence North 22 Degrees, 55 Minutes, 36 Seconds West 87.58 feet to a point of tangency; thence Northwesterly 41.72 feet along the arc of a circle convex to the South West within a radius of 349.76 feet to a point on the South line of the North 663.17 feet thereof; thence North 89 Degrees, 50 Minutes, 30 seconds West along the aforesaid South line, 2.71 feet to the point of beginning, in Cook County, Illinois.

Schedule II

Additional Permitted Property Liens

NONE

Schedule III

Local Law Provisions

Schedule IV

Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Lessee/Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.

Schedule V

Notice Information

LESSEE/MORTGAGOR

ITT INDUSTRIES, INC.
4 West Red Oak Lane
White Plains, New York 10604
Attention: Donald Foley, Treasurer

with a copy to:

Red Oak Corporate Park
4 West Red Oak Lane
White Plains, New York 10604
Attention: Keith Richey, International Tax Counsel

LESSOR/MORTGAGEE

REXUS L.L.C.
Societe Generale, New York Branch
1221 Avenue of the Americas
New York, New York 10020
Attention: President

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MORTGAGE,
SECURITY AGREEMENT AND FINANCING
STATEMENT (INCLUDING FIXTURE FILING)

Dated as of December 15, 2004

between

REXUS L.L.C.,
as Mortgagee

and

ITT INDUSTRIES, INC.,
as Mortgagor

LOCATION OF SECURITY PROPERTY:

Street Address: 100 Kingsland Road
Clifton, New Jersey
County: Passaic
Block: 83.01
Lot: 1.01

Record and Return to:

Jones Day
222 East 41st Street
New York, NY 10017
Attention: Leonard C. Pojednic, Esq.

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[This Space For Recorder's Use Only]

MORTGAGE, SECURITY AGREEMENT AND
FINANCING STATEMENT (INCLUDING FIXTURE FILING)

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT (INCLUDING FIXTURE FILING), dated as of December 15, 2004 (this "Mortgage"), between REXUS L.L.C., a Delaware limited liability company with an address at c/o Societe Generale, (Canada), as Lessor Administrator, 1501 McGill College, Bureau 1800, Montreal, Quebec, H3A 3MB, Canada as the Mortgagee (the "Mortgagee"), and ITT INDUSTRIES, INC., an Indiana corporation, with an address at 4 West Red Oak Lane, White Plains, New York 10604, as Mortgagor (the "Mortgagor"). For purposes of this Mortgage, capitalized terms used herein and not otherwise defined herein or in Schedule IV hereto shall have the meanings assigned to them in Appendix A to the Master Lease (as defined below), and the rules of interpretation set forth in such Appendix A shall apply to this Mortgage.

WHEREAS, pursuant to a Participation Agreement, dated as of the date hereof (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Participation Agreement"), among the Mortgagee, the Mortgagor, and the Investors named therein, the Investors and the Mortgagee have agreed to finance the acquisition from Mortgagor of the six properties identified in the Operative Documents (the "Other Properties");

WHEREAS, Mortgagee and Mortgagor have executed that certain Master Lease and Deed of Trust, Deed to Secure Debt and Mortgage dated as of the date hereof (the "Master Lease"), as supplemented by that certain Lease Supplement, dated as of the date hereof (the "Related Lease Supplement"), pursuant to which the Mortgagee leased to the Mortgagor the Other Properties which term includes all Improvements thereon and all other improvements now located or which hereafter may be constructed thereon and all Appurtenant Rights with respect thereto;

WHEREAS, all Obligations of Mortgagor to Mortgagee and the Investors under the Master Lease and the other Operative Documents are personal, full recourse obligations of Mortgagor;

WHEREAS, Mortgagor is the sole owner of the land described in Schedule I hereto and all buildings and improvements located or to be located thereon and all Appurtenant Rights with respect thereto and all equipment (the "Subject Property");

WHEREAS, pursuant to the Participation Agreement, the Master Lease and the other Operative Documents, Mortgagor has agreed to deliver to Mortgagee this Mortgage for the purpose of securing all Obligations of Mortgagor to Mortgagee under the Participation Agreement, the Master Lease and the other Operative Documents; and

WHEREAS, Mortgagee's receipt of this Mortgage is a requirement and precondition of the Participation Agreement and the other Operative Document:

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Grant of Mortgage Lien and Security Interest: Assignment of Rents. To secure to the Mortgagee the payment and performance of the Obligations for a principal amount not to exceed One Hundred Sixty Five Million and 00/100 US Dollars (\$165,000,000.00), which is the maximum amount of principal indebtedness secured hereby, together with all interest, expenses and other sums which may from time to time become due and payable to the Mortgagee under the Operative Documents or by reason of the exercise of its rights and remedies under this Mortgage or any of the Operative Documents:

- (a) The Mortgagor does hereby mortgage, grant, bargain, sell, convey, assign, transfer and set over to the Mortgagee, with power of sale, to the extent permitted by Applicable Law: (i) all of the Mortgagor's right, title and interest in the Subject Property, all condemnation and insurance proceeds relative to the subject property and all profits as described below; and (ii) all of the Mortgagor's right, title and interest in and to all proceeds of the conversion, whether voluntary or involuntary, of any of the above-described property into cash or other liquid claims, including, without limitation, all awards, payments or proceeds, including interest thereon, and the right to receive the same, which may be made as a result of casualty, any exercise of the right of eminent domain or deed in lieu thereof, the alteration of the grade of any street and any injury to or decrease in the value thereof, the foregoing being referred to hereinafter as the "Security Property".

TO HAVE AND TO HOLD the Security Property, subject however to Permitted Property Liens (which shall include the items set forth on Schedule II), unto the Mortgagee, its successors and assigns forever.

- (i) Protective Advances. The Mortgagee shall have the right, but not the obligation, to make protective advances with respect to the Security Property for the payment of taxes, assessments, insurance premiums or costs incurred for the protection of the Security Property, and such protective advances, together with interest thereon at the Overdue Rate from the date of each such advance until it is repaid in full, shall be secured by this Mortgage to the

fullest extent and with the highest priority contemplated by Applicable Law.

- (ii) Mortgage. The Mortgagor and the Mortgagee intend that this Mortgage shall secure Mortgagor's obligation to repay the unpaid balance of advances made by the Mortgagee and/or the holder hereof under the Master Lease and other Operative Documents to the fullest extent and with the highest priority contemplated by applicable law. The obligations secured hereby shall include, without limitation, all Basic Rent, Accrual Rent and Fixed Rent as well as all Supplemental Rent due from Mortgagor under the Master Lease. The maximum amount of advances, exclusive of interest thereon (whether or not identified as interest and including specifically all Accrual Rent under the Master Lease), and exclusive of advances made for the payment of real estate taxes, assessments, insurance premiums and costs incurred for the protection of the Security Property, all of which are also secured by this Supplement, which may be outstanding at any time is One Hundred Sixty Five Million and 00/100 Dollars (\$165,000,000.00).

- (b) The Mortgagor hereby grants to the Mortgagee a security interest in the Mortgagor's interest in that portion of the Security Property (the "UCC Property") subject to the Uniform Commercial Code of the State of New Jersey (the "UCC"). This Mortgage shall also be deemed to be a security agreement and shall support any financing statement showing the Mortgagee's interest as a secured party with respect to any portion of the UCC Property described in such financing statement. The Mortgagor agrees, at its sole cost and expense, to execute, deliver and file from time to time such further instruments as may be requested by the Mortgagee to confirm and perfect the lien of the security interest in the collateral described in this Mortgage.

- (c) The Mortgagor hereby irrevocably assigns, conveys, transfers and sets over unto the Mortgagee all and every part of the rents, issues and profits (collectively, the "Profits") that may from time to time become due and payable on account of any and all subleases or other occupancy agreements now existing, or that may hereafter come into existence with respect to the Subject Property or any part thereof, including any guaranties of such sublease or occupancy agreements (collectively, the "Subleases") provided, that, unless a Lease Event of Default is continuing, the Mortgagor shall have the right to collect and retain such Profits. Upon request of the Mortgagee, the Mortgagor shall execute and cause to be recorded, at its expense, supplemental or additional assignments of any Subleases of the Subject Property. Upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee is hereby fully authorized and empowered in its discretion (in addition to all other powers and rights herein granted), to apply for and collect and receive all such

Profits and enforce such guaranty or guaranties, and all money so received under and by virtue of this assignment shall be applied as further security for the payment and performance of the Obligations secured hereby.

- (d) Notwithstanding that this Mortgage is an absolute assignment of the Profits and the Subleases and not merely the collateral assignment of, or the grant of a lien or security interest in, the Profits and the Subleases, the Mortgagee grants to the Mortgagor a revocable license to collect and receive the Profits and to retain, use and enjoy such Profits. Such license shall be automatically revoked upon the occurrence and during the continuance of any Lease Event of Default.
- (e) It is intended that this Mortgage shall be a Lessor Mortgage and that the Subject Property be a Security Property and a Property as those terms are defined in the Participation Agreement and the other Operative Documents and that all terms covenants conditions and requirements of said Operative Documents applicable thereto shall apply to the Subject Property including without limitation those relating to sale, lease or further encumbrance of any Property.

SECTION 2. Remedies. (a) Upon the occurrence and during the continuance of a Lease Event of Default each of which is also a default under this Mortgage, the Mortgagee may exercise any one or more of the following rights and remedies as it, in its sole discretion, may deem necessary or appropriate:

- (i) collect interest on all past due sums at the Overdue Rate;
- (ii) terminate the Master Lease and, either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of security, enter upon and take possession of the Security Property, or any part thereof, in its own name, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security Property, or any part thereof or interest therein, to increase the income therefrom or to protect the security hereof and, with or without taking possession of the Security Property, to sue for or otherwise to collect the Profits thereof, including, without limitation, those past due and unpaid, and to apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any Obligations secured hereby, all in such order as the Mortgagee may determine. The entering upon and taking possession of the Security Property, and the collection of such Profits and the application thereof as aforesaid, shall not cure or waive any Lease Event of Default or notice of a Lease Event of Default hereunder or invalidate any act done in response to such Lease Event of Default and, notwithstanding the continuance in

possession of the Mortgagee or the collection, receipt and application of Profits by the Mortgagee, the Mortgagee shall be entitled to exercise every right provided for herein or by law upon the occurrence and during the continuance of any Lease Event of Default, including, without limitation, the right to exercise the power of sale;

- (iii) declare all Obligations and sums secured hereby immediately due and payable by delivery to the Mortgagor of written declaration of the occurrence and continuance of a Lease Event of Default and to the extent permitted by Applicable Law, conduct a non-judicial foreclosure by power of sale;
- (iv) foreclose this mortgage in the manner provided by Applicable Law for the foreclosure of mortgages on real property;
- (v) whether or not a judicial or non-judicial foreclosure has been commenced, declare immediately due and payable without notice or demand, except as otherwise required hereunder or under Applicable Law, all amounts payable by the Mortgagor hereunder or under the other Operative Documents which are then unpaid, with all interest and sums accrued and accelerate payment thereof notwithstanding contrary terms of payment stated therein and exercise all other rights and remedies available hereunder, under Applicable Law, in equity or otherwise;
- (vi) without regard to the adequacy of its security or the then value of the Security Property or the interest of the Mortgagor therein, apply to any court having jurisdiction to appoint a receiver or receivers of the Security Property and the Mortgagor hereby irrevocably consents to such appointment and, to the extent permitted by Applicable Law, waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers of the Mortgagee provided for herein, and shall continue as a receiver and exercise all such powers until the date of confirmation of sale of the Security Property unless such receivership is sooner terminated by the Mortgagee in its sole discretion or as a court of competent jurisdiction shall direct.

Upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee shall be entitled to enforce payment and performance of any Obligations secured hereby and to exercise all rights and powers hereunder or any laws now or hereafter in force notwithstanding that some or all of said Obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. To the extent permitted by

Applicable Law, neither the acceptance nor the enforcement hereof, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Mortgagee and, to the extent permitted by Applicable Law, the Mortgagee shall be entitled to enforce the rights and remedies provided for herein and any other security now or hereafter held by the Mortgagee in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to the Mortgagee is intended to be exclusive of any other remedy, but each shall be cumulative and shall be in addition to every other remedy given hereby or now or hereafter existing at law or in equity or by statute. To the extent permitted by Applicable Law, every power or remedy given hereby to the Mortgagee or to which the Mortgagee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and the Mortgagee may pursue inconsistent remedies.

- (b) Upon the occurrence and during the continuance of a Lease Event of Default, the Mortgagee, in addition to and not in lieu of or in diminution of the rights and remedies provided above shall have all of the rights and remedies of a secured party under the UCC, which rights and remedies may be exercised without application to any court to the extent permitted by the UCC.

SECTION 3. Applicable Law; Certain Particular Provisions. This Mortgage shall be governed by and construed in accordance with the laws of the State of New Jersey ("Applicable Law") and each of the Mortgagee and the Mortgagor agree to submit to jurisdiction and the laying of venue for any suit on this Mortgage in such state. The terms and provisions set forth in Schedule III attached hereto are hereby incorporated by reference as though fully set forth herein. In the event of any conflict between the terms and provisions contained in the body of this Mortgage and the terms and provisions set forth in Schedule III, the terms and provisions set forth in Schedule III shall govern and control.

SECTION 4. Satisfaction of the Mortgage, Security Interest and Assignment of Rents and Subleases. If the Mortgagor complies with the provisions of this Mortgage and irrevocably pays and performs (to the reasonable satisfaction of Mortgagee) all of the Obligations secured hereby, in accordance with the provisions of the Master Lease, and the other Operative Documents and in the manner and at the times set forth therein, without deduction, fraud or delay, then and from thenceforth this Mortgage and the estate hereby granted and created in favor of the Mortgagee, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

SECTION 5. Maximum Interest Rate. No provision of this Mortgage or any transaction related thereto shall require the payment or permit the collection of interest or any other amount in excess of the maximum permitted by Applicable Law. If any excess of interest or any other amount in such respect is herein or any other Operative Document provided for, the Mortgagor

shall not be obligated to pay such excess interest or any other amounts in excess of the amount permitted by applicable law, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Mortgage and the other Operative Documents.

SECTION 6. Security Agreement and Fixture Financing Statement. This Mortgage is both a real property mortgage and a "security agreement" within the meaning of the UCC. The Subject Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Mortgagee in the Subject Property. Mortgagor has herein granted to Mortgagee, as security for the Obligations, a security interest in the UCC Property to the full extent that the UCC Property may be subject to the UCC. The information contained in this Section 6 is provided in order that this Mortgage shall comply with the requirements of the UCC for mortgages to be effective as financing statement filed as a fixture filing. The name of the "debtor" is ITT INDUSTRIES, INC.; the name of the "secured party" is REXUS L.L.C.; the mailing address of the "secured party" from which information concerning the security interest may be obtained and the mailing address of the "debtor" are as set forth in Schedule V hereto. The types, or the items, of collateral covered hereby consist of the UCC Property identified in Section 1 which constitute fixtures or personal property. The Mortgagee is the record owner of the Land.

SECTION 7. Notices. For purposes of this instrument as a fixture filing, and for all other purposes, unless otherwise specifically provided herein, all notices, offers, acceptances, rejections, consents, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be given in the manner set forth in Section 26.4 of the Master Lease and delivered to Mortgagor or Mortgagee at the addresses set forth above.

[Signature Block on Following Page]

IN WITNESS WHEREOF, the Mortgagor has caused this Mortgage to be duly executed by an officer thereunto duly authorized as of the date and year first above written.

ITT INDUSTRIES, INC., as Mortgagor

By: /s/ Donald Foley

Name: Donald Foley

Title: Senior Vice President, Treasurer and
Director of Tax

N - 1

Schedule I

Legal Description

Commencing at a point on the westerly side of River Road (55 feet wide), 30 feet from the centerline of previous 50 ft. R.O.W., said point being the dividing line between Block 83.01 Lot 4 and Block 83.01 Lot 1.01 and running the following courses and distances; thence

Section 1. Along the dividing line between Block 83.01 Lot 1.01 and Block 83.01 Lot 4 North 69 degrees 00'57" East a distance of 5.20 feet to the Point of Beginning; thence

- A. South 05 degrees 05'53" West, a distance of 84.32 feet; thence
- B. South 06 degrees 35'47" East, a distance of 143.14 feet; thence
- C. South 11 degrees 26'17" East, a distance of 103.17 feet; thence
- D. North 87 degrees 33'42" West, a distance of 418.94 feet; thence
- E. South 25 degrees 25'19" West, a distance of 193.71 feet; thence
- F. North 87 degrees 33'42" West, a distance of 170.64 feet; thence
- G. North 64 degrees 34'55" West, a distance of 163.25 feet; thence
- H. North 87 degrees 33'42" West, a distance of 190.32 feet; thence
- I. South 08 degrees 24'41" West, a distance of 112.10 feet; thence
- J. North 81 degrees 21'01" West, a distance of 51.42 feet; thence
- K. South 08 degrees 58'57" West, a distance of 11.07 feet; thence
- L. North 81 degrees 06'09" West, a distance of 204.71 feet; thence
- M. North 05 degrees 22'50" West, a distance of 193.17 feet; thence
- N. South 85 degrees 10'45" West, a distance of 181.84 feet; thence
- O. North 50 degrees 31'04" West, a distance of 79.81 feet; thence
- P. North 21 degrees 43'47" West, a distance of 350.63 feet; thence
- Q. North 04 degrees 55'42" West, a distance of 95.18 feet; thence
- R. North 00 degrees 00'51" East, a distance of 299.57 feet; thence
- S. South 89 degrees 59'09" East, a distance of 78.00 feet; thence
- T. North 00 degrees 00'51" East, a distance of 25.00 feet; thence
- U. South 89 degrees 59'09" East, a distance of 374.44 feet; thence
- V. South 74 degrees 48'47" East, a distance of 87.22 (Survey) 86.15 (Deed) feet; thence
- W. South 72 degrees 56'47" East, a distance of 262.88 feet; thence
- X. South 67 degrees 53'17" East, a distance of 129.78 feet; thence
- Y. South 58 degrees 23'37" East, a distance of 293.48 feet; thence
- Z. South 69 degrees 00'57" East, a distance of 527.06 feet to the Point of Beginning.

Encompassing an area of 1,131,200 sf or 25.969 Acres.

Schedule II

Additional Permitted Property Liens

None

Schedule III

Local Law Provisions

1. Warranty of Title. At the time of the recordation of this Mortgage, Mortgagor is well seized of an indefeasible estate in fee simple in the portion of the Security Property which constitutes real property and owns good title to the portion of the Security Property which constitutes personal property, and Mortgagor has good right, full power and lawful authority to convey, mortgage and grant a security interest therein and to assign any Rents due Mortgagor relative to the Security Property. Said title of Mortgagor in the Security Property is free and clear of all liens, charges, easements, covenants, conditions, restrictions and encumbrances whatsoever, other than liens expressly permitted under the Loan Agreement, including, as to the personal property and fixtures, security agreements, conditional sales contracts and anything of a similar nature. Mortgagor shall and will forever defend the title to the Security Property against the claims of all persons whomsoever.

2. Mortgage Taxes. In the event of the passage of any federal, state or local governmental law, order, rule or regulation subsequent to the date hereof which changes or modifies in any manner the laws now in force governing the taxation of mortgages or debts secured by mortgages or the manner of collecting taxes so as to materially and adversely affect Mortgagee, all sums secured by this Mortgage and all interest accrued thereon shall become due forthwith at the option of Mortgagee and be payable 60 days after notice to Mortgagor. Notwithstanding the foregoing, instead of paying all the sums secured by this Mortgage and all interest accrued thereon as provided above, Mortgagor shall have the right to pay to Mortgagee an amount which will place Mortgagee in exactly the same position Mortgagee would have been in had the events outlined above not occurred, provided, however, if such payment may, in Mortgagee's judgment, be considered unlawful by a court of competent jurisdiction, then such payment may not be made and all sums secured by this Mortgage and all interest accrued thereon shall become due forthwith at the option of Mortgagee and payable 60 days after notice to Mortgagor as aforesaid.

3. No Tax Credits. Mortgagor shall not claim or demand or be entitled to receive any credit or credits on any principal or interest payable with respect to any Obligations, for so much of the taxes, assessments or similar charges assessed against the Security Property, or any part thereof, as are applicable to the Obligations or to Mortgagee's interest in the Security Property. No deduction shall be claimed from the taxable value of the Security Property or any part thereof by reason of the Obligations or this Mortgage.

4. Further Assurances; After Acquired Property. At any time and from time to time, upon request from Mortgagee, Mortgagor shall make, execute and deliver, or cause to be made, executed and delivered, to Mortgagee and, where appropriate, to cause to be recorded or filed, or both, and from time to time thereafter to be re-recorded or refiled, or both, at such time and in such offices and places as shall be deemed desirable by Mortgagee, any and all such other and further mortgages, security agreements, financing statements, continuation statements, instruments of further assurances, certificates and other documents as may, in the opinion of

Mortgagee, be necessary or desirable in order to effectuate, complete or perfect, or to continue and preserve (i) the obligations of the Mortgagor under this Mortgage and the other Operative Documents, and (ii) the lien and security interest of this Mortgage as a first and prior lien and security interest upon all of the Security Property, whether now or hereafter acquired by Mortgagor. Upon any failure by Mortgagor to so make, execute and deliver each of such documents after written demand, Mortgagee may make, execute, record, file, re-record and refile, as appropriate, any and all such mortgages, security agreements, financing statements, continuation statements, instruments, certificates and documents for and in the name of Mortgagor, and Mortgagor hereby irrevocably appoints Mortgagee as its agent and attorney-in-fact in connection therewith. The lien and security interest hereof will automatically attach, without further act, to all after-acquired property owned by Mortgagor attached to or used in connection with the operation of the Security Property or any part thereof.

5. Receiver. If a Lease Event of Default shall have occurred and be continuing, Mortgagee, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right without notice and without regard to the occupancy or value of any security for the Obligations or the insolvency of any party bound for its payment to the appointment of a receiver to take possession of and to operate the Security Property and to collect and apply the rents, issues, profits, revenues, awards and other benefits thereof. The receiver shall have all of the rights and powers to the fullest extent permitted by law. Mortgagor shall pay to Mortgagee upon demand all of Mortgagee's costs and expenses, including, without limitation, receiver's fees and expenses and attorneys' fees and expenses, incurred pursuant to this Section plus interest thereon accruing at the Default Rate, and all such amounts shall be additional indebtedness comprising Obligations.

6. Mortgagee's Power of Enforcement. If a Lease Event of Default shall have occurred and be continuing, Mortgagee may, either with or without entry or taking possession as herein provided or otherwise, proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy (i) to enforce payment of the Obligations or the performance of any term, covenant, condition or agreement of this Mortgage or any other right, (ii) to foreclose this Mortgage and to sell the Security Property as an entirety or otherwise, as Mortgagee may determine, and (iii) to pursue any other remedy available to it, including, without limitation, any remedy available to it under any of the Operative Documents, all as Mortgagee shall deem most effectual for such purposes. Mortgagee may take action either by such proceedings or by the exercise of its powers with respect to entry or taking possession, as Mortgagee may determine. Mortgagee may elect to pursue any one or more or all of the foregoing.

7. Purchase by Mortgagee. Upon any foreclosure sale, Mortgagee may bid for and purchase the Security Property and shall be entitled to apply all or any part of any indebtedness or obligation secured hereby as a credit to the purchase price.

8. Fees and Expenses; Application of Proceeds of Sale. In any suit to foreclose the lien hereof, there shall be allowed and included as additional indebtedness secured hereby (and part of the Obligations) in the decree for sale, to the extent permitted by law, all costs and expenses which may be paid or incurred by or on behalf of Mortgagee or the holder of the Notes

for attorneys' fees and expenses, appraiser's fees and expenses, receiver's fees and expenses, insurance, taxes, outlays for documentary and expert evidence, costs for preservation of the Security Property, stenographer's charges, publication cost and costs of procuring all abstracts of title, title searches and examinations, and similar data and assurances with respect to title as Mortgagee may deem to be necessary either to prosecute such suit or to evidence to bidders at any sale which may be had pursuant to such decree the true condition of the title to or value of the Security Property, or for any other reasonable purpose. The amount of any such costs and expenses which may be paid or incurred after the decree for sale is entered may be estimated and the amount of such estimate may be allowed and included as additional indebtedness secured hereby (and part of the Obligations) in the decree for sale. In the event of a foreclosure sale of the Security Property, the proceeds of said sale shall be applied first to the expenses of such sale and of all proceedings in connection therewith, including, without limitation, attorneys' fees and expenses, then to insurance premiums, liens, assessments, taxes and charges, including, without limitation, utility charges, then to payment of the outstanding principal balance of any Obligations secured hereby, then to the Remaining Obligations.

9. Waiver of Appraisalment, Valuation, Stay, Extension and Redemption Laws. Mortgagor agrees, to the fullest extent permitted by law, that if a Lease Event of Default occurs hereunder, neither Mortgagor nor anyone claiming through or under Mortgagor shall or will set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension, homestead or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Security Property hereby conveyed, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Mortgagor, for itself and all who may at any time claim by, through or under it, hereby waives and releases, to the fullest extent permitted by law, the benefit of all such laws and any and all rights to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

10. Leases. Mortgagee, at its option, is authorized to foreclose this Mortgage subject to the rights of any tenants of the Security Property, or to name said tenants in the foreclosure, and the failure to make such tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Mortgagor, a defense to any proceedings instituted by Mortgagee to collect the sums secured hereby, or any deficiency remaining unpaid after the foreclosure sale of the Security Property.

11. Discontinuance of Proceedings and Restoration of the Parties. In case Mortgagee shall have proceeded to enforce any right, power or remedy under this Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Mortgagee, then and in every such case, Mortgagor and Mortgagee shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of Mortgagee shall continue as if no such proceeding had been taken.

12. Suits to Protect the Security Property. Upon the occurrence of a Lease Event of Default hereunder, Mortgagee shall have the power (i) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security Property by any

acts which may be unlawful or in violation of this Mortgage; (ii) to preserve or protect its interest in the Security Property and in the rents, issues, profits, revenues, awards and other benefits arising therefrom; and (iii) to restrain the enforcement of or compliance with any legislation or other governmental enactment, regulation, rule, order or other requirement that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, regulation, rule, order or other requirement would impair the security hereunder or be prejudicial to the interest of Mortgagee, and all costs and expenses incurred by Mortgagee in connection therewith (including, without limitation, attorneys' fees and expenses) shall be paid by Mortgagor to Mortgagee on demand with interest at the Default Rate, and all such amounts shall be additional indebtedness secured hereby (and part of the Obligations).

13. Mortgagee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Mortgagor, its creditors or its property, Mortgagee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Mortgagee allowed in such proceedings for the entire amount due and payable by Mortgagor under this Mortgage at the date of the institution of such proceedings and for any additional amount which may become due and payable by Mortgagor hereunder after such date.

14. Assignment. For \$10.00 and other good and valuable consideration, including the indebtedness evidenced by the Operative Documents, the receipt and sufficiency of which are hereby acknowledged, Mortgagor has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell and convey absolutely unto Mortgagee any leases and the rents payable to Mortgagor relative to the Security Property, subject only to the hereinafter referenced License, to have and to hold the Leases and the Rents unto Mortgagee, forever, and Mortgagor does hereby bind itself, its successors and assigns to warrant and forever defend the title to the leases and the rents unto Mortgagee against every person whomsoever lawfully claiming or to claim the same or any part thereof by or through Mortgagor; provided, however, if Mortgagor shall pay or cause to be paid and shall perform and discharge or cause to be performed and discharged, the Obligations on or before the date same is to be paid, performed and discharged, then this assignment shall terminate and be of no further force and effect, and all rights, titles and interests conveyed pursuant to this assignment shall become revested in Mortgagor without the necessity of any further act or requirement by Mortgagor or Mortgagee. Notwithstanding any provisions herein, Mortgagor may only lease the Security Property to third parties in accordance with the Operative Documents.

15. Limited License. Mortgagee hereby grants to Mortgagor a limited license (the "License"), nonexclusive with the rights of Mortgagee reserved in this Mortgage, to exercise and enjoy all incidences of ownership of the Leases and the Rents, including specifically but without limitation the right to collect, demand, sue for, attach, levy, recover and receive the Rents, and to give proper receipts, releases and acquittances therefor. Mortgagor hereby agrees to receive all Rents and hold the same as a trust fund to be applied, and to apply the Rent so collected, to the payment, satisfaction and discharge of the indebtedness described in the Operative Documents as and when the same shall become due and payable. Thereafter, Mortgagor may use the balance of the Rent collected in any manner not inconsistent with the Operative Documents.

16. Enforcement of Leases. Subject to and in accordance with the terms and conditions of Section 1.16 of this Mortgage, Mortgagor shall (a) duly and punctually perform and comply with any and all representations, warranties, covenants and agreements expressed as binding upon the landlord under any Lease, (b) maintain each of the Leases in full force and effect during the term thereof, (c) to the extent commercially reasonable, appear in and defend any action or proceeding in any manner connected with any of the Leases, (d) deliver to Mortgagee copies of executed counterparts of all Leases and (e) deliver to Mortgagee such further information, and execute and deliver to Mortgagee such further assurances and assignments, with respect to the Leases as Mortgagee may from time to time reasonably request. Without Mortgagee's prior written consent, Mortgagor shall not materially discount any future accruing Rent, or assign or grant a security interest in or to the License or any of the Leases.

17. Suits; Attornment. Subject to the License and the provisions of Section 2.1.2 of this Mortgage, Mortgagee hereby reserves and may exercise the right and Mortgagor hereby acknowledges that Mortgagee has the right (but not the obligation), upon the occurrence and during the continuance of a Lease Event of Default, to collect, demand, sue for, attach, levy, recover and receive any Rent, to give proper receipts, releases and acquittances therefor and, after deducting the expenses of collection, to apply the net proceeds thereof as a credit upon any portion of any indebtedness secured hereby selected by Mortgagee, notwithstanding that such portion selected may not then be due and payable or that such portion is otherwise adequately secured. Mortgagor hereby authorizes and directs any lessee of the Security Property to deliver any such payment to, and otherwise to attorn all other obligations under the Leases direct to, Mortgagee. Mortgagor hereby ratifies and confirms all that Mortgagee shall do or cause to be done by virtue and in compliance with the terms of this assignment. No lessee shall be required to inquire into the authority of Mortgagee to collect any Rent, and any lessee's obligation to Mortgagor shall be absolutely discharged to the extent of its payment to Mortgagee.

18. Remedies. Upon or at any time after the occurrence of a Lease Event of Default, Mortgagee, at its option and in addition to the remedies provided in this Mortgage, shall have the complete, continuing and absolute right, power and authority to terminate the License solely by the giving of written notice of termination to Mortgagor. Upon Mortgagee's giving of such notice, the License shall immediately terminate without any further action being required of Mortgagee. Thereafter, as long as any Event of Default shall exist, Mortgagee shall have the exclusive right, power and authority to take any and all action as described above, regardless of whether a foreclosure sale of the remainder of the Security Property has occurred under this Mortgage, or whether Mortgagee has taken possession of the remainder of the Security Property or attempted to do any of the same. No action referred to above or in this Section taken by Mortgagee shall constitute an election of remedy. Notwithstanding any term to the contrary herein, in the event of such a termination of Mortgagor's License, such License shall be reinstated when and if the applicable Event of Default shall have been cured or waived.

19. No Obligation of Mortgagee. Neither the acceptance by Mortgagee of the assignment granted in this Mortgage, nor the granting of any other right, power, privilege or authority in this Mortgage, nor the exercise of any of the aforesaid, shall (a) prior to the actual taking of physical possession and operational control of the Security Property by Mortgagee, be deemed to constitute Mortgagee as a "mortgagee in possession" or (b) at any time thereafter,

obligate Mortgagee (i) to appear in or defend any action or proceeding relating to the Leases, the Rents or the remainder of the Security Property, (ii) to take any action hereunder, (iii) to expend any money or incur any expenses or perform or discharge any obligation, duty or liability with respect to any Lease, (iv) to assume any obligation or responsibility for any deposits which are not physically delivered to Mortgagee or (v) for any injury or damage to person or property sustained in or about the Security Property.

20. Mortgagor's Indemnities. So long as the License is in effect, Mortgagor shall indemnify and hold Mortgagee harmless from and against any and all liability, loss, cost, damage or expense which Mortgagee incurs under or by reason of this assignment, or for any action taken by Mortgagee hereunder in accordance with the terms hereof, or by reason of or in defense of any and all claims and demands whatsoever which are asserted against Mortgagee arising out of the Leases. In the event Mortgagee incurs any such liability, loss, cost, damage or expense, the amount thereof together with all reasonable attorneys' fees and interest thereon at the Default Rate shall be payable by Mortgagor to Mortgagee, within 10 days after demand by Mortgagee, and shall be secured by this Mortgage, provided that Mortgagor shall have no duty or liability hereunder to indemnify and hold Mortgagee harmless from matters resulting from the willful misconduct or gross negligence of Mortgagee.

Schedule IV

Defined Terms

"Appurtenant Rights" means, with respect to the Land and the Subject Property, (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, and other rights and benefits at any time belonging or pertaining to the Land and the Subject Property, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to the Land and (ii) all permits, licenses and rights, whether or not of record, appurtenant to the Land and (iii) all of the Lessee/Mortgagor's right, title and interest in all general intangibles relating to the design, development, operation, management and use of the Subject Property, all certificates of occupancy, zoning variances, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any Governmental Authority in connection with the development, use, operation or management of the Subject Property, all construction, service, engineering, consulting, leasing, architectural and other similar contracts concerning the design, construction, management, operation, occupancy and/or use of the Subject Property, all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, environmental studies, engineering reports and similar materials relating to any portion of or all of the Subject Property, and all payment and performance bonds or warranties or guarantees relating to the Subject Property, all to the extent assignable.

"Equipment" means any equipment the removal of which could reasonably be expected to affect the value or utility of the Land or the Subject Property, taken together or separately, including heating, electrical, switch gear, power supply, lighting, plumbing, ventilation, air conditioning and air cooling systems, refrigerating equipment, generators, locking and unlocking equipment, communication systems, sprinkler system and fire prevention systems, security systems and fixtures of all kinds; provided, however, that the term "Equipment" shall expressly exclude all inventory, furniture and furnishings.