

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

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

For the transition period from to

Commission file number 1-5672

ITT CORPORATION

State of Indiana
*(State or Other Jurisdiction
of Incorporation or Organization)*

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

4 West Red Oak Lane, White Plains, NY 10604
(Principal Executive Office)

Telephone Number: (914) 641-2000

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of July 31, 2006, there were outstanding 184,674,678 shares of common stock (\$1 par value per share) of the registrant.

ITT CORPORATION
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PART I.
FINANCIAL INFORMATION

Item 1.

FINANCIAL STATEMENTS
ITT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED INCOME STATEMENTS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Sales and revenues	\$ 2,067.9	\$ 1,863.9	\$ 3,954.6	\$ 3,629.8
Costs of sales and revenues	1,491.9	1,353.0	2,875.4	2,649.4
Selling, general, and administrative expenses	295.5	262.5	565.8	525.4
Research and development expenses	43.7	44.6	86.4	88.9
Restructuring and asset impairment charges, net	10.0	5.7	25.1	24.1
Total costs and expenses	1,841.1	1,665.8	3,552.7	3,287.8
Operating income	226.8	198.1	401.9	342.0
Interest expense	21.5	13.9	41.4	34.0
Interest income	4.8	5.5	8.5	19.7
Miscellaneous expense, net	4.2	5.5	9.5	10.5
Income from continuing operations before income tax expense	205.9	184.2	359.5	317.2
Income tax expense	63.5	53.2	109.6	64.8
Income from continuing operations	142.4	131.0	249.9	252.4
Discontinued operations:				
(Loss) income from discontinued operations, including tax (benefit) expense of \$(0.6), \$3.2, \$6.8 and \$0.1, respectively	(1.5)	6.7	46.9	1.8
Net income	\$ 140.9	\$ 137.7	\$ 296.8	\$ 254.2
Earnings Per Share⁽¹⁾:				
Income from continuing operations:				
Basic	\$ 0.77	\$ 0.71	\$ 1.35	\$ 1.37
Diluted	\$ 0.76	\$ 0.70	\$ 1.33	\$ 1.34
Discontinued operations:				
Basic	\$ (0.01)	\$ 0.04	\$ 0.26	\$ 0.01
Diluted	\$ (0.01)	\$ 0.03	\$ 0.25	\$ 0.01
Net income:				
Basic	\$ 0.76	\$ 0.75	\$ 1.61	\$ 1.38
Diluted	\$ 0.75	\$ 0.73	\$ 1.58	\$ 1.35
Cash dividends declared per common share	\$ 0.11	\$ 0.09	\$ 0.22	\$ 0.18
Average Common Shares — Basic	184.3	184.5	184.4	184.6
Average Common Shares — Diluted	187.2	188.5	187.5	188.5

(1) Restated for two-for-one stock split effective February 21, 2006.

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

ITT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In millions, except share and per share amounts)
(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	\$ 755.0	\$ 451.0
Receivables, net	1,403.9	1,268.1
Inventories, net	728.3	661.3
Current assets of discontinued operations	—	256.9
Deferred income taxes	74.3	73.6
Other current assets	99.0	69.9
Total current assets	3,060.5	2,780.8
Plant, property, and equipment, net	840.1	837.0
Deferred income taxes	90.9	87.5
Goodwill, net	2,348.4	2,249.1
Other intangible assets, net	209.9	214.8
Other assets	976.5	894.2
Total non-current assets	4,465.8	4,282.6
Total assets	\$ 7,526.3	\$ 7,063.4
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 869.2	\$ 797.2
Accrued expenses	788.6	745.8
Accrued taxes	147.9	187.1
Notes payable and current maturities of long-term debt	900.1	751.4
Current liabilities of discontinued operations	—	77.9
Other current liabilities	9.7	8.3
Total current liabilities	2,715.5	2,567.7
Pension benefits	442.2	428.3
Postretirement benefits other than pensions	303.7	305.5
Long-term debt	516.2	516.3
Other liabilities	521.7	522.2
Total non-current liabilities	1,783.8	1,772.3
Total liabilities	4,499.3	4,340.0
Shareholders' Equity:(1)		
Common stock:		
Authorized 250,000,000 shares, \$1 par value per share Outstanding: 184,638,058 shares and 184,637,920 shares	184.2	184.6
Retained earnings	2,871.8	2,666.0
Accumulated other comprehensive income (loss):		
Unrealized loss on investment securities and cash flow hedges	(0.6)	(0.5)
Minimum pension liability	(120.4)	(120.4)
Cumulative translation adjustments	92.0	(6.3)
Total accumulated other comprehensive loss	(29.0)	(127.2)
Total shareholders' equity	3,027.0	2,723.4
Total liabilities and shareholders' equity	\$ 7,526.3	\$ 7,063.4

(1) Restated for two-for-one stock split effective February 21, 2006.

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

ITT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2006	2005
Operating Activities		
Net income	\$ 296.8	\$ 254.2
(Income) loss from discontinued operations	(46.9)	(1.8)
Income from continuing operations	249.9	252.4
Adjustments to income from continuing operations:		
Depreciation and amortization	92.5	96.4
Amortization of stock compensation	11.0	0.6
Restructuring and asset impairment charges, net	25.1	24.1
Payments for restructuring	(29.6)	(21.1)
Change in receivables	(120.2)	(183.0)
Change in inventories	(46.8)	(29.3)
Change in accounts payable and accrued expenses	64.3	99.4
Change in accrued and deferred taxes	(35.9)	15.6
Change in other current and non-current assets	(94.4)	(104.7)
Change in non-current liabilities	1.0	(2.1)
Other, net	4.0	(0.2)
Net cash — operating activities	<u>120.9</u>	<u>148.1</u>
Investing Activities		
Additions to plant, property, and equipment	(64.8)	(64.1)
Acquisitions, net of cash acquired	(74.0)	(1.5)
Proceeds from sale of assets and businesses	230.7	7.7
Other, net	(6.3)	—
Net cash — investing activities	<u>85.6</u>	<u>(57.9)</u>
Financing Activities		
Short-term debt, net	147.2	163.5
Long-term debt repaid	(1.0)	(4.6)
Long-term debt issued	0.1	0.4
Repurchase of common stock	(130.2)	(118.2)
Proceeds from issuance of common stock	50.9	56.3
Dividends paid	(37.0)	(49.8)
Other, net	12.8	(0.1)
Net cash — financing activities	<u>42.8</u>	<u>47.5</u>
Exchange Rate Effects on Cash and Cash Equivalents	28.6	(21.7)
Net Cash — Discontinued Operations Operating Activities	28.3	13.1
Net Cash — Discontinued Operations Investing Activities	<u>(2.2)</u>	<u>(7.8)</u>
Net change in cash and cash equivalents	304.0	121.3
Cash and cash equivalents — beginning of period	451.0	262.9
Cash and cash equivalents — end of period	<u>\$ 755.0</u>	<u>\$ 384.2</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 36.9	\$ 25.3
Income taxes	<u>\$ 145.6</u>	<u>\$ 49.2</u>

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

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In millions, except share and per share amounts, unless otherwise stated)

1) Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules. ITT Corporation ("The Company") believes that the disclosures made are adequate to make the information presented not misleading. The Company consistently applied the accounting policies described in the Company's 2005 Annual Report on Form 10-K in preparing these unaudited financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2005 Annual Report on Form 10-K.

Certain amounts in the prior periods' consolidated condensed financial statements have been reclassified to conform to the current period presentation.

2) Receivables, Net

Net receivables consist of the following:

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Trade	\$ 1,342.5	\$ 1,157.4
Other	93.3	148.8
Less: allowance for doubtful accounts and cash discounts	<u>(31.9)</u>	<u>(38.1)</u>
	<u>\$ 1,403.9</u>	<u>\$ 1,268.1</u>

3) Inventories, Net

Net inventories consist of the following:

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Finished goods	\$ 182.1	\$ 158.8
Work in process	283.4	268.8
Raw materials	349.8	316.3
Less: progress payments	<u>(87.0)</u>	<u>(82.6)</u>
	<u>\$ 728.3</u>	<u>\$ 661.3</u>

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

4) Plant, Property, and Equipment, Net

Net plant, property, and equipment consist of the following:

	June 30, 2006	December 31, 2005
Land and improvements	\$ 51.9	\$ 57.4
Buildings and improvements	512.9	495.2
Machinery and equipment	1,474.8	1,412.0
Furniture, fixtures and office equipment	227.1	224.5
Construction work in progress	79.0	71.1
Other	66.7	58.2
	<u>2,412.4</u>	<u>2,318.4</u>
Less: accumulated depreciation and amortization	(1,572.3)	(1,481.4)
	<u>\$ 840.1</u>	<u>\$ 837.0</u>

5) Sales and Revenues and Costs of Sales and Revenues

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Product sales	\$ 1,651.2	\$ 1,494.7	\$ 3,158.1	\$ 2,916.5
Service revenues	416.7	369.2	796.5	713.3
Total sales and revenues	<u>\$ 2,067.9</u>	<u>\$ 1,863.9</u>	<u>\$ 3,954.6</u>	<u>\$ 3,629.8</u>
Costs of product sales	\$ 1,139.2	\$ 1,037.1	\$ 2,210.9	\$ 2,035.4
Costs of service revenues	352.7	315.9	664.5	614.0
Total costs of sales and revenues	<u>\$ 1,491.9</u>	<u>\$ 1,353.0</u>	<u>\$ 2,875.4</u>	<u>\$ 2,649.4</u>

The Defense Electronics & Services segment comprises \$383.2 and \$736.0 of total service revenues for the three and six months ended June 30, 2006, respectively, and \$322.7 and \$612.4 of total costs of service revenues, respectively, during the same periods. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

The Defense Electronics & Services segment comprises \$330.8 and \$643.1 of total service revenues for the three and six months ended June 30, 2005, respectively, and \$283.3 and \$555.4 of total costs of service revenues, respectively, during the same periods. The Fluid Technology segment comprises the remaining balances of service revenues and costs of service revenues.

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

6) Comprehensive Income

	<u>Pretax Income (Expense)</u>	<u>Tax Benefit</u>	<u>Net-of-Tax Amount</u>
Three Months Ended June 30, 2006			
Net income			\$ 140.9
Other comprehensive income:			
Foreign currency translation adjustments	\$ 79.9	\$ —	79.9
Unrealized (loss) gain on investment securities and cash flow hedges	(0.2)	0.1	(0.1)
Other comprehensive income	\$ 79.7	\$ 0.1	79.8
Comprehensive income			<u>\$ 220.7</u>

	<u>Pretax Income (Expense)</u>	<u>Tax Benefit</u>	<u>Net-of-Tax Amount</u>
Three Months Ended June 30, 2005			
Net income			\$ 137.7
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$ (101.4)	\$ —	(101.4)
Other comprehensive (loss) income	\$ (101.4)	\$ —	(101.4)
Comprehensive income			<u>\$ 36.3</u>

	<u>Pretax Income (Expense)</u>	<u>Tax Benefit</u>	<u>Net-of-Tax Amount</u>
Six Months Ended June 30, 2006			
Net income			\$ 296.8
Other comprehensive income (loss):			
Foreign currency translation adjustments (refer to table below)	\$ 98.3	\$ —	98.3
Unrealized (loss) gain on investment securities and cash flow hedges	(0.2)	0.1	(0.1)
Other comprehensive income	\$ 98.1	\$ 0.1	98.2
Comprehensive income			<u>\$ 395.0</u>

	<u>Pretax Income (Expense)</u>	<u>Tax Benefit</u>	<u>Net-of-Tax Amount</u>
Six Months Ended June 30, 2005			
Net income			\$ 254.2
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$ (167.8)	\$ —	(167.8)
Unrealized (loss) gain on investment securities and cash flow hedges	(0.2)	0.1	(0.1)
Other comprehensive (loss) income	\$ (168.0)	\$ 0.1	(167.9)
Comprehensive income			<u>\$ 86.3</u>

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

Disclosure of 2006 Foreign Currency Translation Reclassification:

Six Months Ended June 30, 2006	
Foreign Currency Translation Adjustments	\$ 114.8
Less: reclassification adjustment for gains included in net income	(16.5)
Net Foreign Currency Translation Adjustments	<u>\$ 98.3</u>

7) Earnings Per Share⁽¹⁾

The following is a reconciliation of the shares used in the computation of basic and diluted earnings per share ("EPS") for the three and six months ended June 30, 2006 and 2005 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Weighted average shares of common stock outstanding used in the computation of basic earnings per share	184.3	184.5	184.4	184.6
Common stock equivalents	2.9	4.0	3.1	3.9
Shares used in the computation of diluted earnings per share	<u>187.2</u>	<u>188.5</u>	<u>187.5</u>	<u>188.5</u>

Options to purchase 790,521 shares of common stock at an average price of \$52.67 per share were outstanding at June 30, 2006 but were not included in the computation of diluted EPS for the three months ended June 30, 2006, because the options were antidilutive. These options expire in 2012 and 2013.

Options to purchase 1,207,541 shares of common stock at an average price of \$50.18 per share were outstanding at June 30, 2006 but were not included in the computation of diluted EPS for the six months ended June 30, 2006, because the options were antidilutive. These options expire in 2012 and 2013.

There were no significant amounts of outstanding antidilutive common stock options excluded from the computation of diluted EPS for the three months ended June 30, 2005.

Options to purchase 3,530,200 shares of common stock at an average price of \$45.54 per share were outstanding but were not included in the computation of diluted EPS for the six months ended June 30, 2005, because the options were antidilutive. These options expire in 2012.

The amount of antidilutive restricted common stock excluded from the computation of diluted EPS for the three and six months ended June 30, 2006 and 2005 was insignificant.

(1) Restated for two-for-one stock split effective February 21, 2006.

8) Stock-Based and Long-Term Incentive Employee Compensation

At June 30, 2006, the Company has one stock-based employee compensation plan that is issuing new stock options and restricted shares of common stock. The Company has one stock-based employee compensation plan and two stock-based non-employee director's compensation plans that have stock options and restricted shares outstanding, but no further grants will be made under these plans. The Company also has one long-term incentive plan for eligible levels of management.

The Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R") as of January 1, 2006 using the modified prospective method described in the accounting standard. SFAS 123R requires the cost of stock options issued as equity awards to be measured at fair value on the grant date and recognized in the income

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

statement. The Company's Consolidated Condensed Financial Statements as of and for the three and six months ended June 30, 2006 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, the Company's Consolidated Condensed Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

The total stock-based and long-term incentive employee compensation cost recognized in income for the three and six months ended June 30, 2006 was \$5.5 and \$18.3, respectively. The total tax benefit related thereto was \$1.9 and \$6.4, respectively. The total stock-based and long-term incentive employee compensation cost recognized in income for the three and six months ended June 30, 2005 was \$6.6 and \$15.6, respectively. The total tax benefit related thereto was \$2.3 and \$5.5, respectively. Total compensation costs capitalized was immaterial for both periods. The incremental stock-based compensation caused net income for the three and six months ended June 30, 2006 to decrease by \$3.9 and \$6.5, respectively, and basic and diluted earnings per share to decrease by \$0.02 and \$0.03 per share, respectively. Cash provided by operating activities decreased and cash provided by financing activities increased by \$12.7 for the six months ended June 30, 2006 related to excess tax benefits from stock options.

Stock-based compensation expense recognized in the Consolidated Condensed Income Statement for the first half of fiscal 2006 is based on awards ultimately expected to vest. Accordingly, expense has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123R for the periods prior to fiscal 2006, the Company accounted for forfeitures as they occurred.

Stock option awards granted to retirement eligible employees prior to January 1, 2006 were fully vested under the provisions of SFAS 123R on the date of grant but were expensed over the expected service period. Compensation expense for the awards to retirement eligible employees would have otherwise been recognized immediately. As of June 30, 2006, there was \$5.4 of unrecognized compensation expense related to these awards. In 2006, the Company modified its vesting conditions for stock option awards to retirement eligible employees that aligned the vesting period with the service period. The Company will continue to recognize compensation expense for all stock-based awards ratably over the expected service period under the provisions of SFAS 123R.

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

Prior to the adoption of SFAS 123R, the Company applied APB 25 to account for its stock-based awards. The following table details the effect on net income and diluted net income per share had compensation expense for the employee stock-based awards been recorded in the first quarter of 2005 based on the fair value method under SFAS 123R:

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income — as reported for the prior period ⁽¹⁾	\$ 137.7	\$ 254.2
Add: Stock-based and long-term incentive employee compensation expense, net of tax benefit, included in net income as reported	4.3	10.1
Less: Total stock-based and long-term incentive employee compensation expense, net of tax benefit, that would have been included in net income if the fair value method had been applied to all awards ⁽²⁾	(21.9)	(30.3)
Net income, including the effect of stock-based and long-term incentive compensation expense ⁽³⁾	\$ 120.1	\$ 234.0
Basic earnings per share:		
As reported for the prior period ⁽¹⁾	\$ 0.75	\$ 1.38
Including the effect of stock-based and long-term incentive compensation expense ⁽³⁾	\$ 0.65	\$ 1.27
Diluted earnings per share:		
As reported for the prior period ⁽¹⁾	\$ 0.73	\$ 1.35
Including the effect of stock-based and long-term incentive compensation expense ⁽³⁾	\$ 0.64	\$ 1.24

(1) Net income and net income per share do not include stock-based compensation expense for employee stock options under SFAS 123R because the Company did not adopt the recognition provisions of SFAS 123R.

(2) Stock-based compensation expense is calculated based on the pro forma application of SFAS 123R.

(3) Net income and net income per share represents pro forma information based on SFAS 123R.

Stock Option and Restricted Stock Compensation Plans

The Company's stock option and restricted share award incentive plans provide for the awarding of options on common shares and restricted common shares to employees. The options are exercisable over seven to ten-year periods, except in certain instances of death, retirement or disability. Certain options become exercisable upon the earlier of the attainment of specified market price appreciation of the Company's common shares or at six or nine years after the date of grant. Other options become exercisable upon the earlier of the attainment of specified market price appreciation of the Company's common shares or over a three-year period commencing with the date of grant. The exercise price per share is the fair market value on the date each option is granted. Restricted shares typically vest over a three-year period commencing on the date of grant. The Company makes shares available for the exercise of stock options or the vesting of restricted shares by purchasing shares in the open market or by issuing shares from Treasury. The Company has a policy of repurchasing shares on the open market to offset the dilutive impact of stock option exercises and stock-based awards to employees.

The ITT 2003 Equity Incentive Plan ("2003 Equity Incentive Plan") was approved by shareholders and established in May of 2003. This plan provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. The number of shares initially available for awards under this plan was 12,200,000.

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

As of June 30, 2006, 3,904,119 net shares were available for future grants. During the six months ended June 30, 2006 and 2005, the Company awarded 410,751 and 32,000 restricted shares, respectively, to employees with weighted average restriction periods of 3.0 and 3.8 years, respectively.

The 2003 Equity Incentive Plan replaces the 2002 ITT Stock Option Plan for Non-Employee Directors, the ITT 1996 Restricted Stock Plan for Non-Employee Directors and the 1994 ITT Incentive Stock Plan on a prospective basis. All awards granted under these prior plans will continue to vest and be exercisable in accordance with their original terms; however, no future grants will be made from these prior plans.

A summary of the status of the Company's stock option and restricted stock awards as of June 30, 2006 and changes during the six months then ended is presented below (shares in thousands):

	Six Months Ended June 30, 2006			
	Stock Options		Restricted Shares ⁽¹⁾	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2006	13,143	\$ 32.88	143	\$ 50.29
Granted	582	\$ 52.70	423	\$ 52.76
Exercised/vested	(1,917)	\$ 26.40	—	—
Canceled or expired	(545)	\$ 30.84	—	—
Outstanding at June 30, 2006	<u>11,263</u>	<u>\$ 35.10</u>	<u>566</u>	<u>\$ 52.14</u>
Options exercisable at June 30, 2006	8,330	\$ 30.78	N/A	N/A
Weighted-average fair value of stock options granted during the period		<u>\$ 14.13</u>		N/A

⁽¹⁾ The table above excludes 250,000 restricted stock units that were granted at a fair value of \$41.52. The unrecognized compensation cost associated with these units is \$6.9. This cost is expected to be recognized ratably over 4.0 years.

The intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) during the quarter ended June 30, 2006 and 2005 was \$84.9 and \$63.3, respectively. The outstanding restricted shares include 38,104 shares issued to non-employee directors in payment of the annual retainer for non-employee directors. This cost is expected to be recognized ratably over a weighted average period of 3.9 years. For the quarter ended June 30, 2006, the amount of cash received from the exercise of stock options was \$50.9 with an associated tax benefit realized of \$17.7.

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The following table summarizes information about the Company's stock options at June 30, 2006 (shares and aggregate intrinsic value in thousands):

Range of Exercise Prices	Options Outstanding				Options Exercisable			
	Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Aggregate Intrinsic Value
\$12.44 - 16.66	930	2.5 years	\$ 15.63	\$ 31,499	930	2.5 years	\$ 15.63	\$ 31,499
17.41 - 19.78	1,108	3.8 years	18.86	33,954	1,108	3.8 years	18.86	33,954
25.33 - 29.29	1,183	5.5 years	25.41	28,495	1,183	5.5 years	25.41	28,495
30.91 - 34.56	1,603	6.5 years	31.00	29,661	1,603	6.5 years	31.00	29,661
37.46 - 41.52	2,396	7.6 years	37.90	27,806	2,396	7.6 years	37.90	27,806
42.20 - 45.47	3,252	5.7 years	45.44	13,211	1,107	5.7 years	45.42	4,514
47.41 - 52.68	656	6.6 years	52.19	37	3	6.0 years	47.41	7
53.08 - 57.46	135	6.3 years	54.86	—	—	—	—	—
	11,263			\$ 164,663	8,330			\$ 155,936

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$49.50 as of June 30, 2006, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options exercisable as of June 30, 2006 is 8.3 million. As of June 30, 2005, 12.9 million outstanding options were exercisable, and the weighted average exercise price was \$26.49.

At June 30, 2006, there was \$53.9 of total unrecognized compensation cost related to non-vested awards granted under the stock option and restricted stock plans. This cost is expected to be recognized ratably over a weighted-average period of 2.1 years.

The Company used the following weighted-average assumptions for grants in the three and six month periods ended June 30, 2006 and 2005:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Dividend yield	0.88%	0.73%	0.84%	0.79%
Expected volatility	25.00%	23.00%	24.04%	23.00%
Expected life	4.5 years	5.1 years	4.8 years	4.6 years
Risk-free rates	5.00%	3.84%	4.73%	3.99%

Expected volatilities are based on the Company's stock price history, including implied volatilities from traded options on the Company's stock. The Company uses historical data to estimate option exercise and employee termination behavior within the valuation model. Separate employee groups and option characteristics are considered separately for valuation purposes. The expected life represents an estimate of the period of time options are expected to remain outstanding. The expected life provided above represents the weighted average of expected behavior for certain groups of employees who have historically exhibited different behavior. The risk-free rate is based on the US Treasury yield curve in effect at the time of option grant.

Long-Term Incentive Plan

The ITT 1997 Long-Term Incentive Plan (the "LTIP"), approved by shareholders in 1997, authorizes performance awards to be made to key employees of the Company. The LTIP is considered a liability plan,

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under the provisions of SFAS 123R. Accordingly, the Company is required to reassess the fair value of its LTIP awards at the end of each reporting period.

Payment, if any, of target cash awards generally will be made at the end of the applicable three-year performance period and will be based on the Company's performance measured against the total shareholder return performance of other stocks comprising the S&P Industrials Index.

The fair value of each award is calculated on a quarterly basis using Monte Carlo simulations. The three-year volatility of the outstanding awards as of June 30, 2006 was approximately 17.24%. The number of companies included in the applicable benchmark group range from 334 to 362 for the awards outstanding as of June 30, 2006.

At June 30, 2006, there was \$25.5 of total unrecognized compensation cost related to non-vested awards granted under the LTIP. This cost is expected to be recognized ratably over a weighted-average period of 1.3 years. The total cash paid to settle the LTIP liability was \$17.2 and \$16.1 during the first six months of 2006 and 2005, respectively.

9) Restructuring and Asset Impairment Charges

2006 Restructuring Activities

During the second quarter of 2006, the Company recorded a \$12.5 restructuring charge, reflecting costs of \$5.5 related to new actions, \$5.7 related to actions announced during the first quarter of 2006, and \$1.3 related to prior year plans.

Components of Second Quarter 2006 Charge

	2006 Actions — Second Quarter Plan			Planned Position Eliminations	2006 First Quarter Plan		Prior Year Plans Additional Costs
	Severance	Other Employee- Related Costs	Total		Additional Costs		
Fluid Technology	\$ 1.3	\$ 0.1	\$ 1.4	16	\$ 0.7	\$ —	—
Defense Electronics & Services	0.8	0.1	0.9	32	—	—	—
Motion & Flow Control	1.8	0.1	1.9	28	4.7	—	0.5
Electronic Components	1.0	—	1.0	15	0.3	—	0.8
Corporate and Other	0.3	—	0.3	2	—	—	—
	<u>\$ 5.2</u>	<u>\$ 0.3</u>	<u>\$ 5.5</u>	<u>93</u>	<u>\$ 5.7</u>	<u>\$ —</u>	<u>1.3</u>

The charges associated with actions announced during the second quarter of 2006, represent a reduction of structural costs in all segments. Planned position eliminations total 93, including 18 factory workers, 67 office workers, and 8 management employees. The costs attributable to the first quarter 2006 plan primarily reflect lease and severance costs. The costs associated with prior year plans primarily reflect additional severance costs.

During the first quarter of 2006, the Company recorded a \$15.8 restructuring charge, reflecting costs of \$12.8 related to new actions and costs of \$3.0 related to prior year plans primarily reflecting additional severance costs.

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Components of First Quarter 2006 Charge

	2006 Actions — First Quarter Plan				Planned Position Eliminations	Prior Year Plans Additional Costs
	Severance	Other Employee-Related Costs	Asset Write-offs	Total		
Fluid Technology	\$ 2.3	\$ 1.6	\$ —	\$ 3.9	122	\$ 0.5
Defense Electronics & Services	2.0	—	—	2.0	60	—
Motion & Flow Control	0.7	—	1.2	1.9	125	0.4
Electronic Components	4.9	—	—	4.9	77	2.1
Corporate and Other	0.1	—	—	0.1	1	—
	<u>\$ 10.0</u>	<u>\$ 1.6</u>	<u>\$ 1.2</u>	<u>\$ 12.8</u>	<u>385</u>	<u>\$ 3.0</u>

These charges represent a reduction of structural costs in all segments, as well as the planned closure of two facilities in the Fluid Technology segment and one facility in the Motion & Flow Control segment. Planned position eliminations total 385, including 238 factory workers, 137 office workers, and 10 management employees. Additional costs of \$2.0 related to these actions are expected to be recognized over the remainder of 2006 (\$1.2 in the Fluid Technology segment and \$0.8 in the Motion & Flow Control segment).

2005 Restructuring Activities

During 2005, the Company recorded a \$71.1 restructuring charge, reflecting costs of \$69.8 related to new actions and costs of \$1.3 related to previous plans.

Components of 2005 Charge

	2005 Actions				Planned Position Eliminations	Prior Year Plans Additional Costs
	Severance	Asset Write-Offs	Lease Cancellation & Other Costs	Total		
Fluid Technology	\$ 28.8	\$ 1.4	\$ 1.7	\$ 31.9	466	\$ —
Motion & Flow Control	8.9	—	0.8	9.7	274	—
Electronic Components	25.8	0.1	1.9	27.8	1,246	1.3
Corporate and Other	0.4	—	—	0.4	1	—
	<u>\$ 63.9</u>	<u>\$ 1.5</u>	<u>\$ 4.4</u>	<u>\$ 69.8</u>	<u>1,987</u>	<u>\$ 1.3</u>

These charges represent a reduction of structural costs and closure of four facilities in the Fluid Technology segment, and continued reorganization and closure of three facilities in the Electronic Components segment. In addition, activity in the Motion & Flow Control segment reflected workforce reductions, the consolidation of functions, the transfer of functions from France to Holland and the outsourcing of selected functions to Eastern Europe. Planned position eliminations total 1,987, including 1,325 factory workers, 590 office workers, and 72 management employees.

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The following table displays a rollforward of the cash restructuring accruals:

	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Electronic Components	Corporate and Other	Total
Balance December 31, 2005	\$ 19.0	\$ —	\$ 2.9	\$ 10.5	\$ 0.2	\$ 32.6
Additional cash charges for prior year plans	0.5	—	0.9	2.9	—	4.3
Cash payments and other related to prior charges	(12.3)	—	(2.7)	(7.0)	(0.2)	(22.2)
Reversals of prior charges	(0.4)	—	—	(2.6)	—	(3.0)
2006 charges	6.0	2.9	7.3	6.2	0.4	22.8
Reversal of 2006 charges	(0.1)	(0.1)	—	—	—	(0.2)
Cash payments and other related to the 2006 charges	(2.4)	(1.7)	(0.8)	(1.9)	(0.1)	(6.9)
Balance June 30, 2006	<u>\$ 10.3</u>	<u>\$ 1.1</u>	<u>\$ 7.6</u>	<u>\$ 8.1</u>	<u>\$ 0.3</u>	<u>\$ 27.4</u>

The accrual balance at June 30, 2006 of \$27.4 includes \$20.6 for severance and \$6.8 for facility carrying costs and other.

At December 31, 2005 the accrual balance for restructuring activities was \$32.6. Cash payments of \$29.6 and additional cash charges of \$27.1 were recorded in the first half of 2006. Foreign currency translation also added \$0.5 to the balance. In addition, management reviewed the Company's remaining restructuring actions and determined that \$3.2 of planned costs would not be incurred. Accordingly, \$0.7 and \$2.5 of restructuring accruals were reversed into income during the first and second quarters of 2006, respectively.

The following is a reconciliation of employee position eliminations associated with 2005 and 2006 restructuring activities:

Planned reductions as of December 31, 2005 related to 2005 restructuring programs	218
Planned reductions from 2006 actions	478
Actual reductions, January 1 — June 30, 2006	(549)
Planned additional reductions as of June 30, 2006	<u>147</u>

During 2006 the Company announced two planned facility closures in the Fluid Technology segment and one facility closure in the Motion & Flow Control segment. As of the end of the second quarter the two facilities at the Fluid Technology segment remain to be closed.

Actions announced during 2006 and 2005 are expected to be completed during 2006.

2005 Other Asset Impairments

During the fourth quarter of 2005, the Company determined that certain businesses within the Electronic Components segment were experiencing lower than expected financial results and as a result certain long-lived assets of those businesses may be impaired. After revising the earnings forecast for these businesses to reflect current business conditions, the Company recorded an impairment charge of \$8.3 relating to the long-lived assets. These events and circumstances also caused the Company to record an impairment charge for goodwill relating to the same business unit. See Note 13, "Goodwill and Other Intangible Assets," in the Notes to Consolidated

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Financial Statements of the 2005 Annual Report on Form 10-K, for further discussion of the goodwill impairment charge.

10) Derivative Instruments and Hedging Activities

The nature of the Company's business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates, currency exchange rates, and commodity prices. As discussed more completely in Note 1, "Summary of Significant Accounting Policies," and Note 18, "Financial Instruments," within the Notes to Consolidated Financial Statements of the 2005 Annual Report on Form 10-K, the Company uses derivative financial instruments to mitigate or eliminate certain of those risks.

A reconciliation of current period changes contained in the accumulated other comprehensive loss component of shareholders' equity is not required as no material activity occurred during the first six months of 2006 and 2005. Additional disclosures required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, are presented below.

Hedges of Future Cash Flows

There were no foreign currency cash flow hedges outstanding as of June 30, 2006 and December 31, 2005.

Hedges of Recognized Assets, Liabilities and Firm Commitments

During the fourth quarter of 2005, the Company terminated interest rate swaps that were established to manage the interest rate exposure associated with certain long-term debt. The terminated swaps had effectively converted much of the long-term debt mentioned in Note 16 "Debt," within the Notes to Consolidated Financial Statements of the 2005 Annual Report on Form 10-K, from fixed to variable rate borrowings. The fair value of these instruments at the time of termination was \$69.5, which will be amortized into income over the remaining terms of the underlying debt, which mature at various dates through 2025. At June 30, 2006 and December 31, 2005, the remaining balance to be accreted into income was \$66.3 and \$68.7, respectively.

At June 30, 2006 and December 31, 2005, the Company had foreign currency forward contracts with notional amounts of \$113.7 and \$120.5, respectively, to hedge the value of recognized assets, liabilities and firm commitments. The fair value of the 2006 and 2005 contracts were \$0.3 and \$0.1 at June 30, 2006 and December 31, 2005, respectively. The ineffective portion of changes in fair values of such hedge positions reported in operating income during the first six months of 2006 and 2005 was \$(0.2) in both periods. There were no amounts excluded from the measure of effectiveness.

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

11) Goodwill and Other Intangible Assets

The Company follows the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and indefinite-lived intangible assets be tested for impairment on an annual basis, or more frequently if circumstances warrant.

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Changes in the carrying amount of goodwill for the quarter ended June 30, 2006, by business segment, are as follows:

	<u>Fluid Technology</u>	<u>Defense Electronics & Services</u>	<u>Motion & Flow Control</u>	<u>Electronic Components</u>	<u>Corporate and Other</u>	<u>Total</u>
Balance as of January 1, 2006	\$ 1,040.8	\$ 947.3	\$ 163.8	\$ 92.2	\$ 5.0	\$ 2,249.1
Goodwill acquired during the period	36.8	23.7	—	—	—	60.5
Other, including foreign currency translation	37.8	—	0.6	0.8	(0.4)	38.8
Balance as of June 30, 2006	<u>\$ 1,115.4</u>	<u>\$ 971.0</u>	<u>\$ 164.4</u>	<u>\$ 93.0</u>	<u>\$ 4.6</u>	<u>\$ 2,348.4</u>

Goodwill of \$21.1 as of December 31, 2005 is excluded from the table above and is reflected in current assets of discontinued operations in the Consolidated Balance Sheet as of December 31, 2005. The businesses to which it relates were sold during the first quarter of 2006.

Information regarding the Company's other intangible assets are as follows:

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Finite-lived intangibles —		
Customer Relationships	\$ 142.6	\$ 138.8
Proprietary Technology	21.4	20.5
Trademarks	21.4	20.5
Patents and other	48.3	46.2
Accumulated amortization	(52.9)	(40.3)
Indefinite-lived intangibles —		
Brands and trademarks	8.2	8.2
Pension related	20.9	20.9
Net intangibles	<u>\$ 209.9</u>	<u>\$ 214.8</u>

Amortization expense related to intangible assets for the six month periods ended June 30, 2006 and 2005 was \$12.6 and \$9.5, respectively.

Estimated amortization expense for each of the five succeeding years is as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	\$23.2	\$20.5	\$18.7	\$17.2	\$16.3

12) Discontinued Operations

2006 Dispositions

In the first quarter of 2006, the Company completed the sale of its automotive brake & fuel tubing and components business to a privately held company, for net proceeds of \$198.9. The business, which was a component of the Company's Motion & Flow Control segment, manufactures steel and plastic tubing for fuel and brake lines, quick-connects, and serves the transportation industry. Additionally, during the first quarter of 2006, the Company completed the sale of its industrial non-metallic lined pumps and valves business to a private equity investor, for net proceeds of \$21.9. The business, which was a component of the Company's Fluid Technology segment, is a leading

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manufacturer of pumps and valves for selected segments in the chemical, fine chemical, and pharmaceutical industries. The Company recognized gains on these two transactions totaling approximately \$45.0.

Revenues and operating income associated with the disposed discontinued operations were \$455.7 and \$26.5, respectively, in 2005.

13) Pension and Postretirement Medical Benefit Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service cost	\$ 24.6	\$ 23.6	\$ 49.3	\$ 47.2
Interest cost	70.6	70.0	141.3	140.0
Expected return on plan assets	(93.3)	(89.8)	(186.6)	(179.6)
Amortization of prior service cost	0.7	1.1	1.3	2.2
Recognized actuarial loss	21.2	17.8	42.4	35.6
Net periodic pension cost	<u>\$ 23.8</u>	<u>\$ 22.7</u>	<u>\$ 47.7</u>	<u>\$ 45.4</u>

Net periodic pension expense increased in the first six months of 2006 as a result of the lower discount rate adopted at year end 2005 leading to a higher amortization of actuarial losses. This was offset by lower average foreign exchange rates and higher expected returns on plan assets due to higher plan asset balances.

The Company contributed approximately \$111.5 to its various plans during the first six months of 2006 including a \$100.0 discretionary contribution to its U.S. Salaried plan. Additional contributions totaling between \$10.0 and \$30.0 are expected over the balance of 2006.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service cost	\$ 2.1	\$ 1.9	\$ 4.2	\$ 3.8
Interest cost	10.1	10.8	20.2	21.6
Expected return on plan assets	(5.6)	(5.2)	(11.2)	(10.4)
Amortization of prior service benefit	(0.3)	(0.5)	(0.6)	(1.0)
Recognized actuarial loss	2.6	3.6	5.2	7.2
Net periodic postretirement cost	<u>\$ 8.9</u>	<u>\$ 10.6</u>	<u>\$ 17.8</u>	<u>\$ 21.2</u>

Net periodic expense decreased in the first six months of 2006 as a result of recognition of the impact of the Medicare Modernization Act ("MMA") and higher expected returns on plan assets due to higher plan asset balances, offset by the effect of lower discount rates adopted at year end 2005.

On December 8, 2003, the MMA was signed into law. The MMA introduced a prescription drug benefit under Medicare (Medicare Part D) that provides several options for Medicare eligible participants and employers, including a federal subsidy to companies, effective January 1, 2006, that elect to provide a retiree a prescription drug benefit which is at least actuarially equivalent to Medicare Part D. There were significant uncertainties regarding the eventual regulations required to implement the MMA as well as the MMA's overall effect on plan participant's coverage choices and the related impact on their health care costs which were, in part, answered by regulations issued in 2005. The Company has now determined that a majority of its healthcare plans pass the test of actuarial

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equivalence and during the fourth quarter of 2005 made application to the Centers for Medicare and Medicaid Services for the subsidy provided under MMA. The MMA subsidy reduced the Accumulated Postretirement Benefit Obligation for the subject plans by approximately \$41.0 at December 31, 2005, with the net periodic benefit cost reduced by \$2.7 in the first six months of 2006. Other than the effect of the subsidy, there was no expectation that retiree participation would be affected in the short-term given the nature of the Company's healthcare plans.

See Note 19, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2005 Annual Report on Form 10-K for discussion of postretirement benefits.

14) Commitments and Contingencies

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

Environmental:

The Company has accrued for environmental remediation costs associated with identified sites consistent with the policy set forth in Note 1, "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements of the 2005 Annual Report on Form 10-K. In management's opinion, the total amount accrued and related receivables are appropriate based on existing facts and circumstances. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such conditions, the selection of alternative remedies, and changes in clean-up standards. In the event that future remediation expenditures are in excess of amounts accrued, management does not anticipate that they will have a material adverse effect on the consolidated financial position, results of operations or cash flows.

In the ordinary course of business, and similar to other industrial companies, the Company is subject to extensive and changing federal, state, local, and foreign environmental laws and regulations. The Company has received notice that it is considered a potentially responsible party ("PRP") at a limited number of sites by the United States Environmental Protection Agency ("EPA") and/or a similar state agency under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") or its state equivalent. As of June 30, 2006, the Company is responsible, or is alleged to be responsible, for approximately 57 ongoing environmental investigation and remediation sites in various countries. In many of these proceedings, the Company's liability is considered de minimis. At June 30, 2006, the Company calculated a best estimate of \$92.0, which approximates its accrual, related to the cleanup of soil, soil vapor, and ground water. The low range estimate for its environmental liabilities is \$68.2 and the high range estimate for those liabilities is \$155.6. On an annual basis the Company spends between \$8.0 and \$12.0 on its environmental remediation liabilities. These estimates, and related accruals, are reviewed periodically and updated for progress of investigation and remediation efforts and changes in facts and legal circumstances. Liabilities for environmental expenditures are recorded on an undiscounted basis.

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The Company is involved in an environmental proceeding in Glendale, California relating to the San Fernando Valley aquifer. The Company is one of numerous PRPs who are alleged by the EPA to have contributed to the contamination of the aquifer. In January 1999, the EPA filed a complaint in the United States District Court for the Central District of California against the Company and Lockheed Martin Corporation, *United States v. ITT Industries, Inc. and Lockheed Martin Corp. CV99-00552 SVW AIJX*, to recover costs it incurred in connection with the foregoing. In May 1999, the EPA and the PRPs, including the Company and Lockheed Martin, reached a settlement, embodied in a consent decree, requiring the PRPs to perform additional remedial activities. Pursuant to the settlement, the PRPs, including the Company, have constructed and are funding operation of a water treatment system. The operation of the water treatment system is expected to continue until 2013, at which time a separate allocation for continued operation of the plant is expected. ITT and the other PRPs continue to pay their respective allocated costs of the operation of the water treatment system and the Company does not anticipate a default by any of the PRPs which would increase its allocated share of the liability. As of June 30, 2006, the Company's accrual for operation of the water treatment plant through 2013 was \$9.1 representing its best estimate; its low estimate for the liability is \$5.7 and its high estimate is \$14.6.

Prior to the 1995 Distribution Agreement, the predecessor ITT Corporation operated a facility in Madison County, Florida from 1968 until 1991. In 1995, elevated levels of contaminants were detected at the site. Since then, ITT has completed the investigation of the site in coordination with state and federal environmental authorities and is in the process of evaluating various remedies. A final remedy for the site has not yet been selected. Currently, the estimated range for the remediation is between \$4.0 and \$17.9. The Company has accrued \$6.6 for this matter, which approximates its best estimate.

The Company is involved with a number of PRPs regarding property in the City of Bronson, Michigan operated by a former subsidiary of the predecessor ITT Corporation, Higbie Manufacturing, prior to the time ITT acquired Higbie. The Company and other PRPs are investigating and remediating discharges of industrial waste which occurred as early as the 1930's. The Company's current estimates for its exposure are between \$6.7 and \$14.4. It has an accrual for this matter of \$10.4 which represents its best estimate of its current liabilities. The Company does not anticipate a default on the part of the other PRPs. ITT is pursuing legal claims against some other potentially responsible parties for past and future costs.

The Company operated a facility in Rochester, New York called Rochester Form Machine from 1979 — 2003. Rochester Form Machine was a former subsidiary of the predecessor ITT Corporation known as ITT Higbie after ITT acquired Higbie in 1972. In August 2003 the Company, through its subsidiary ITT Fluid Handling Systems entered into an Order on Consent with New York State Department of Environmental Conservation to investigate and remediate facility related impacts to soil, soil vapor and ground water. As of June 30, 2006 the Company's current estimates for this exposure are between \$3.1 and \$11.9. It has an accrual for this matter of \$4.8 which represents its best estimate of its current liabilities. The Company will pursue claims against certain other PRPs who may share responsibility for impacts.

In a suit filed in 1991 by the Company, in the California Superior Court, Los Angeles County, *ITT Corporation, et al. v. Pacific Indemnity Corporation et al.*, against its insurers, the Company is seeking recovery of costs it incurred in connection with its environmental liabilities including the four listed above. Discovery, procedural matters, changes in California law, and various appeals have prolonged this case. Currently, the matter is before the California Court of Appeals from a decision by the California Superior Court dismissing certain claims of the Company. The dismissed claims were claims where the costs incurred were solely due to administrative (versus judicial) actions. A hearing is expected in 2006. In the event the appeal is successful, the Company will pursue the administrative claims against its excess insurers. During the course of the litigation, the Company has negotiated settlements with certain defendant insurance companies and is prepared to pursue its legal remedies where reasonable negotiations are not productive.

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Product Liability and Other Matters:

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

Frequently, the plaintiffs are unable to demonstrate any injury or do not identify any ITT or Goulds product as a source of asbestos exposure. During 2005, ITT and Goulds resolved in excess of 16,000 claims through settlement or dismissal. The average amount of settlement per plaintiff has been nominal and substantially all defense and settlement costs have been covered by insurance. Based upon past claims experience, available insurance coverage, and after consultation with counsel, management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company is involved in two actions, *Cannon Electric, Inc. et al. v. Ace Property & Casualty Company ("ACE") et al. Superior Court, County of Los Angeles, CA., Case No. BC 290354*, and *Pacific Employers Insurance Company et al., v. ITT Industries, Inc., et al., Supreme Court, County of New York, N.Y., Case No. 03600463*. The parties in both cases are seeking an appropriate allocation of responsibility for the Company's historic asbestos liability exposure among its insurers. The California action is filed in the same venue where the Company's environmental insurance recovery litigation has been pending since 1991. The New York action has been stayed in favor of the California suit. ITT and ACE and Nationwide Indemnity have successfully resolved the matter and the Company is working with other parties in the suit to resolve the matter as to those insurers. In addition, Utica National and Goulds are negotiating a coverage in place agreement to allocate the Goulds' asbestos liabilities between insurance policies issued by Utica and those issued by others. The Company is continuing to receive the benefit of insurance payments during the pendency of these proceedings. The Company believes that these actions will not materially affect the availability of its insurance coverage and will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is one of several defendants in a suit filed in El Paso, Texas, *Irwin Bast et al. v. ITT Industries et al., Sup. Ct., El Paso, Texas, C.A. No. 2002-4730*. This Complaint, filed by both U.S. and German citizens, alleges that ITT and four other major companies failed to warn the plaintiffs of the dangers associated with exposure to x-ray radiation from radar devices. The Complaint also seeks the certification of a class of similarly injured persons. In late 2005, the Court dismissed the Bund zur Unterstutzung Radargeschadigter from the case and also dismissed all claims relating to medical monitoring. Numerous other motions are currently pending before the Court. A hearing on class certification is expected in 2006. Management believes that the El Paso suit will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company provides an indemnity to U.S. Silica for silica personal injury suits against its former subsidiary Pennsylvania Glass Sand filed prior to September 12, 2005. ITT sold the stock of Pennsylvania Glass Sand to U.S. Silica in 1985. The Company's indemnity had been paid in part by its historic product liability carrier, however, in September 2005, the carrier communicated to ITT that it would no longer pay a share of the costs. On October 4, 2005, ITT filed a suit against its insurer, *ITT v. Pacific Employers Insurance Co., CA No. 05CV 5223*, seeking its defense costs and indemnity from the carrier for Pennsylvania Glass Sand product liabilities. That suit has been stayed in favor of one filed by ACE in New York. [*Ace Fire Underwriters Insurance Company, et al., v. ITT Industries, Inc., et al., Supreme Court of the State of New York, County of New York, Index No. 600133/06*] All silica related costs, net of insurance recoveries, are shared pursuant to the Distribution Agreement. See "Company History and Certain Relationships" within Part I, Item 1 of the 2005 Annual Report on Form 10-K for a description of the Distribution Agreement. Management believes that these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

Our Defense Electronics & Services segment is subject to the export control regulations of the U.S. Department of State and the Department of Commerce. Currently, the U.S. Attorney for the Western District of Virginia is investigating ITT Night Vision's compliance with International Traffic in Arms Regulations. The Company is cooperating with the investigation and recently, with the Government's consent, it began its own investigation of Night Vision's compliance with the federal laws utilizing outside counsel. Data and information derived from the investigation is shared with the U.S. Attorney. The Company will continue to assist the Government in its investigation, however at this time, it is not possible to predict the outcome of the investigation or what action, if any, the Government may take at the conclusion of the investigation.

15) Guarantees, Indemnities and Warranties

Guarantees & Indemnities

In September of 1998, the Company completed the sale of its automotive electrical systems business to Valeo SA for approximately \$1,700. As part of the sale, the Company provided Valeo SA with representations and warranties with respect to the operations of the Business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Valeo SA for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Valeo SA may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Valeo SA on an undiscounted basis is \$680. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at June 30, 2006 the Company has an accrual of \$7.8 which is its best estimate of the potential exposure.

In September of 1998, the Company completed the sale of its brake and chassis unit to Continental AG for approximately \$1,930. As part of the sale, the Company provided Continental AG with representations and warranties with respect to the operations of that Business, including: Conveyance of Title, Employee Benefits, Tax, Product Liability, Product Recall, Contracts, Environmental, Intellectual Property, etc. The Company also indemnified Continental AG for losses related to a misrepresentation or breach of the representations and warranties. With a few limited exceptions, the indemnity periods within which Continental AG may assert new claims have expired. Under the terms of the sales contract, the original maximum potential liability to Continental AG on an undiscounted basis is \$950. However, because of the lapse of time, or the fact that the parties have resolved certain issues, at June 30, 2006 the Company has an accrual of \$14.0 which is its best estimate of the potential exposure.

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

The Company provided a performance bond guarantee in the amount of \$10.0 related to its real estate development activities in Flagler County, Florida. The Company would be required to perform under this guarantee if certain parties did not satisfy all aspects of the development order, the most significant aspect being the expansion of a bridge. The maximum amount of the undiscounted future payments equals \$10.0. At June 30, 2006, the Company has an accrual related to the expansion of a bridge in the amount of \$10.0.

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

In December of 2002, the Company entered into a sales-type lease agreement for its corporate aircraft and then leased the aircraft back under an operating lease agreement. The Company has provided, under the agreement, a residual value guarantee to the counterparty in the amount of \$44.8, which is the maximum amount of undiscounted future payments. The Company would have to make payments under the residual value guarantee only if the fair value of the aircraft was less than the residual value guarantee upon termination of the agreement. At June 30, 2006, the Company does not believe that a loss contingency is probable and therefore does not have an accrual recorded in its financial statements.

The Company has a number of individually immaterial guarantees outstanding at June 30, 2006, that may be affected by various conditions and external forces, some of which could require that payments be made under such guarantees. The Company does not believe these payments will have any material adverse impact on the cash flow, results of operations or financial condition of the Company on a consolidated basis in the foreseeable future.

Product Warranties

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered. These accruals are established using historical information on the nature, frequency, and average cost of warranty claims. The Company warrants numerous products, the terms of which vary widely. In general, the Company warrants its products against defect and specific nonperformance. At June 30, 2006, the Company has a product warranty accrual in the amount of \$50.9.

Product Warranty Liabilities

	Beginning Balance January 1	Accruals for Product Warranties Issued in the Period	Changes in Pre-Existing Warranties Including Changes in Estimates	(Payments)	Ending Balance June 30
2006	\$ 44.5	\$ 17.9	\$ 0.5	\$ (12.0)	\$ 50.9
2005	\$ 38.5	\$ 15.2	\$ (1.4)	\$ (14.0)	\$ 38.3

16) Acquisitions

2006 Acquisitions

During the first six months of 2006, the Company spent \$74.0, net of cash received, primarily for the acquisition of the following:

- A privately held company, included in the Defense Electronics & Services segment, which is a leading provider of semiconductor design services, intellectual property and product. Management believes the technology will help the Company lead the way in providing a new generation of radios for the modern soldier. As of June 30, 2006, the Company has preliminarily assigned values to the assets and liabilities of the acquired business; however, the allocation is subject to further refinement. As of June 30, 2006, the excess purchase price over the fair value of net assets acquired of \$23.7 is recorded as goodwill.
- F.B. Leopold Company, included in the Fluid Technology segment, which primarily serves municipal and industrial water and wastewater treatment facilities. Management believes this acquisition will expand ITT's ability to provide pre-treatment filtration technology for surface water, reuse and desalination. As of June 30, 2006, the Company has preliminarily assigned values to the assets and liabilities of the acquired business; however, the allocation is subject to further refinement. As of June 30, 2006, the excess purchase price over the fair value of net assets acquired of \$37.1 is recorded as goodwill.

ITT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
(In millions, except share and per share amounts, unless otherwise stated)

17) Business Segment Information

Unaudited financial information of the Company's business segments for the three and six months ended June 30, 2006 and 2005 were as follows:

	Three Months Ended June 30, 2006					
	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Electronic Components	Corporate and Other	Total
Sales and revenues	\$ 765.3	\$ 918.5	\$ 188.1	\$ 200.8	\$ (4.8)	\$ 2,067.9
Operating income (expense)	\$ 101.3	\$ 100.6	\$ 30.9	\$ 21.3	\$ (27.3)	\$ 226.8
Segment operating margin	13.2%	11.0%	16.4%	10.6%	—	12.3%
Total assets	\$ 2,733.1	\$ 2,045.5	\$ 565.8	\$ 504.1	\$ 1,677.8	\$ 7,526.3
	Three Months Ended June 30, 2005					
	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Electronic Components	Corporate and Other	Total
Sales and revenues	\$ 724.7	\$ 779.5	\$ 181.6	\$ 181.7	\$ (3.6)	\$ 1,863.9
Operating income (expense)	\$ 93.3	\$ 84.9	\$ 37.3	\$ 5.7	\$ (23.1)	\$ 198.1
Segment operating margin	12.9%	10.9%	20.5%	3.1%	—	11.9%
Total assets	\$ 2,468.3	\$ 1,868.8	\$ 507.7	\$ 742.4	\$ 1,914.4	\$ 7,501.6
	Six Months Ended June 30, 2006					
	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Electronic Components	Corporate and Other	Total
Sales and revenues	\$ 1,451.0	\$ 1,749.6	\$ 376.4	\$ 385.8	\$ (8.2)	\$ 3,954.6
Operating income (expense)	\$ 164.6	\$ 196.4	\$ 66.8	\$ 28.8	\$ (54.7)	\$ 401.9
Segment operating margin	11.3%	11.2%	17.7%	7.5%	—	11.5%
Total assets	\$ 2,733.1	\$ 2,045.5	\$ 565.8	\$ 504.1	\$ 1,677.8	\$ 7,526.3
	Six Months Ended June 30, 2005					
	Fluid Technology	Defense Electronics & Services	Motion & Flow Control	Electronic Components	Corporate and Other	Total
Sales and revenues	\$ 1,354.8	\$ 1,555.2	\$ 371.6	\$ 355.4	\$ (7.2)	\$ 3,629.8
Operating income (expense)	\$ 147.9	\$ 162.7	\$ 68.9	\$ 6.8	\$ (44.3)	\$ 342.0
Segment operating margin	10.9%	10.5%	18.5%	1.9%	—	10.6%
Total assets	\$ 2,468.3	\$ 1,868.8	\$ 507.7	\$ 742.4	\$ 1,914.4	\$ 7,501.6

18) Quarterly Financial Periods

The Company's 2006 quarterly financial periods end on the last day of the quarter or on the Saturday after the last day of the quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. During 2005, the Company's quarterly financial periods ended on the Saturday after the last day of the quarter, except for the last quarterly period of the fiscal year, which ended on December 31st. For simplicity of presentation, the quarterly financial statements included herein are presented as ending on the last day of the quarter.

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

Results of Operations

Business Overview

ITT Corporation ("The Company") is a global multi-industry company engaged directly and through its subsidiaries in the design and manufacture of a wide range of engineered products and the provision of related services. The Company's four principal operating segments are Fluid Technology, Defense Electronics & Services, Motion & Flow Control and Electronic Components.

The Company looks to expand its key growth platforms through both organic and acquisition growth. These growth platforms include Water and Wastewater Transport and Advanced Water Treatment in the Fluid Technology segment; Defense Electronics, Advanced Engineering & Sciences and Space Imaging and Surveillance, and Systems in the Defense Electronics & Services segment; and marine and leisure in the Motion & Flow Control segment. In addition to its growth initiatives, the Company employs the ITT Management System in pursuit of operational excellence. The Company has a number of strategic initiatives aimed at enhancing its operating performance, including global sourcing, footprint realignment, six sigma and lean fulfillment.

The Company forecasts consolidated revenues for 2006 to be between \$8.08 billion and \$8.17 billion. Segment operating margin for 2006 is forecasted to be between 12.2% and 12.4%.

Summarized below is information on each of our four business segments, including markets served, goods and services provided, relevant factors that could impact results, business challenges and areas of focus and selected financial data.

Fluid Technology

Fluid Technology is a leading global provider of fluid systems and solutions. Markets served and goods and services provided include: Residential & Commercial Water (pumps and accessories for residential, municipal and commercial applications), Building Trades (products for environmental control in buildings and for building services), Wastewater Handling (submersible pumps and mixers for sewage and wastewater treatment facilities), Advanced Water Treatment (biological/ozone/UV treatment systems for municipal and industrial wastewater treatment), and Industrial & BioPharm (pumps/valves for the industrial, mining, chemical, pulp and paper/solutions for process modules, skid systems and stainless steel vessels).

Factors that could impact Fluid Technology's financial results include: broad economic conditions in markets served, weather conditions, the ability of municipalities to fund projects, raw material prices and continued demand for replacement parts and servicing. Primary areas of business focus include: new product development, geographic expansion into new markets, facility rationalization and global sourcing of direct material purchases. The Company forecasts revenues for the Fluid Technology segment to be between \$3.00 billion and \$3.04 billion with an operating income margin rate of 12.9% to 13.0%.

Defense Electronics & Services

Defense Electronics & Services develops, manufactures, and supports high technology electronic systems and components for worldwide defense and commercial markets as well as provides communications systems, engineering and applied research. Defense Electronics & Services consists of six value centers; Advanced Engineering & Sciences, Aerospace Communications Division, Electronic Systems, Night Vision, Systems Division, and Space Systems Division. These value centers develop and support solutions for four major markets: Communications, Sensors, Space, and Advanced Engineering & Integrated Services.

Factors that could impact Defense Electronics & Services financial results include: the level of defense funding by domestic and foreign governments, the Company's ability to receive contract awards and the ability to develop and market products and services for customers outside of traditional markets. Primary areas of business focus include: new or improved product offerings, new contract wins, successful program execution and capacity

expansion for 2006. The Company forecasts revenues for the Defense Electronics & Services segment to be between \$3.67 billion and \$3.70 billion with an operating income margin rate of 11.2% to 11.4%.

Motion & Flow Control

Motion & Flow Control is comprised of a group of units operating in the motion control and flow control market segments. Markets served and goods and services provided for the Motion Control businesses include: the design and manufacture of friction pads for braking applications, the production of pumps and related products for the leisure marine and recreational vehicle markets, pumps and components for beverage applications and the design and manufacturing of jets, pumps and other components for whirlpool baths and hot tub spas. Markets served and goods and services provided for the Flow Control businesses include: valves, actuators and switches for the commercial, military, regional, business and general aviation markets; switches and regulators for the oil and gas, power generation and chemical markets; and pressure regulators and diaphragm seals for industrial applications and natural gas vehicles.

The Motion & Flow Control business financial results are driven by the cyclical nature of the transportation industry, production levels of major auto producers, demand for marine and leisure products, weather conditions and raw material prices. Primary areas of business focus include: expansion into adjacent markets, new product development, manufacturing footprint optimization and lean fulfillment. The Company forecasts revenues for the Motion & Flow Control segment to be between \$690 million and \$705 million with an operating income margin rate of 19.5% to 19.7%.

Electronic Components

Electronic Components provides products and services for the areas of communications, industrial, transportation, military/aerospace, commercial aircraft, computer, and consumer uses. Business activities in the communications area include: connectors, interconnects, cable assemblies, keypads, switches, panel switch assemblies and smart card systems. In addition, products manufactured for the industrial markets include: industrial controls, production equipment, instrumentation, medical applications, ultrasound, and other diagnostic equipment. Products manufactured for the transportation market include: high reliability connectors, multi-function control assemblies, and switches used in power train, instrument controls and chassis applications. Military/aerospace products include: circular, rack and panel, micro miniature, fiber optic, and "special" connectors used in military electronics, missiles, and space applications. Commercial aircraft products include: rack and panel, circular, and fiber optic connectors. In the computer and consumer area, products include: connectors and switches for computers and computer peripherals, and keypads for remote control devices, switches for appliances and audio circular connectors.

The Electronic Components business financial results are driven by economic conditions in its major markets, success of new product development, product life in the mobile phone markets and changes in technology. Primary areas of business focus include: global sourcing of direct material purchases, manufacturing footprint rationalization and new product development. The Company forecasts revenues for the Electronic Components segment to be between \$720 million and \$740 million with an operating income margin rate of 7.8% to 8.1%.

Consolidated Financial Results

<u>Sales and Revenues</u>	<u>2006</u>	<u>2005</u> (In millions of dollars)	<u>% Change</u>
Three months ended June 30	\$ 2,067.9	\$ 1,863.9	10.9%
Six months ended June 30	\$ 3,954.6	\$ 3,629.8	8.9%

The Company's revenues grew 10.9% in the second quarter of 2006 compared to the comparable prior year quarter. Higher volume in all business segments contributed 10.4% of the growth. Foreign currency translation and acquisitions contributed 0.5% of the growth.

The Company's revenues grew 8.9% during the first six months of 2006 compared to the comparable prior year period. Higher volume in all business segments and acquisitions contributed 9.5% and 0.3% of the growth, respectively. Foreign currency translation offset 0.9% of the growth.

Costs of Sales and Revenues	<u>2006</u>	<u>2005</u> (In millions of dollars)	<u>% Change</u>
Three Months Ended June 30:			
Costs of sales and revenues	\$ 1,491.9	\$ 1,353.0	10.3%
Percentage of Sales	72.1%	72.6%	N/A
Six Months Ended June 30:			
Costs of sales and revenues	\$ 2,875.4	\$ 2,649.4	8.5%
Percentage of Sales	72.7%	73.0%	N/A

The Company's costs of sales and revenues ("CGS") increased \$138.9 million or 10.3% in the second quarter of 2006 compared to the applicable prior year period. In the first half of 2006, CGS increased \$226.0 million or 8.5%. These increases are primarily due to higher volume in all segments. Process improvements partially offset the increase in costs of sales and revenues.

Selling, General and Administrative Expenses	<u>2006</u>	<u>2005</u> (In millions of dollars)	<u>% Change</u>
Three Months Ended June 30:			
Selling, General and Administrative Expenses	\$ 295.5	\$ 262.5	12.6%
Percentage of Sales	14.3%	14.1%	N/A
Six Months Ended June 30:			
Selling, General and Administrative Expenses	\$ 565.8	\$ 525.4	7.7%
Percentage of Sales	14.3%	14.5%	N/A

Selling, general and administrative expenses ("SG&A") increased \$33.0 million, or 12.6% in the second quarter of 2006 compared to the second quarter of 2005. In the first half of 2006, SG&A increased \$40.4 million, or 7.7% compared to the first half of 2005. The increases primarily reflect the recognition of employee stock compensation and other administrative expenses during 2006. Higher marketing costs in the Defense Electronics & Services and Fluid Technology segments also contributed to the increase in expenses.

Research & Development	<u>2006</u>	<u>2005</u> (In millions of dollars)	<u>% Change</u>
Three Months Ended June 30:			
Internally funded	\$ 43.7	\$ 44.6	(2.0)%
Percentage of Sales	2.1%	2.4%	N/A
Six Months Ended June 30:			
Internally funded	\$ 86.4	\$ 88.9	(2.8)%
Percentage of Sales	2.2%	2.4%	N/A

Research and Development expenses ("R&D") decreased \$0.9 million, or 2.0% during the second quarter of 2006 compared to the applicable 2005 period. R&D decreased \$2.5 million, or 2.8% for the first half of 2006 compared to the applicable prior year periods. The decreases are attributable to the timing of project spending.

During the second quarters of 2006 and 2005, the Company recorded \$12.5 million and \$5.9 million of restructuring charges, respectively, to streamline its operating structure. Additionally, during the second quarters of 2006 and 2005, \$2.5 million and \$0.2 million of restructuring accruals were reversed into income as management deemed that certain cash expenditures would not be incurred. See the section entitled "Restructuring and Asset Impairment Charges" and Note 9, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

During the first six months of 2006 and 2005, the Company recorded \$28.3 million and \$24.3 million restructuring charges to streamline its operating structure. Additionally, during the first six months of 2006 and 2005, \$3.2 million and \$0.2 million of restructuring accruals were reversed into income as management deemed that certain cash expenditures would not be incurred. See the section entitled "Restructuring and Asset Impairment Charges" and Note 9, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Condensed Financial Statements for additional information.

Operating income for the second quarter of 2006 was \$226.8 million, an increase of \$28.7 million, or 14.5%, compared to \$198.1 million for 2005. Operating income for the first six months of 2006 was \$401.9 million, an increase of \$59.9 million, or 17.5%, compared to \$342.0 million for 2005. The increases are primarily due to higher volume, partially offset by increased SG&A expenses.

Segment operating margin for the second quarter of 2006 was 12.3%, or 40 basis points, above the comparable prior year period. Segment operating margin for the first half of 2006 was 11.5%, or 90 basis points, above the comparable prior year period. The variances in segment operating margins are primarily due to improved operating efficiencies in most segments.

Interest expense during the second quarter of 2006 was \$21.5 million, an increase of \$7.6 million, or 54.7% from the comparable prior year period. Interest expense during the first half of 2006 was \$41.4 million, an increase of \$7.4 million, or 21.8% from the comparable prior year period. The increases primarily reflect higher interest rates.

During the second quarter of 2006, interest income decreased \$0.7 million, or 12.7%, compared to the comparable 2005 period. During the first six months of 2006, interest income decreased \$11.2 million, or 56.9%. The decrease reflects the recognition of interest income during 2005 associated with settlements of tax issues related to the 1998 through 2000 audit cycle, interest income associated with the settlement of a legacy issue during 2005, and the termination of the Company's interest rate swaps during the fourth quarter of 2005.

During the second quarter of 2006, income tax expense was \$63.5 million compared to \$53.2 million for the comparable prior year period. The variance reflects higher taxable income in 2006 and a 50 basis point increase to the Company's effective tax rate in 2006 due to a higher mix of domestic earnings. During the first half of 2006, income tax expense was \$109.6 million compared to \$64.8 million for the comparable prior year period. The variances primarily reflect the recognition of tax settlements during 2005 totaling approximately \$30 million, higher taxable income, and a higher effective tax rate.

Income from continuing operations was \$142.4 million, or \$0.76 per diluted share for the second quarter of 2006 compared to \$131.0 million, or \$0.70 per diluted share for the comparable 2005 period. For the first half of 2006 income from continuing operations was \$249.9 million, or \$1.33 per diluted share compared to \$252.4 million, or \$1.34 per diluted share. The variances from the applicable prior year periods reflect the results discussed above.

During the second quarter of 2006, the Company recognized a \$1.5 million loss from discontinued operations compared to \$6.7 million of income from discontinued operations during the comparable prior year period. The 2006 results reflect additional activity associated with the sale of the Company's automotive brake & fuel tubing and components business. The 2005 results primarily reflect income from the Company's automotive brake & fuel tubing and components business.

During the first half of 2006, the Company recognized \$46.9 million of income from discontinued operations compared to income of \$1.8 million in the comparable prior year period. The increase in 2006 income primarily relates to a \$45.0 million gain recognized on the sale of the Company's automotive brake & fuel tubing and components business and the Company's industrial non-metallic lined pumps and valves business.

Segment Review

	Revenue		Operating Income		Operating Margin	
	2006	2005	2006	2005	2006	2005
Three Months Ended June 30,						
			(In millions of dollars)			
Fluid Technology	\$ 765.3	\$ 724.7	\$ 101.3	\$ 93.3	13.2%	12.9%
Defense Electronics & Services	918.5	779.5	100.6	84.9	11.0%	10.9%
Motion & Flow Control	188.1	181.6	30.9	37.3	16.4%	20.5%
Electronic Components	200.8	181.7	21.3	5.7	10.6%	3.1%
Corporate and Other	(4.8)	(3.6)	(27.3)	(23.1)	—	—
Total	\$ 2,067.9	\$ 1,863.9	\$ 226.8	\$ 198.1	12.3%	11.9%
Six Months Ended June 30,						
			(In millions of dollars)			
Fluid Technology	\$ 1,451.0	\$ 1,354.8	\$ 164.6	\$ 147.9	11.3%	10.9%
Defense Electronics & Services	1,749.6	1,555.2	196.4	162.7	11.2%	10.5%
Motion & Flow Control	376.4	371.6	66.8	68.9	17.7%	18.5%
Electronic Components	385.8	355.4	28.8	6.8	7.5%	1.9%
Corporate and Other	(8.2)	(7.2)	(54.7)	(44.3)	—	—
Total	\$ 3,954.6	\$ 3,629.8	\$ 401.9	\$ 342.0	11.5%	10.6%

Fluid Technology

The Fluid Technology segment had revenues in the second quarter of 2006 of \$765.3 million, an increase of 5.6% from the comparable 2005 period. Revenue growth of 4.3% represented contributions from existing businesses, primarily the water/wastewater and building trades businesses. Revenues from an acquisition and foreign currency translation accounted for 0.8% and 0.5% of revenue growth, respectively. During the first half of 2006, the Fluid Technology segment had revenues of \$1,451.0 million, an increase of 7.1% from the comparable prior year period. Revenue growth of 7.4% represented contributions from existing businesses, primarily the water/wastewater, industrial and building trades businesses. Revenues from an acquisition accounted for 0.8% of revenue growth, and foreign currency translation reduced revenue growth by 1.1%.

Operating income increased \$8.0 million or 8.6% during the second quarter of 2006 compared to the second quarter of 2005. Higher volume and operational efficiencies represent 8.6% of growth. Foreign currency translation and contributions from an acquisition also provided operating income growth of 1.0% and 0.6%, respectively. The recognition of stock compensation during 2006 and higher restructuring charges lowered operating income by (1.5%) and (0.1%), respectively. During the first half of 2006 operating income was \$164.6 million, or 11.3% higher than the comparable prior year period. Higher volume and operational efficiencies represent 10.9% of growth. Lower restructuring charges and contributions from an acquisition contributed 1.6% and 1.1% of growth, respectively. The recognition of stock compensation during 2006 and foreign currency translation lowered operating income by (1.5%) and (0.8%), respectively.

Defense Electronics & Services

The Defense Electronics & Services segment increased revenues 17.8% during the second quarter of 2006 to \$918.5 million and increased revenues 12.5% during the first half of 2006. Higher volume in the services, tactical communications, night vision and electronic systems businesses were the primary drivers of growth. Lower volume in the space systems business partially offset the revenue gain in the first half of 2006.

In the second quarter of 2006, operating income of \$100.6 million increased \$15.7 million or 18.5% compared to 2005. Operating efficiencies plus higher volume drove income growth of 21.4%, partially offset by incremental restructuring costs (0.9%) and stock-based compensation (2.0%). During the first half of 2006, operating income of \$196.4 million increased \$33.7 million, or 20.7%. Operating efficiencies plus higher volume drove income growth of 24.2%, partially offset by incremental restructuring costs (1.7%) and stock-based compensation (1.8%).

Motion & Flow Control

Motion & Flow Control revenues increased 3.6% to \$188.1 million in the second quarter of 2006, primarily driven by increased volume in the friction material and aerospace businesses. Revenues for the first half of 2006 increased \$4.8 million, or 1.3% from the comparable prior year period. Revenue growth of 4.2% was generated by higher volume, primarily in the aerospace controls and marine and leisure businesses, partially offset by volume reductions in the shocks business. Additionally, foreign currency translation offset 2.9% of revenue growth.

Operating income decreased \$6.4 million or 17.2% in 2006 compared to the second quarter of 2005. Higher restructuring costs and the recognition of stock-based compensation in 2006 accounted for (17.7%) and (1.1%) of income deterioration, respectively. Partially offsetting these declines were higher volume and operating efficiencies, which resulted in 1.6% of operating income growth. During the first half of 2006, operating income decreased \$2.1 million, or (3.0%) from the comparable prior year period. Higher restructuring costs, foreign currency translation, and the recognition of stock-based compensation resulted in (6.4%), (3.1%) and (0.9%) of income deterioration, respectively. This was partially offset by higher volume and operating efficiencies, which resulted in 7.4% of operating income growth.

Electronic Components

The Electronic Components segment's revenue increased 10.5% to \$200.8 million in 2006 compared to the second quarter of 2005. Higher volume in both the Connectors and Switches businesses contributed 10.1% of growth. Foreign currency translation contributed 0.4% of revenue growth. During the first half of 2006 the Electronic Components segment's revenue increased 8.6% to \$385.8 million compared to the applicable prior year period. Higher volume in both the Connectors and Switches businesses contributed 9.9% of growth. Foreign currency translation partially offset (1.3%) of revenue growth.

Operating income increased \$15.6 million in the second quarter of 2006 compared to the second quarter of 2005. The increase reflects higher volume and improved operating efficiencies and lower restructuring costs. The recognition of stock compensation during 2006 partially offset the increase in operating income. During the first half of 2006 operating income increased \$22.0 million compared to the applicable prior year period. The increase reflects higher volume and improved operating efficiencies and lower restructuring costs. Foreign currency translation and the recognition of stock compensation during 2006 partially offset the increase in operating income.

Corporate and Other

Corporate expenses increased \$4.2 million, or 18.2% in the second quarter of 2006 compared to the second quarter of 2005. The increase primarily reflects additional accruals for legacy environmental matters in a disposed company. During the first half of 2006, corporate expenses increased 23.5% from the comparable prior year period to \$54.7 million. The increases reflect the recognition of stock based compensation in 2006, additional accruals for legacy environmental matters in a disposed company and the cost of global initiatives, including supply chain management.

Restructuring and Asset Impairment Charges

2006 Restructuring Activities

During the second quarter of 2006, the Company recorded a \$12.5 million restructuring charge, reflecting costs of \$5.5 million related to new actions, \$5.7 million related to actions announced during the first quarter of 2006, and \$1.3 million related to prior year plans. The costs attributable to the first quarter of 2006 primarily reflect lease costs and severance. The costs associated with prior year plans primarily reflect additional severance costs.

Additionally, the Company reversed \$2.5 million of restructuring accruals that management determined would not be required.

Components of Second Quarter 2006 Charge

	2006 Actions — Second Quarter Plan				2006 First Quarter Plan	Prior Year Plans
	Severance	Other Employee-Related Costs	Total	Planned Position Eliminations	Additional Costs	Additional Costs
Fluid Technology	\$ 1.3	\$ 0.1	\$ 1.4	16	\$ 0.7	\$ —
Defense Electronics & Services	0.8	0.1	0.9	32	—	—
Motion & Flow Control	1.8	0.1	1.9	28	4.7	0.5
Electronic Components	1.0	—	1.0	15	0.3	0.8
Corporate and Other	0.3	—	0.3	2	—	—
	<u>\$ 5.2</u>	<u>\$ 0.3</u>	<u>\$ 5.5</u>	<u>93</u>	<u>\$ 5.7</u>	<u>\$ 1.3</u>

The charges associated with actions announced during the second quarter of 2006, represent a reduction of structural costs in all segments. Planned position eliminations total 93, including 18 factory workers, 67 office workers, and 8 management employees.

Payments of \$1.2 million were made during 2006 related to actions announced for the Second Quarter Plan.

The projected future savings from restructuring actions announced during the second quarter of 2006 are approximately \$4 million during 2006 and \$35 million between 2007 and 2011. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

During the first quarter of 2006, the Company recorded a \$15.8 million restructuring charge, reflecting costs of \$12.8 million related to new actions and costs of \$3.0 million related to prior year plans. Additionally, the Company reversed \$0.7 million of restructuring accruals that management determined would not be required.

Components of First Quarter 2006 Charge

	2006 Actions — First Quarter Plan				Planned Position Eliminations	Prior Year Plans
	Severance	Other Employee-Related Costs	Asset Write-offs	Total	Additional Costs	Additional Costs
Fluid Technology	\$ 2.3	\$ 1.6	\$ —	\$ 3.9	122	\$ 0.5
Defense Electronics & Services	2.0	—	—	2.0	60	—
Motion & Flow Control	0.7	—	1.2	1.9	125	0.4
Electronic Components	4.9	—	—	4.9	77	2.1
Corporate and Other	0.1	—	—	0.1	1	—
	<u>\$ 10.0</u>	<u>\$ 1.6</u>	<u>\$ 1.2</u>	<u>\$ 12.8</u>	<u>385</u>	<u>\$ 3.0</u>

These charges represent a reduction of structural costs in all segments, as well as the planned closure of two facilities in the Fluid Technology segment and one facility in the Motion & Flow Control segment. Planned position eliminations total 385, including 238 factory workers, 137 office workers, and 10 management employees. Additional costs of \$2.0 million related to these actions are expected to be recognized over remainder of 2006 (\$1.2 million in the Fluid Technology segment and \$0.8 million in the Motion & Flow Control segment).

During the first half of 2006, the Company made \$5.7 million of payments attributable to actions announced during the first quarter of 2006.

The projected future savings from restructuring actions announced during the first quarter of 2006 are approximately \$13 million during 2006 and \$101 million between 2007 and 2011. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

2005 Restructuring Activities

During 2005, the Company recorded a \$71.1 million restructuring charge, reflecting costs of \$69.8 million related to new actions and costs of \$1.3 million related to previous plans.

Components of 2005 Charge

	2005 Actions				Prior Year Plans	
	Severance	Asset Write-Offs	Lease Cancellation & Other Costs	Total	Planned Position Eliminations	Additional Costs
Fluid Technology	\$ 28.8	\$ 1.4	\$ 1.7	\$ 31.9	466	\$ —
Motion & Flow Control	8.9	—	0.8	9.7	274	—
Electronic Components	25.8	0.1	1.9	27.8	1,246	1.3
Corporate and Other	0.4	—	—	0.4	1	—
	<u>\$ 63.9</u>	<u>\$ 1.5</u>	<u>\$ 4.4</u>	<u>\$ 69.8</u>	<u>1,987</u>	<u>\$ 1.3</u>

These charges represent a reduction of structural costs and closure of four facilities in the Fluid Technology segment, and continued reorganization and closure of three facilities in the Electronic Components segment. In addition, activity in the Motion & Flow Control segment reflected workforce reductions, the consolidation of functions, the transfer of functions from France to Holland and the outsourcing of selected functions to Eastern Europe. Planned position eliminations total 1,987, including 1,325 factory workers, 590 office workers, and 72 management employees.

During the first half of 2006, the Company made \$21.6 million of payments attributable to restructuring actions announced during 2005.

The projected future savings from restructuring actions announced during 2005 are approximately \$66 million during 2006 and \$269 million between 2007 and 2010. The savings primarily represent lower salary and wage expenditures and will be reflected in "Costs of Sales and Revenues" and "Selling, General and Administrative Expenses."

2005 Asset Impairment Charges

During the fourth quarter of 2005, the Company conducted a strategic review of the Electronic Components segment because certain businesses within the segment were experiencing lower than expected financial results. As a result, the Company recorded an impairment charge amounting to \$8.3 million to write down certain long-lived assets to fair value. The applicable assets were written down to their fair values based upon management's comparison of projected future discounted cash flows generated by each asset to the applicable asset's carrying value. This impairment was unrelated to the Company's restructuring activities.

The long-lived asset impairment coupled with updated financial forecasts generated in the fourth quarter represented an indicator that goodwill may also be impaired. Accordingly, the Company assessed goodwill allocated to the Switches component of the Electronic Components segment and recorded an impairment charge of \$214.4 million in the fourth quarter of 2005. (Total asset impairment charges recorded in the Electronics Components segment in the fourth quarter of 2005 were \$222.7 million.) The estimated fair value of Switches was computed principally based upon the present value of future cash flows (Discounted Cash Flow Method), historical results and comparative market data. This impairment was also unrelated to the Company's restructuring activities.

As a result of the strategic review, described above, the Company has decided to dispose of the Switches component of the Electronic Components segment. The Company is in the process of preparing this business for sale. The Switches business within the Electronic Components segment is reported in continuing operations for all periods presented.

Liquidity and Capital Resources

Sources and Uses of Cash:

Operating

The Company generated \$120.9 million of cash from operating activities during the six months of 2006. During the first six months of 2005, the Company generated \$148.1 million in cash from operating activities. The difference in cash generated from operating activities is primarily due to approximately \$96.4 million of additional tax payments in 2006, mainly resulting from higher domestic income, partially offset by \$62.8 million decrease in cash invested in accounts receivable.

In both the first six months of 2006 and 2005, a \$100 million voluntary pre-funding of pension obligations was made.

Investing

Additions to Plant, Property and Equipment:

Capital expenditures during the first six months of 2006 were \$64.8 million, an increase of \$0.7 million from the first six months of 2005. The increase primarily reflects increased investments by the Defense Electronic & Services segment.

Acquisitions:

2006 Acquisitions

During the first six months of 2006, the Company spent \$74.0 million primarily for the acquisitions of two companies, one of which is included in the Defense and Electronic Services segment and one which is included in the Fluid Technology segment.

Sale of Businesses:

In the first quarter of 2006, the Company completed the sale of its automotive brake & fuel tubing and components business to a privately held company, for net proceeds of \$198.9 million. The business, which was a component of the Company's Motion & Flow Control segment, manufactures steel and plastic tubing for fuel and brake lines, quick-connects, and serves the transportation industry. Additionally, during the first quarter of 2006, the Company completed the sale of its industrial non-metallic lined pumps and valves business to a private equity investor, for net proceeds of \$21.9 million. The business, which was a component of the Company's Fluid Technology segment, is a leading manufacturer of pumps and valves for selected segments in the chemical, fine chemical, and pharmaceutical Corporation. The Company recognized gains on these two transactions totaling approximately \$45.0 million.

Sale of Plant, Property and Equipment:

During the first six months of 2006, the Company generated \$3.7 million of cash from the sale of one building in the Fluid Technology segment, and \$2.8 million from the sale of land in the Motion & Flow Control segment. The remaining \$3.4 million of proceeds was generated from the sale of plant and equipment across several segments. In the first six months of 2005, the Company generated \$2.5 million of cash from the sale of one property and \$5.2 million for the sale of plant and equipment.

Financing

	June 30, 2006	December 31, 2005
	(In millions)	
Cash & Cash equivalents	\$ 755.0	\$ 451.0
Total Debt	1,416.3	1,267.7
Net Debt	661.3	816.7
Total Shareholders' Equity	3,027.0	2,723.4
Total Capitalization (debt plus equity)	4,443.3	3,991.1
Net Capitalization (debt plus equity less cash)	3,688.3	3,540.1
Debt to total capitalization	31.9%	31.8%
Net debt to net capitalization	17.9%	23.1%

Share Repurchases and Other Matters:

In the first six months of 2006 and 2005, the Company repurchased 2.3 million and 2.8 million shares for \$130.2 million and \$118.2 million, respectively, to offset the dilutive impact of stock-based awards to employees.

On February 21, 2006, the Company effected a two-for-one stock split of its common stock. The financial statements, notes and other references to share and per share data have been restated to reflect the stock split for all periods presented.

Debt and Credit Facilities:

Debt at June 30, 2006 was \$1,416.3 million, compared with \$1,267.7 million at December 31, 2005. The change in debt levels primarily reflect the partial funding of the repurchase of common stock (net of proceeds from the issuance of common stock), dividend payments, and capital expenditures. Cash and cash equivalents were \$755.0 million at June 30, 2006, compared to \$451.0 million at December 31, 2005. The change in cash levels primarily reflects proceeds received from the sale of businesses and cash generated from operating activities.

Critical Accounting Policies

The preparation of the Company's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The Company believes the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements in the 2005 Annual Report on Form 10-K describe the significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in the Company's critical accounting policies or estimates during the first six months of 2006.

Accounting Pronouncements

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123R") issued by the Financial Accounting Standards Board ("FASB") which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." This statement eliminates the option of using the intrinsic value method of accounting for employee stock options (historically utilized by the Company), which generally resulted in the recognition of no compensation cost because the exercise price of the Company's stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant. The provisions of the SFAS No. 123R require the recognition of employee services received in exchange for awards of equity instruments based on the grant-date fair value of the awards as determined by option pricing models. The calculated

compensation cost is recognized over the period that the employee is required to provide services per the conditions of the award.

The Company adopted SFAS 123R using the modified prospective method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal year 2006. The Company's Consolidated Condensed Financial Statements as of and for the three and six months ended June 30, 2006 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, the Company's Consolidated Condensed Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. Stock-based and long-term employee compensation expense recognized under SFAS 123R for the three and six months ended June 30, 2006 was \$5.5 million and \$18.3 million, respectively, which consisted of stock-based compensation expense related to employee stock options and restricted shares of common stock and long term employee compensation. There was no stock-based compensation expense related to employee stock options during the three months ended June 30, 2005. See Note 8, "Stock-Based and Long-Term Incentive Employee Compensation" in the Notes to Consolidated Condensed Financial Statements for additional details.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), which replaces Accounting Principles Board ("APB") Opinion No. 20 "Accounting Changes," and SFAS No. 3 "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle, and applies to all voluntary changes in accounting principles, as well as changes required by an accounting pronouncement in the unusual instance that it does not include specific transition provisions. Specifically, SFAS No. 154 requires retrospective application to prior periods financial statements, unless it is impracticable to determine the period specific effects or the cumulative effect of the change. SFAS No. 154 does not change the transition provisions of any existing pronouncement. SFAS No. 154 is effective for the Company for all accounting changes and corrections of errors made beginning January 1, 2006.

In June 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)" which is effective for fiscal years beginning after December 15, 2006 with earlier adoption encouraged. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is currently evaluating the potential impact of this interpretation.

Risks and Uncertainties

Environmental Matters

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

In estimating the costs of environmental investigation and remediation, the Company considers, among other things, regulatory standards, its prior experience in remediating contaminated sites, and the professional judgment of environmental experts. It is difficult to estimate the total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of contamination and the Company's share, if any, of liability for such problems, the selection of alternative remedies, and changes in cleanup standards. When it is possible to create reasonable estimates of liability with respect to environmental matters, the Company establishes accruals in accordance with accounting principles generally accepted within the United States. Insurance recoveries are included in other assets when it is probable that a claim will be realized. Although the outcome of the Company's various remediation efforts presently cannot be predicted with a high level of certainty, management does not expect that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows. For disclosure of the Company's commitments and contingencies, see Note 21, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements of the 2005 Annual Report on Form 10-K.

Forward-Looking Statements

“Safe Harbor Statement” under the Private Securities Litigation Reform Act of 1995 (“the Act”):

Certain material presented herein includes forward-looking statements intended to qualify for the safe harbor from liability established by the Act. These forward-looking statements include statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. Whenever used words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target” and other terms of similar meaning are intended to identify such forward-looking statements. Forward-looking statements are uncertain and to some extent unpredictable, and involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in, or implied from, such forward-looking statements. Factors that could cause results to differ materially from those anticipated by the Company include general global economic conditions, decline in consumer spending, interest and foreign currency exchange rate fluctuations, availability of commodities, supplies and raw materials, competition, acquisitions or divestitures, changes in government defense budgets, employment and pension matters, contingencies related to actual or alleged environmental contamination, claims and concerns, intellectual property matters, personal injury claims, governmental investigations, tax obligations, and changes in generally accepted accounting principles. Other factors are more thoroughly set forth in Item 1. Business, Item 1 A. Risk Factors and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements in the IIT Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and other of its filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the information concerning market risk as stated in the Company’s 2005 Annual Report on Form 10-K.

Item 4.

CONTROLS AND PROCEDURES

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

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

PART II.

OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

The following should be read in conjunction with Note 14 to the unaudited interim consolidated condensed financial statements in Part I of this report, as well as Part I, Item 3 of the Company’s 2005 Annual Report on Form 10-K.

The Company and its subsidiaries from time to time are involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities, intellectual property matters, copyright infringement, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to

acquisitions or divestitures. The Company will continue to vigorously defend itself against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including the Company's assessment of the merits of the particular claim, as well as its current reserves and insurance coverage, the Company does not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of the Company on a consolidated basis in the foreseeable future.

**Item 1A.
RISK FACTORS**

There has been no material change in the information concerning risk factors as disclosed in the Company's 2005 Annual Report on Form 10-K.

**Item 2.
UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share(2)
4/1/06 – 4/30/06	107,517	\$ 54.65
5/1/06 – 5/31/06	230,171	\$ 55.89
6/1/06 – 6/30/06	33,834	\$ 49.71

- (1) All share repurchases were made in open-market transactions. None of these transactions were made pursuant to a publicly announced repurchase plan.
(2) Average price paid per share is calculated on a settlement basis and excludes commission.

The Company's strategy for cash flow utilization is to pay dividends first and then repurchase Company common stock to cover option exercises made pursuant to the Company's stock option programs. The remaining cash is then available for strategic acquisitions and discretionary repurchases of the Company's common stock and repayment of debt.

**Item 4.
SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

At the Company's annual meeting of shareholders held on May 9, 2006, the persons whose names are set forth below were elected as directors, constituting the entire Board of Directors. Relevant voting information for each person follows:

	Votes	
	For	Withheld
Curtis J. Crawford	152,069,360	2,321,638
Christina A. Gold	152,526,221	1,864,777
Ralph F. Hake	152,554,752	1,836,246
John J. Hamre	147,337,455	7,053,543
Raymond W. LeBoeuf	152,545,231	1,845,767
Steven R. Loranger	149,845,021	4,545,977
Frank T. MacInnis	147,815,473	6,575,525
Linda S. Sanford	152,487,240	1,903,758
Markos I. Tambakeras	152,495,469	1,895,529

In addition to the election of directors, two other votes were taken at the meeting: 1) The appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2006 was ratified by a vote of 151,422,725 shares in favor, 1,572,391 shares against, and 1,395,882 shares abstained; and 2) The Amendment of the Restated Articles of Incorporation to change the Company's name to ITT Corporation, effective July 1, 2006, was approved with the following votes: for approval of the amendment: 151,948,686 shares voted;

against approval of the amendment: 996,213 shares voted and abstained: 1,446,099 shares. There were no other matters presented for a vote at the meeting.

**Item 5.
OTHER INFORMATION**

The Board of Directors amended the Company's By-laws on July 11, 2006 to change the title of the By-laws to ITT Corporation By-laws, add Chief Accounting Officer as an officer title, and amend the powers and duties of certain officers of the Company.

**Item 6.
EXHIBITS**

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

SIGNATURE

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

ITT Corporation

(Registrant)

By

/s/ JANICE M. KLETTNER

Janice M. Klettner
Chief Accounting Officer
(Principal accounting officer)

August 7, 2006

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
(3)	(a) ITT Corporation's Articles of Amendment of the Restated Articles of Incorporation, effective as of July 1, 2006 (b) ITT Corporation's By-laws, as amended July 11, 2006	Attached.
(4)	Instruments defining the rights of security holders, including indentures	Attached. Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries upon request of the Commission.
(10)	Material contracts	
(10.1)*	Employment Agreement dated as of February 5, 2004 between ITT Industries, Inc. and Edward W. Williams	Incorporated by reference to Exhibit 10.1 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.2)*	Employment Agreement dated as of June 28, 2004 between ITT Industries, Inc. and Steven R. Loranger	Incorporated by reference to Exhibit 10.2 of ITT Industries' Form 10-Q for the quarter ended June 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.3)*	Form of Non-Qualified Stock Option Award Agreement for Band A Employees	Incorporated by reference to Exhibit 10.3 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.4)*	Form of Non-Qualified Stock Option Award Agreement for Band B Employees	Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.5)*	ITT 2003 Equity Incentive Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries, Inc. 2003 Equity Incentive Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
(10.6)*	ITT 1997 Long-Term Incentive Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries, Inc. 1997 Long-Term Incentive Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.5 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.7)*	ITT 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004) formerly known as ITT Industries, Inc. 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.6 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.8)	1994 ITT Incentive Stock Plan (amended and restated as of July 13, 2004) formerly known as 1994 ITT Industries Incentive Stock Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.7 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.9)*	ITT Special Senior Executive Severance Pay Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries Special Senior Executive Severance Pay Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.8 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.10)*	ITT 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004) formerly known as ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.9 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.11)*	ITT Enhanced Severance Pay Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries Enhanced Severance Pay Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.10 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
(10.12)*	ITT Deferred Compensation Plan (Effective as of January 1, 1995 including amendments through July 13, 2004) formerly known as ITT Industries Deferred Compensation Plan (Effective as of January 1, 1995 including amendments through July 13, 2004)	Incorporated by reference to Exhibit 10.11 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.13)*	ITT 1997 Annual Incentive Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries 1997 Annual Incentive Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.12 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.14)*	ITT Excess Pension Plan IA formerly known as ITT Industries Excess Pension Plan IA	Incorporated by reference to Exhibit 10.13 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.15)*	ITT Excess Pension Plan IB formerly known as ITT Industries Excess Pension Plan IB	Incorporated by reference to Exhibit 10.14 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.16)*	ITT Excess Pension Plan II (as amended and restated as of July 13, 2004) ITT Industries Excess Pension Plan II formerly known as (as amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.15 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.17)*	ITT Excess Savings Plan (as amended and restated as of July 13, 2004) formerly known as ITT Industries Excess Savings Plan (as amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.16 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
(10.18)*	ITT Industries Excess Benefit Trust	Incorporated by reference to Exhibit 10.17 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.19)	Form of indemnification agreement with directors	Incorporated by reference to Exhibit 10(h) to ITT Industries' Form 10-K for the fiscal year ended December 31, 1996 (CIK No. 216228, File No. 1-5672).
(10.20)	Distribution Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.1 listed under ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.21)	Intellectual Property License Agreement between and among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.2 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.22)	Tax Allocation Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.3 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.23)	Employee Benefit Services and Liability Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.7 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.24)	Five-year Competitive Advance and Revolving Credit Facility Agreement dated as of November 10, 2005	Incorporated by reference to Exhibit 10.1 to ITT Industries' Form 8-K Current Report dated November 10, 2005 (CIK No. 216228, File No. 1-5672).
(10.25)	Agreement with Valeo SA with respect to the sale of the Automotive Electrical Systems Business	Incorporated by reference to Exhibit 10(b) to ITT Industries' Form 10-Q Quarterly Report for the quarterly period ended September 30, 1998 (CIK No. 216228, File No. 1-5672).

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
(10.26)	Agreement with Continental AG with respect to the sale of the Automotive Brakes and Chassis Business	Incorporated by reference to Exhibit 2.1 to ITT Industries' Form 8-K Current Report dated October 13, 1998 (CIK No. 216228, File No. 1-5672).
(10.27)	Participation Agreement among ITT Industries, Rexus L.L.C. (Rexus) and Air Bail S.A.S. and RBS Lombard, Inc., as investors, and master lease agreement, lease supplements and related agreements between Rexus as lessor and ITT Industries, as lessee	Incorporated by Reference to Exhibits listed under Item 9.01 to ITT Industries Form 8-K Current Report dated December 20, 2004 (CIK No. 216228, File No. 1-5672).
(10.28)*	Form of Restricted Stock Award for Non-Employee Directors	Incorporated by reference to Exhibit 10.28 of ITT Industries' Form 10-Q for the quarter ended June 30, 2005 (CIK No. 216228, File No. 1-5672).
(10.29)*	Form of Restricted Stock Award for Employees	Incorporated by reference to Exhibit 10.29 of ITT Industries' Form 10-Q for the quarter ended June 30, 2005 (CIK No. 216228, File No. 1-5672).
(10.30)	Amended and Restated 364-day Revolving Credit Agreement	Incorporated by reference to Exhibits 10.1 and 10.2 to ITT Industries' Form 8-K dated March 28, 2005 (CIK No. 216228, File No. 1-5672).
(10.31)*	Employment Agreement dated as of May 31, 2005 and effective as of July 1, 2005 between ITT Industries, Inc. and George E. Minnich	Incorporated by reference to Exhibit 10.31 of ITT Industries' Form 10-Q for the quarter ended June 30, 2005. (CIK No. 216228, File No. 1-5672).
(10.32)*	Separation Agreement dated September 7, 2005 and effective as of September 30, 2005 between ITT Industries, Inc. and Robert Ayers	Incorporated by reference to Exhibit 99.1 to ITT Industries' Form 8-K dated September 8, 2005 (CIK No. 216228, File No. 1-5672).

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
(10.33)	Non-Employee Director Compensation Agreement	Incorporated by reference to Exhibit 10.1 to ITT Industries' Form 8-K Current Report dated December 1, 2005 (CIK No. 216228, File No. 1-5672).
(10.34)*	Form of 2006 Non-Qualified Stock Option Award Agreement for Band A Employees	Incorporated by reference to Exhibit 10.34 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.35)*	Form of 2006 Non-Qualified Stock Option Award Agreement for Band B Employees	Incorporated by reference to Exhibit 10.35 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.36)*	Form of 2006 Restricted Stock Award Agreement for Employees	Incorporated by reference to Exhibit 10.36 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.37)	Form of 2006 Non-Qualified Stock Option Award Agreement for Non-Employee Directors	Incorporated by reference to Exhibit 10.37 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(11)	Statement re computation of per share earnings	Not required to be filed.
(12)	Statement re computation of ratios	Not required to be filed.
(18)	Letter re change in accounting principles	None.
(21)	Subsidiaries of the Registrant	Not required to be filed.
(22)	Published report regarding matters submitted to vote of security holders	Not required to be filed.
(24)	Power of attorney	None.
(31.1)	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
(31.2)	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.

Exhibit Number	Description	Location
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
(32.2)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601 (b)(32)(ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.

* Management compensatory plan

STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AMENDMENT
of
ITT INDUSTRIES, INC.

I, TODD ROKITA, Secretary of State of Indiana, hereby certify that Articles of Amendment of the above For-Profit Domestic Corporation have been presented to me at my office, accompanied by the fees prescribed by law and that the documentation presented conforms to law as prescribed by the provisions of the Indiana Business Corporation Law.

The name following said transaction will be:
ITT CORPORATION

NOW, THEREFORE, with this document I certify that said transaction will become effective Saturday, July 01, 2006.

In Witness Whereof, I have caused to be affixed my signature and the seal of the State of Indiana, at the City of Indianapolis, June 7, 2006.

[SEAL]

/s/ TODD ROKITA

TODD ROKITA
SECRETARY OF STATE

ARTICLES OF AMENDMENT
OF THE
RESTATED ARTICLES OF INCORPORATION
OF

ITT INDUSTRIES, INC.
(WHICH NAME IS HEREBY CHANGED TO ITT CORPORATION)

In compliance with the requirements of the Indiana Business Corporation Law, as amended (the "IBCL"), ITT Industries, Inc., an Indiana corporation incorporated on September 5, 1995 (the "Corporation"), desiring to give notice of corporate action effectuating the amendment of its Articles of Incorporation, certifies the following facts:

ARTICLE I

Amendment to the Restated Articles of Incorporation

SECTION 1. The name of the Corporation is ITT Industries, Inc., which shall be changed hereby to ITT Corporation.

SECTION 2. Article First of the Corporation's Restated Articles of Incorporation hereby is amended (the "Amendment") to read in its entirety as follows:

ARTICLE FIRST

The name of the corporation is ITT Corporation (the "Corporation").

SECTION 3. The Amendment hereby effected shall be effective on July 1, 2006.

ARTICLE II

Manner of Adoption and Vote

SECTION 1. At a meeting of the Board of Directors on March 7, 2006, the foregoing Amendment to the Corporation's Restated Articles of Incorporation was adopted by the Board of Directors. The Board of Directors submitted the Amendment, together with its recommendation for approval, to the shareholders of the Corporation.

The foregoing Amendment to the Corporation's Restated Articles of Incorporation required shareholder approval. At an annual meeting of the shareholders of the Corporation held on May 9, 2006, the shareholders of the Corporation entitled to vote with respect to the foregoing Amendment approved the proposed Amendment. The result of such vote is as follows:

COMMON STOCK, \$1.00 PAR VALUE PER SHARE,
DESIGNATION OF EACH VOTING GROUP VOTING
AS A SINGLE CLASS - -----

Number of Outstanding
Shares.....
184,810,236 Number of Votes Entitled to
be Cast..... 184,810,236
Number of Votes Represented at
Meeting..... 154,390,998
Shares Voted in
Favor.....
151,948,686 Shares Voted
Against.....
996,213

The number of votes cast in favor of the Amendment was sufficient for approval thereof pursuant to all applicable provisions of the IBCL and the Corporation's Restated Articles of Incorporation.

SECTION 2. The manner of the adoption of the Amendment to the Corporation's Restated Articles of Incorporation and the vote by which it was adopted constitute full legal compliance with the provisions of the IBCL and the Corporation's Restated Articles of Incorporation and By-Laws.

IN WITNESS WHEREOF, the undersigned officer of the Corporation has executed these Articles of Amendment this 5(th) day of June, 2006.

ITT INDUSTRIES, INC.

By: /s/ Kathleen S. Stolar

Name: Kathleen S. Stolar
Title: Vice President, Secretary
and Associate General
Counsel

ARTICLES OF AMENDMENT OF THE RESTATED ARTICLES OF INCORPORATION

ITT Corporation, a corporation organized and existing under the laws of the State of Indiana (the "Corporation"), hereby certifies as follows:

ITT Industries, Inc. was originally incorporated under the name ITT Indiana, Inc. pursuant to its original Articles of Incorporation filed with the Secretary of State for the State of Indiana on September 5, 1995. Effective December 20, 1995, ITT Corporation, a Delaware corporation, was merged with and into the Corporation, and the name of the Corporation was changed to ITT Industries, Inc. This Amendment of the Restated Articles of Incorporation includes an amendment to ARTICLE FIRST to change the name of the Corporation to ITT Corporation. The amendment was approved by the holders of the outstanding shares of Common Stock of the Corporation at the 2006 Annual Meeting of Shareholders held on May 9, 2006. The text of the Articles of Incorporation as amended is hereby restated to read as herein set forth in full:

ARTICLES OF AMENDMENT OF THE RESTATED ARTICLES OF INCORPORATION
OF
ITT CORPORATION

ARTICLE FIRST

The name of the corporation is ITT Corporation (the "Corporation").

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Indiana is One North Capitol Avenue, Suite 1180, Indianapolis, Indiana 46204. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

ARTICLE THIRD

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

ARTICLE FOURTH

(a) The aggregate number of shares of stock that the Corporation shall have authority to issue is 300,000,000 shares, consisting of 250,000,000 shares designated "Common Stock" and 50,000,000 shares designated "Preferred Stock". The shares of Common Stock shall have a par value of \$1 per share, and the shares of Preferred Stock shall not have any par or stated value, except that, solely for the purpose of any statute or regulation imposing any fee or tax based upon the capitalization of the Corporation, the shares of Preferred Stock shall be deemed to have a par value of \$.01 per share.

(b) The Board of Directors of the Corporation shall have the full authority permitted by law, at any time and from time to time, to divide the authorized and

unissued shares of Preferred Stock into classes or series, or both, and to determine the following provisions, designations, powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof for shares of any such class or series of Preferred Stock:

(1) the designation of such class or series, the number of shares to constitute such class or series and the stated or liquidation value thereof;

(2) whether the shares of such class or series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(3) the dividends, if any, payable on such class or series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of the same class;

(4) whether the shares of such class or series shall be subject to redemption at the election of the Corporation and/or the holders of such class or series and, if so, the times, price and other conditions of such redemption, including securities or other property payable upon any such redemption, if any;

(5) the amount or amounts, if any, payable upon shares of such class or series upon, and the rights of the holders of such class or series in, the voluntary or involuntary liquidation, dissolution or winding up, or any distribution of the assets, of the Corporation; provided that in no event shall the amount or amounts, if any, exceed \$100 per share plus accrued dividends in the case of involuntary liquidation, dissolution or winding up;

(6) whether the shares of such class or series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such class or series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(7) whether the shares of such class or series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of the same class or any securities, whether or not issued by the Corporation, and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(8) the limitations and restrictions, if any, to be effective while any shares of such class or series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of the same class;

(9) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issuance of any additional shares of stock,

including additional shares of such class or series or of any other series of the same class or of any other class;

(10) the ranking (be it pari passu, junior or senior) of each class or series vis-a-vis any other class or series of any class of Preferred Stock as to the payment of dividends, the distribution of assets and all other matters; and

(11) any other powers, preferences and relative, participating, optional and other special rights and any qualifications, limitations or restrictions thereof, insofar as they are not inconsistent with the provisions of these Articles of Incorporation, to the full extent permitted in accordance with the laws of the State of Indiana.

(c) Such divisions and determinations may be accomplished by an amendment to this ARTICLE FOURTH, which amendment may be made solely by action of the Board of Directors, which shall have the full authority permitted by law to make such divisions and determinations.

(d) The powers, preferences and relative, participating, optional and other special rights of each class or series of Preferred Stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other classes or series at any time outstanding; provided that each series of a class is given a distinguishing designation and that all shares of a series have powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof identical with those of other shares of the same series and, except to the extent otherwise provided in the description of the series, with those other series of the same class.

(e) Holders of shares of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment thereof, dividends at the rates of fixed by the Board of Directors for the respective series before any dividends shall be declared and paid, or set aside for the payment, on shares of Common Stock with respect to the same dividend period. Nothing in this ARTICLE FOURTH shall limit the power of the Board of Directors to create a series of Preferred Stock with dividends the rate of which is calculated by reference to, and the payment of which is concurrent with, dividends on shares of Common Stock.

(f) In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, holders of shares of each series of Preferred Stock will be entitled to receive the amount fixed for such series upon any such event (not in excess of \$100 per share in the case of involuntary liquidation, dissolution or winding up) plus, in the case of any series on which dividends will have been determined by the Board of Directors to be cumulative, an amount equal to all dividends accumulated and unpaid thereon to the date of final distribution whether or not earned or declared before any distribution shall be paid, or set aside for payment, to holders of Common Stock. If the assets of the Corporation are not sufficient to pay such amounts in full, holders of all shares of Preferred Stock will participate in the distribution of assets ratably in proportion to the full amounts to which they are entitled or in such order or priority, if any, as will have been fixed in the resolution or resolutions providing for the

issue of the series of Preferred Stock. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor a sale, transfer or lease of all or part of its assets, will be deemed a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph except to the extent specifically provided for herein. Nothing in this ARTICLE FOURTH shall limit the power of the Board of Directors to create a series of Preferred Stock for which the amount to be distributed upon any liquidation, dissolution or winding up of the Corporation is calculated by reference to, and the payment of which is concurrent with, the amount to be distributed to the holders of shares of Common Stock.

(g) The Corporation, at the option of the Board of Directors, may redeem all or part of the shares of any series of Preferred Stock on the terms and conditions fixed for such series.

(h) Except as otherwise required by law, as otherwise provided herein or as otherwise determined by the Board of Directors as to the shares of any series of Preferred Stock prior to the issuance of any such shares, the holders of Preferred Stock shall have no voting rights and shall not be entitled to any notice of meetings of shareholders.

(i) Each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock held of record on all matters on which the holders of shares of Common Stock are entitled to vote. Subject to the provisions of applicable law and any certificate of designation providing for the issuance of any series of Preferred Stock, the holders of outstanding shares of Common Stock shall have and possess the exclusive right to notice of shareholders' meetings and the exclusive power to vote. No shareholder will be permitted to cumulate votes at any election of directors.

(j) Subject to all the rights of the Preferred Stock, the holders of the Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment thereof, dividends payable in cash, stock or otherwise. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after the holders of the Preferred Stock of each series shall have been paid in full in cash the amounts to which they respectively shall be entitled or a sum sufficient for such payment in full shall have been set aside, the remaining net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests, to the exclusion of the holders of the Preferred Stock.

SERIES A PARTICIPATING CUMULATIVE PREFERRED STOCK

A description of such Series A Participating Cumulative Preferred Stock with the designations, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations or restrictions relating thereto is as follows:

SECTION 1. Designation and Number of Shares. The shares of such series shall be designated as "Series A Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"), without par value. The number of shares

initially constituting the Series A Preferred Stock shall be 300,000; provided, however, that, if more than a total of 300,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to that Rights Agreement between the Corporation and The Bank of New York, a New York banking corporation, as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, pursuant to Section 23-1-25-2(d) of the Business Corporation Law of the State of Indiana, shall direct by resolution or resolutions that articles of amendment be properly executed and delivered to the Secretary of State for the State of Indiana for filing in accordance with the provisions of Section 23-1-18-1 and Section 23-1-38-6 thereof, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Articles of Incorporation then permit) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

SECTION 2. Dividends or Distributions. (a) Subject to the prior and superior rights of the holders of shares of any other series of Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of the Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, (1) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Corporation shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of \$.01 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (2) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock (the total of which shall not, in any event, be less than zero) and (2) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; provided, however, that, if at any time after the Distribution Record Date (as defined in that Notice of Special Meeting and Proxy Statement, dated August 30, 1995, filed with the Securities and Exchange

Commission by ITT Corporation), the Corporation shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further, that, if at any time after the Distribution Record Date, the Corporation shall issue any shares of its capital stock in a merger, reclassification, or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Corporation shall declare a dividend or distribution of the Series A Preferred Stock as provided in Section 2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock; provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$.01 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declares thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; provided, however, that dividends on such shares which are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock which are originally issued prior to

the record date for the determination of holders of shares or Series A Preferred Stock entitled to receive a quarterly dividend on the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series A Preferred Stock shall have been declared.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

SECTION 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or shareholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or shareholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Corporation and on all other matters submitted to a vote of shareholders of the Corporation.

(c) If, at the time of any annual meeting of shareholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of shareholders (and at each subsequent annual meeting of shareholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to

vote for the election of two directors of the Corporation, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to reversion in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

(d) Except as provided herein, in Section 11 or by applicable law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

SECTION 4. Certain Restrictions. (a) Whenever quarterly dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon

liquidation, dissolution or winding up) with the Series A Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount, equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) \$.01 per whole share or (y) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up; provided that in no event shall the amount or amounts, if any, exceed \$100 per share plus accrued dividends in the case of involuntary liquidation, dissolution or winding up of the Corporation.

SECTION 6. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property

(payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 6 and Section 2 appear to apply to a transaction, this Section 6 will control.

SECTION 7. No Redemption; No Sinking Fund. (a) The shares of Series A Preferred Stock shall not be subject to redemption by the Corporation or at the option of any holder of Series A Preferred Stock; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 8. Ranking. The Series A Preferred Stock shall rank junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations or restrictions thereof.

SECTION 9. Fractional Shares. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-thousandths (1/1,000ths) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (1) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandths (1/1,000ths) of a share or any integral multiple thereof or (2) to issue depository receipts evidencing such authorized fraction of a share of Series A Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

SECTION 10. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancelation become authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors pursuant to the provisions of ARTICLE FOURTH of the Articles of Incorporation.

SECTION 11. Amendment. None of the powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock as provided herein or in the Articles of Incorporation shall be amended in

any manner which would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of Series A Preferred Stock, voting as a separate class, provided, however, that no such amendment approved by the holders of at least 66 2/3% of the outstanding shares of Series A Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series A Preferred Stock originally issued upon exercise of a Right after the time of such approval without the approval of such holder.

ARTICLE FIFTH

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

(b) Shareholders of the Corporation shall not have any preemptive rights to subscribe for additional issues of stock of the Corporation except as may be agreed from time to time by the Corporation and any such shareholder.

(c) Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, an election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the applicable resolution or resolutions of the Board of Directors adopted pursuant to ARTICLE FOURTH of these Articles of Incorporation.

ARTICLE SIXTH

To the fullest extent permitted by applicable law as then in effect, no director or officer shall be personally liable to the Corporation or any of its shareholders for damages for breach of fiduciary duty as a director or officer, except for liability (a) for breach of duty if such breach constitutes wilful misconduct or recklessness or (b) for the payment of distributions to shareholders in violation of Section 23-1-28-3 of the Indiana Business Corporation Law. Any repeal or modification of this ARTICLE SIXTH by the shareholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE SEVENTH

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

ARTICLE EIGHTH

Subject to any express provision of the laws of the State of Indiana, these Articles of Incorporation or the By-laws of the Corporation, the By-laws of the Corporation may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the Board of Directors at any regular or special meeting of the Board of Directors, if such supplement, amendment, repeal or adoption is approved by a majority of the entire Board of Directors. Subject to any express provision of the laws of the State of Indiana, these Articles of Incorporation or the By-laws of the Corporation, the By-laws of the Corporation may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the shareholders at any regular or special meeting of the shareholders at which a quorum is present, if such supplement, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of stock of the Corporation entitled to vote generally in an election of directors.

ARTICLE NINTH

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

ARTICLE TENTH

The name and address of the original incorporator signing the Articles of Incorporation is:

ADDRESS
NAME
George
W.
Bilicic,
Jr. 825
Eighth
Avenue
New
York,
New
York
10019

These Articles of Amendment of the Restated Articles of Incorporation were duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Section 23-1-38-7 of the Indiana Business Corporation Law.

IN WITNESS WHEREOF, I have executed these Articles of Amendment of the Restated Articles of Incorporation this 5th day of June, 2006.

/s/ KATHLEEN S. STOLAR

Name: Kathleen S. Stolar
Title: Vice President, Secretary
and Associate General Counsel



ITT Corporation
BY-LAWS

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of

ITT Corporation

1. SHAREHOLDERS.

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

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

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

(b) To be properly brought before an annual meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board or (iii) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice thereof, either by personal delivery or by United States mail, postage prepaid, to the Secretary, received at the principal executive offices of the Corporation, not less than 120 calendar days prior to the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the shareholder must be so received not later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made. Any such notice shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the Articles of Incorporation or By-laws of the Corporation, the language of the proposed amendment, (ii) the name and address of the shareholder proposing such business, (iii) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (iv) any material interest of the shareholder in such business and (v) if the shareholder intends to solicit proxies in support of such shareholder's proposal, a representation to that effect. The foregoing notice requirements shall be deemed satisfied by a shareholder if the shareholder has notified the Corporation of his or her intention to present a proposal at an annual meeting and such shareholder's proposal has been included in a proxy statement that has been prepared by management of the Corporation to solicit proxies for such annual meeting; provided, however, that, if such shareholder does not appear or send a qualified representative to present such proposal at such annual meeting, the Corporation need not present such proposal for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation. No business shall be conducted at an annual meeting of shareholders except in accordance with this Section 1.3(b), and the chairman of any annual meeting of shareholders may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures or if the shareholder solicits proxies in support of such shareholder's proposal without such shareholder having made the representation required by clause (v) of the preceding sentence.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

more proxies, ballots or votes, or as to the accuracy of any tabulation of such proxies, ballots or votes.

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

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

2. DIRECTORS.

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

2.2 *Number, Method of Election, Terms of Office of Directors.* The number of Directors which shall constitute the whole Board shall be such as from time to time shall be determined by resolution adopted by a majority of the entire Board, but the number shall not be less than three nor more than twenty-five, provided that the tenure of a Director shall not be affected by any decrease in the number of Directors so made by the Board. Each Director shall hold office until the next annual meeting of shareholders and until his or her successor is elected and qualified or until his or her earlier death, retirement, resignation or removal. Directors need not be shareholders of the Corporation or citizens of the United States of America.

Nominations of persons for election as Directors may be made by the Board or by any shareholder who is a shareholder of record at the time of giving of the notice of nomination provided for in this Section 2.2 and who is entitled to vote for the election of Directors. Any shareholder of record entitled to vote for the election of Directors at a meeting may nominate a person or persons for election as Directors only if written notice of such shareholder's intent to make such nomination is given in accordance with the procedures for bringing business before the meeting set forth in Section 1.3(b) of these By-Laws, either by personal delivery or by United States mail, postage prepaid, to the Secretary, received at the principal executive offices of the Corporation, not later than (i) with respect to an election to be held at an annual meeting of shareholders, not less than 120 calendar days prior to the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting was changed by more than 30 days from the anniversary date of the previous year's annual meeting, notice by the shareholder must be so received not later than 120 calendar days prior to such annual meeting or 10 calendar days following the date on which public announcement of the date of the meeting is first made, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of Directors, not later than 120 calendar days prior to such special meeting or 10 calendar days following the date on which public announcement of the date of the special meeting is first made and of the nominees to be elected at such meeting. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board; (e) the consent of each nominee to serve as a Director if so elected and (f) if the shareholder intends to solicit proxies in support of such shareholder's nominee(s), a representation to that effect. The chairman of any meeting of shareholders to elect Directors and the Board may refuse to acknowledge the nomination of any person not made in

compliance with the foregoing procedure or if the shareholder solicits proxies in support of such shareholder's nominee(s) without such shareholder having made the representation required by (f) of the preceding sentence.

At each meeting of the shareholders for the election of Directors at which a quorum is present, the persons receiving the greatest number of votes, up to the number of Directors to be elected, shall be the Directors.

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

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

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

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

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

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

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

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

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

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

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

2.8 *Standing Committees.* By resolution adopted by a majority of the entire Board, the Board shall elect, from among its members, individuals to serve on the Standing Committees established by this Section 2.8. Each Standing Committee shall be comprised of such number of Directors, not less than three, as shall be elected to such Committee. Each Committee shall keep a record of all its proceedings and report the same to the Board. One-third of the members of a Committee, but not less than two, shall constitute a quorum, and the act of a majority of the members of a Committee present at any meeting at which a quorum is present shall be the act of the Committee. Each Standing Committee shall meet at the call of its chairman or any two of its members. The chairmen of the various Committees shall preside, when present, at all meetings of such Committees, and shall have such powers and perform such duties as the Board may from time to time prescribe. The Standing Committees of the Board, and functions of each, are as follows:

(a) *Compensation and Personnel Committee.* The Compensation and Personnel Committee shall exercise the power of oversight of the compensation and benefits of the employees of the Corporation, and shall be charged with evaluating management performance, and establishing executive compensation. This Committee shall have access to its own independent outside compensation counsel and shall consist of a majority of independent directors. For purposes of this Section 2.8(a), "independent director" shall mean a Director who: (i) has not been employed by the Corporation in an executive capacity within the past five years; (ii) is not, and is not affiliated with a company or firm that is, an advisor or consultant to the Corporation; (iii) is not affiliated with a significant customer or supplier of the Corporation; (iv) has no personal services contract(s) with the Corporation; (v) is not affiliated with a tax-exempt entity that receives significant contributions from the Corporation; and (vi) is not a familial relative of any person described by Clauses (i) through (v). This By-law shall not be amended or repealed except by a majority of the voting power of the shareholders present in person or by proxy and entitled to vote at any meeting at which a quorum is present.

(b) *Audit Committee.* The Audit Committee and the Board shall be the bodies to whom the independent auditors of the Corporation shall be ultimately accountable and shall have ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors (or to nominate the independent auditors to be proposed for shareholder approval). The Audit Committee shall be responsible for assessing the objectivity and independence of said auditors; confirming the scope of audits to be performed by said auditors; reviewing audit results, internal accounting and control procedures and policies, fees paid to said auditors, and expense accounts of senior executives; reviewing and recommending approval of the audited financial statements of the Corporation and the annual reports to shareholders; and otherwise complying with the responsibilities and obligations of the Securities and Exchange Commission and the New York Stock Exchange applicable from time to time to audit committees. The Audit Committee shall consist entirely of "independent directors" as provided for in Section 2.12 of these By-Laws and shall be in compliance with the requirements of the Securities and Exchange Commission and the New York Stock Exchange applicable from time to time to audit committee members.

(c) *Corporate Responsibility Committee.* The Corporate Responsibility Committee shall review and define social responsibilities and shall review and consider major claims and litigation and legal, regulatory, intellectual property and related governmental policy matters affecting the Corporation and its subsidiaries. The Corporate Responsibility Committee shall also review and approve management policies and programs relating to compliance with legal and regulatory requirements and business ethics.

(d) *Nominating and Governance Committee.* The Nominating and Governance Committee shall consider and make recommendations as to the composition, structure, organization and future requirements of the Board and Committees thereof and as to other corporate governance issues relating to the Corporation; administer the Board evaluation process; propose nominees for election to

the Board and Committees thereof; consider shareholder nominees for election to the Board; and consider matters concerning the qualifications, compensation and retirement of Directors. The Nominating and Governance Committee shall consist entirely of "independent directors" as provided for in Section 2.12 of these By-Laws.

2.9 *Other Committees.* By resolution passed by a majority of the entire Board, the Board may also appoint from among its members such other Committees, Standing or otherwise, as it may from time to time deem desirable and may delegate to such Committees such powers of the Board as it may consider appropriate, consistent with applicable law, the Articles of Incorporation and these By-Laws.

2.10 *Limitations on Committees.* (a) Notwithstanding any other provision of these By-laws, and except as otherwise expressly required by applicable law, no Standing Committee created by Section 2.8, nor any other committee hereafter established, may:

- (1) authorize dividends or other distributions, except a committee may authorize or approve a reacquisition of shares if done according to a formula or method prescribed by the Board of Directors;
- (2) approve or propose to shareholders action that is required to be approved by shareholders;
- (3) fill vacancies on the Board of Directors or on any of its committees;
- (4) except as permitted under Section 2.10(a)(7) below, amend the Corporation's Articles of Incorporation under IC 23-1-38-2;
- (5) adopt, amend, repeal or waive provisions of these By-laws;
- (6) approve a plan of merger not requiring shareholder approval; or

(7) authorize or approve the issuance or sale or a contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except the Board of Directors may authorize a committee (or an executive officer of the Corporation designated by the Board of Directors) to take action described in this Section 2.10(a)(7) within limits prescribed by the Board of Directors.

(b) Except to the extent inconsistent with the resolutions creating a Standing Committee, Sections 2.2 to 2.7 and Section 10 of these By-laws, which govern meetings, action without meetings, notice and waiver of notice, quorum and voting requirements and telephone participation in meetings of the Board of Directors, apply to each committee and its members as well.

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

2.12 *Independent Directors.* (a) *Independence of Nominees for Election as Directors at the Annual Meeting.* The persons nominated by the Board for election as Directors at any annual meeting of the shareholders of the Corporation shall include a sufficient number of persons who have been, on the date of their nomination, determined by the Board to be eligible to be classified as independent directors such that if all such nominees are elected, the majority of all Directors holding office would be independent directors.

(b) *Directors Elected to Fill Vacancies on the Board.* If the Board elects Directors between annual meetings of shareholders to fill vacancies or newly created Directorships, the majority of all Directors holding office immediately after such elections shall be independent directors.

(c) *Definition of Independent Director.* For purposes of this Section 2.12, "independent director" shall mean a Director who: (i) has not been employed by the Corporation in an executive capacity within the past five years; (ii) is not, and is not affiliated with a company or a firm that is, an adviser or consultant to the Corporation; (iii) is not affiliated with a significant customer or supplier of the Corporation; (iv) has no personal services contract(s) with the Corporation; (v) is not affiliated with a tax-exempt entity that receives significant contributions from the Corporation; (vi) is not a familial relative of any person described by Clauses (i) through (v); and (vii) is free of any other relationship which would interfere with the exercise of independent judgment by such Director.

3. OFFICERS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. INDEMNIFICATION.

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

with such Proceeding, consistent with the provisions of applicable law as then in effect and the other provisions of this Article 4.

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

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

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

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

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

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

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

a quorum of the Board, presents the issue of entitlement to indemnification to the shareholders for their determination); or (D) as provided in Section 4.4(c) of this Article 4.

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

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

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

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

Event”); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

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

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

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

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

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

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

4.5 *Indemnification of Employees and Agents.* Notwithstanding any other provision of this Article 4, the Corporation, to the fullest extent permitted by applicable law as then in effect, may indemnify any person other than a Director or officer of the Corporation who is or was an employee or

agent of the Corporation and who is or was involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed Proceeding by reasons of the fact that such person is or was an employee or agent of the Corporation or, at the request of the Corporation, a director, officer, employee, fiduciary or agent of a Covered Entity against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding. The Corporation may also advance expenses incurred by such employee, fiduciary or agent in connection with any such Proceeding, consistent with the provisions of applicable law as then in effect.

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

5. CAPITAL STOCK.

5.1 *Stock Certificates.* (a) Every holder of stock in the Corporation shall be entitled to have a certificate, which shall state on its face the name of the Corporation and that it is organized under the laws of the State of Indiana, the name of the person to whom the certificate was issued, and the number and class of shares and the designation of the series, if any, the certificate represents, and shall state conspicuously on its front or back that the Corporation will furnish the shareholder, upon his written request and without charge, a summary of the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series), which certificate shall otherwise be in such form as the Board shall prescribe and as provided in Section 5.1(d). Each such certificate shall be signed by, or in the name of, the Corporation by the Chairman or any Vice Chairman or the President or any Vice President, and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary.

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

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

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

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

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

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

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

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

5.6 *Fixing Record Date for Determination of Shareholders of Record.* (a) The Board may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to notice of, or to vote at, any meeting of the shareholders or any adjournment thereof, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty days nor less than ten days before the date of a meeting of the shareholders. If no record date is fixed by the Board, the record date for determining the shareholders entitled to notice of or to vote at a shareholders' meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting and shall fix a new record date if such adjourned meeting is more than 120 days after the date of the original meeting.

(b) The Board may fix, in advance, a date as the record date for the purpose of determining the shareholders entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or in order to make a determination of the shareholders for the purpose of any other lawful action, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty calendar days prior to such action. If no record date is fixed by the Board, the record date for determining the shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

6. SECURITIES HELD BY THE CORPORATION.

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

6.2 *General Authorization to Transfer Securities Held by the Corporation.* (a) Any of the following officers, to wit: the Chairman, any Vice Chairman, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Chief Financial Officer, the Chief Accounting Officer, the Controller, the Treasurer, any Assistant Controller, any Assistant Treasurer, and each of them, hereby is authorized and empowered (i) to transfer, convert, endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, subscription warrants,

stock purchase warrants, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by the Corporation and to make, execute and deliver any and all written instruments of assignment and transfer necessary or proper to effectuate the authority hereby conferred, and (ii) to delegate to any employee or agent such power and authority.

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

7. DEPOSITARIES AND SIGNATORIES.

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

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

8. SEAL.

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

9. FISCAL YEAR.

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

10. WAIVER OF OR DISPENSING WITH NOTICE.

(a) Whenever any notice of the time, place or purpose of any meeting of the shareholders is required to be given by applicable law, the Articles of Incorporation or these By-laws, a written waiver of notice, signed by a shareholder entitled to notice of a shareholders' meeting, whether by telegraph, cable or other form of recorded communication, whether signed before or after the time set for a

given meeting, shall be deemed equivalent to notice of such meeting. The waiver must be included in the minutes or filed with the corporate records. Attendance of a shareholder in person or by proxy at a shareholders' meeting shall constitute a waiver of notice to such shareholder of such meeting, except when (i) the shareholder attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened, or (ii) the shareholder objects to consideration of a particular matter at the meeting at the time such matter is presented because it is not within the purpose or purposes described in the meeting notice.

(b) Whenever any notice of the time or place of any meeting of the Board or Committee of the Board is required to be given by applicable law, the Articles of Incorporation or these By-laws, a written waiver of notice signed by a Director, whether by telegraph, cable or other form of recorded communication, whether signed before or after the time set for a given meeting, shall be deemed equivalent to notice of such meeting. Unless the Director is deemed to have waived notice by attending the meeting, the waiver must be in writing, signed by the Director entitled to the notice and filed with the minutes or corporate records. Attendance of a Director at a meeting shall constitute a waiver of notice to such Director of such meeting, unless the Director at the beginning of the meeting (or promptly upon the Director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

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

11. POLITICAL NONPARTISANSHIP OF THE CORPORATION.

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

12. AMENDMENT OF BY-LAWS.

Except as otherwise provided in Section 2.8(a) of these By-laws, these By-laws, or any of them, may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the Board at any regular or special meeting of the Board, if such supplement, amendment, repeal or adoption is approved by a majority of the entire Board. These By-laws, or any of them, may from time to time be supplemented, amended or repealed, or new By-laws may be adopted, by the shareholders at any regular or special meeting of the shareholders at which a quorum is present, if such supplement, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of stock of the Corporation entitled to vote generally in an election of directors.

13. OFFICES AND AGENT.

(a) *Registered Office and Agent.* The registered office of the Corporation in the State of Indiana shall be One North Capitol Avenue, Suite 1180, Indianapolis, Indiana 46204. The name of the registered agent is The Corporation Trust Company. Such registered agent has a business office identical with such registered office.

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

CERTIFICATION

I hereby certify that the foregoing is a true and complete copy of the By-laws of ITT Corporation, an Indiana corporation, as in effect on the date hereof.

WITNESS my hand and the seal of the Corporation.

Dated: July 11, 2006

/s/ KATHLEEN S. STOLAR

Kathleen S. Stolar
Vice President Secretary
and Associate General Counsel

ADOPTED

7/11/06

**CERTIFICATION OF STEVEN R. LORANGER PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Steven R. Loranger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ITT Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN R. LORANGER

Steven R. Loranger
Chairman, President and Chief
Executive Officer

Date: August 7, 2006

**CERTIFICATION OF GEORGE E. MINNICH PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, George E. Minnich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ITT Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GEORGE E. MINNICH

George E. Minnich
Senior Vice President and
Chief Financial Officer

Date: August 7, 2006

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ITT Corporation (the "Company") on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Loranger, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN R. LORANGER

Steven R. Loranger
*Chairman, President and
Chief Executive Officer*

August 7, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ITT Corporation (the "Company") on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George E. Minnich, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GEORGE E. MINNICH

George E. Minnich
Senior Vice President and
Chief Financial Officer

August 7, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.