

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, 2008

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)*

1133 Westchester Avenue, 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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 18, 2008, there were outstanding 181,743,827 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 | |
|---|----------------------------|-----------------|--------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Product sales | \$ 2,420.1 | \$ 1,732.6 | \$ 4,642.9 | \$ 3,355.5 |
| Service revenues | 644.0 | 490.5 | 1,227.6 | 937.9 |
| Total sales and revenues | 3,064.1 | 2,223.1 | 5,870.5 | 4,293.4 |
| Costs of product sales | 1,636.9 | 1,157.9 | 3,171.2 | 2,243.9 |
| Costs of service revenues | 560.1 | 422.8 | 1,071.3 | 822.9 |
| Selling, general and administrative expenses | 445.8 | 330.9 | 866.4 | 650.9 |
| Research and development expenses | 59.2 | 42.8 | 111.8 | 83.1 |
| Restructuring and asset impairment charges, net | 7.3 | 17.5 | 10.9 | 23.9 |
| Total costs and expenses | 2,709.3 | 1,971.9 | 5,231.6 | 3,824.7 |
| Operating income | 354.8 | 251.2 | 638.9 | 468.7 |
| Interest expense | 31.4 | 19.1 | 72.0 | 42.9 |
| Interest income | 7.9 | 10.2 | 16.3 | 18.4 |
| Miscellaneous expense, net | 3.7 | 2.1 | 6.7 | 6.0 |
| Income from continuing operations before income tax expense | 327.6 | 240.2 | 576.5 | 438.2 |
| Income tax expense | 103.3 | 41.0 | 181.3 | 102.2 |
| Income from continuing operations | 224.3 | 199.2 | 395.2 | 336.0 |
| Discontinued operations: | | | | |
| (Loss) income from discontinued operations, net of tax expense (benefit) of \$1.0, (\$10.6), \$1.2, and (\$8.8), respectively | (3.3) | 14.5 | (2.3) | 17.7 |
| Net income | \$ 221.0 | \$ 213.7 | \$ 392.9 | \$ 353.7 |
| Earnings Per Share | | | | |
| Income from continuing operations: | | | | |
| Basic | \$ 1.24 | \$ 1.11 | \$ 2.18 | \$ 1.86 |
| Diluted | \$ 1.22 | \$ 1.08 | \$ 2.15 | \$ 1.82 |
| Discontinued operations: | | | | |
| Basic | \$ (0.02) | \$ 0.08 | \$ (0.01) | \$ 0.10 |
| Diluted | \$ (0.02) | \$ 0.08 | \$ (0.01) | \$ 0.10 |
| Net income: | | | | |
| Basic | \$ 1.22 | \$ 1.19 | \$ 2.17 | \$ 1.96 |
| Diluted | \$ 1.20 | \$ 1.16 | \$ 2.14 | \$ 1.92 |
| Cash dividends declared per common share | \$ 0.175 | \$ 0.14 | \$ 0.35 | \$ 0.28 |
| Average common shares — basic | 181.0 | 180.3 | 180.9 | 180.9 |
| Average common shares — diluted | 184.3 | 183.7 | 184.0 | 184.2 |

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, 2008 | December 31, 2007 |
|--|---------------------------|---------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 877.7 | \$ 1,840.0 |
| Receivables, net | 2,038.7 | 1,935.0 |
| Inventories, net | 923.4 | 887.6 |
| Deferred income taxes | 104.5 | 105.9 |
| Other current assets | 180.2 | 161.3 |
| Total current assets | <u>4,124.5</u> | <u>4,929.8</u> |
| Plant, property and equipment, net | 988.8 | 980.3 |
| Deferred income taxes | 42.0 | 29.7 |
| Goodwill | 3,910.4 | 3,829.7 |
| Other intangible assets, net | 668.7 | 733.0 |
| Other assets | 1,068.8 | 1,050.2 |
| Total non-current assets | <u>6,678.7</u> | <u>6,622.9</u> |
| Total assets | <u>\$ 10,803.2</u> | <u>\$ 11,552.7</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,336.0 | \$ 1,296.8 |
| Accrued expenses | 981.8 | 958.9 |
| Accrued taxes | 62.0 | 40.9 |
| Notes payable and current maturities of long-term debt | 1,799.0 | 3,083.0 |
| Pension and postretirement benefits | 68.5 | 68.5 |
| Deferred income taxes | 6.2 | 8.2 |
| Total current liabilities | <u>4,253.5</u> | <u>5,456.3</u> |
| Pension benefits | 398.3 | 381.4 |
| Postretirement benefits other than pensions | 367.6 | 383.2 |
| Long-term debt | 480.7 | 483.0 |
| Other liabilities | 931.3 | 904.0 |
| Total non-current liabilities | <u>2,177.9</u> | <u>2,151.6</u> |
| Total liabilities | <u>6,431.4</u> | <u>7,607.9</u> |
| Shareholders' Equity: | | |
| Common stock: | | |
| Authorized — 500,000,000 shares, \$1 par value per share, outstanding — 181,688,269 shares and 181,490,121 shares, respectively ⁽¹⁾ | 180.5 | 180.7 |
| Retained earnings | 3,854.5 | 3,528.8 |
| Accumulated other comprehensive income: | | |
| Pension and other benefits | (188.1) | (196.4) |
| Cumulative translation adjustments | 524.2 | 431.0 |
| Other | 0.7 | 0.7 |
| Total accumulated other comprehensive income | <u>336.8</u> | <u>235.3</u> |
| Total shareholders' equity | <u>4,371.8</u> | <u>3,944.8</u> |
| Total liabilities and shareholders' equity | <u>\$ 10,803.2</u> | <u>\$ 11,552.7</u> |

(1) Shares outstanding include invested restricted common stock of 1.2 million and 0.8 million at June 30, 2008 and December 31, 2007, respectively.

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 | |
|---|-----------------------------|-------------------|
| | 2008 | 2007 |
| Operating Activities | | |
| Net income | \$ 392.9 | \$ 353.7 |
| Less: (Loss) Income from discontinued operations | (2.3) | 17.7 |
| Income from continuing operations | 395.2 | 336.0 |
| Adjustments to reconcile income from continuing operations to net cash from operating activities: | | |
| Depreciation and amortization | 148.6 | 88.8 |
| Stock-based compensation | 15.0 | 18.7 |
| Restructuring and asset impairment charges, net | 10.9 | 23.9 |
| Payments for restructuring | (28.7) | (25.6) |
| Change in receivables | (68.4) | (130.6) |
| Change in inventories | (15.0) | (29.4) |
| Change in accounts payable and accrued expenses | 34.8 | 4.4 |
| Change in accrued and deferred taxes | 16.5 | (58.5) |
| Change in other current and non-current assets | (29.1) | (82.0) |
| Change in other current and non-current liabilities | 5.4 | (11.8) |
| Other, net | 5.0 | 5.5 |
| Net cash — operating activities | 490.2 | 139.4 |
| Investing Activities | | |
| Additions to plant, property, and equipment | (79.4) | (66.3) |
| Acquisitions, net of cash acquired | (229.0) | (4.4) |
| Proceeds from sale of assets and businesses | 2.3 | 2.6 |
| Other, net | (0.9) | 0.2 |
| Net cash — investing activities | (307.0) | (67.9) |
| Financing Activities | | |
| Short-term debt, net | (1,143.5) | 353.1 |
| Long-term debt repaid | (14.5) | (2.0) |
| Long-term debt issued | 0.5 | 0.3 |
| Repurchase of common stock | — | (287.6) |
| Proceeds from issuance of common stock | 22.0 | 49.0 |
| Dividends paid | (57.2) | (45.8) |
| Tax benefit from stock option exercises and restricted stock award lapses | 3.5 | 11.0 |
| Other, net | (2.7) | — |
| Net cash — financing activities | (1,191.9) | 78.0 |
| Exchange rate effects on cash and cash equivalents | | |
| | 54.8 | 25.3 |
| Net Cash — Discontinued Operations: | | |
| Operating activities | (8.1) | 4.4 |
| Investing activities | (0.3) | (2.3) |
| Financing activities | — | (0.7) |
| Net change in cash and cash equivalents | (962.3) | 176.2 |
| Cash and cash equivalents — beginning of period | 1,840.0 | 937.1 |
| Cash and cash equivalents — end of period | \$ 877.7 | \$ 1,113.3 |
| Supplemental Disclosures of Cash Flow Information | | |
| Cash paid during the period for: | | |
| Interest | \$ 64.3 | \$ 44.6 |
| Income taxes | \$ 161.3 | \$ 160.7 |

The accompanying Notes to Consolidated Condensed Financial Statements are an integral part of the above statements of cash flows.

ITT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(In millions, except 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. Unless the context otherwise indicates, references herein to “ITT,” “the Company,” and such words as “we,” “us,” and “our” include ITT Corporation and its subsidiaries. ITT believes that the disclosures made are adequate to make the information presented not misleading. ITT consistently applied the accounting policies described in ITT’s 2007 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 ITT’s 2007 Annual Report on Form 10-K.

ITT’s 2008 and 2007 quarterly financial periods end on the Saturday closest to the last day of the quarter, except for the last quarterly period of the fiscal year, which ends on December 31st. For simplicity of presentation, the quarterly financial statements included herein are presented as ending on the last day of the quarter.

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

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

ITT recognizes stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123R, “Share-Based Payment,” (“SFAS 123R”). See Note 1, “Summary of Significant Accounting Policies,” and Note 19 “Stock-Based and Long-Term Incentive Employee Compensation,” within the Notes to Consolidated Financial Statements of the 2007 Annual Report on Form 10-K for complete details regarding ITT’s accounting for compensation plans and application of SFAS 123R.

Stock-based and long-term incentive employee compensation cost reduced consolidated results of operations as follows:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30 | | June 30 | |
| | 2008 | 2007 | 2008 | 2007 |
| Impact on income before income taxes | \$ (24.0) | \$ (23.9) | \$ (26.8) | \$ (34.9) |
| Impact on net income available to shareholders | \$ (15.9) | \$ (15.5) | \$ (18.0) | \$ (22.7) |
| Impact on net income per common share: | | | | |
| Basic | \$ (0.09) | \$ (0.09) | \$ (0.10) | \$ (0.13) |
| Diluted | \$ (0.09) | \$ (0.08) | \$ (0.10) | \$ (0.12) |

At June 30, 2008, there was \$55.8 and \$30.8 of total unrecognized compensation cost under the ITT 2003 Equity Incentive Plan and the ITT 1997 Long-Term Incentive Plan (the “LTIP”), respectively, which is expected to be recognized ratably over a weighted-average period of 2.0 years and 1.4 years, respectively.

The total cash paid to settle the LTIP liability for the 2005 and 2004 annual grants during the first six months of 2008 and 2007 was \$19.3 and \$17.6, respectively.

ITT CORPORATION AND SUBSIDIARIES

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

3) Restructuring and Asset Impairment Charges

2008 Restructuring Activities

Components of Second Quarter 2008 Charge

During the second quarter of 2008, ITT recorded a net restructuring charge of \$7.3, reflecting costs of \$4.1 related to new actions and \$4.2 related to prior actions, as well as the reversal of \$1.0 of restructuring accruals that management determined would not be required.

| | 2008 Actions — Three Months Ended June 30 | | | Planned Position Eliminations | Prior Actions' Additional Costs | Reversal of Accruals |
|--------------------------------|---|----------------------------------|---------------|-------------------------------|---------------------------------|----------------------|
| | Severance | Lease Cancellation & Other Costs | Total | | | |
| Fluid Technology | \$ 2.2 | \$ — | \$ 2.2 | 27 | \$ 1.8 | \$ (0.6) |
| Defense Electronics & Services | 1.3 | 0.3 | 1.6 | 13 | 0.1 | (0.2) |
| Motion & Flow Control | 0.3 | — | 0.3 | 9 | 2.2 | (0.2) |
| Corporate and Other | — | — | — | — | 0.1 | — |
| | <u>\$ 3.8</u> | <u>\$ 0.3</u> | <u>\$ 4.1</u> | <u>49</u> | <u>\$ 4.2</u> | <u>\$ (1.0)</u> |

The charges associated with actions announced during the second quarter of 2008 represent a reduction of structural costs and a site closure within the Motion & Flow Control business segment. Planned position eliminations total 49, including 13 factory workers, 32 office workers and four management employees. The costs associated with prior actions primarily reflect severance costs, move related and lease cancellation costs and asset write-offs.

Components of First Six Months 2008 Charge

During the first six months of 2008, ITT recorded a net restructuring charge of \$10.9, reflecting costs of \$6.3 related to new actions and \$5.8 related to prior year plans, as well as the reversal of \$1.2 of restructuring accruals that management determined would not be required.

| | 2008 Actions — Six Months Ended June 30 | | | | Planned Position Eliminations | Prior Years' Plans Additional Costs | Reversal of Accruals |
|--------------------------------|---|------------------------------|----------------------------------|---------------|-------------------------------|-------------------------------------|----------------------|
| | Severance | Other Employee Related Costs | Lease Cancellation & Other Costs | Total | | | |
| Fluid Technology | \$ 3.2 | \$ 0.2 | \$ 0.3 | \$ 3.7 | 50 | \$ 2.7 | \$ (0.6) |
| Defense Electronics & Services | 1.3 | — | 0.3 | 1.6 | 13 | 0.1 | (0.2) |
| Motion & Flow Control | 0.4 | — | — | 0.4 | 10 | 3.0 | (0.4) |
| Corporate and Other | 0.5 | — | 0.1 | 0.6 | 1 | — | — |
| | <u>\$ 5.4</u> | <u>\$ 0.2</u> | <u>\$ 0.7</u> | <u>\$ 6.3</u> | <u>74</u> | <u>\$ 5.8</u> | <u>\$ (1.2)</u> |

The charges associated with actions announced during the first six months of 2008 represent a reduction of structural costs and a site closure within the Motion & Flow Control business segment. Planned position eliminations total 74, including 13 factory workers, 51 office workers and 10 management employees. The costs associated with prior years' plans primarily reflect severance costs, as well as move related and lease cancellation costs.

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

2007 Restructuring Activities

Components of Second Quarter 2007 Charge

During the second quarter of 2007, ITT recorded a net restructuring charge of \$17.5 reflecting costs of \$14.4 related to actions during the quarter and \$4.0 related to prior actions, as well as the reversal of \$0.9 of restructuring accruals that management determined would not be required.

| | 2007 Actions — Three Months Ended June 30 | | | | Planned Position Eliminations | Prior Actions' Additional Costs | Reversal of Accruals |
|--------------------------------|---|----------------------------------|------------------|----------------|-------------------------------|---------------------------------|----------------------|
| | Severance | Lease Cancellation & Other Costs | Asset Write-Offs | Total | | | |
| Fluid Technology | \$ 9.3 | \$ 0.7 | \$ 0.1 | \$ 10.1 | 193 | \$ 0.9 | \$ (0.9) |
| Defense Electronics & Services | 1.4 | — | — | 1.4 | 25 | 2.9 | — |
| Motion & Flow Control | 1.1 | — | — | 1.1 | 8 | 0.2 | — |
| Corporate and Other | 1.8 | — | — | 1.8 | 2 | — | — |
| | <u>\$ 13.6</u> | <u>\$ 0.7</u> | <u>\$ 0.1</u> | <u>\$ 14.4</u> | <u>228</u> | <u>\$ 4.0</u> | <u>\$ (0.9)</u> |

The charges associated with actions announced during the second quarter of 2007 represent a reduction of structural costs in all business segments and the closure of three facilities in the Fluid Technology business segment. Planned position eliminations total 228, including 132 factory workers, 89 office workers and seven management employees. The costs associated with prior actions are largely due to additional costs related to an adjustment to the write-off of leased space as well as additional severance costs.

Components of First Six Months 2007 Charge

During the first six months of 2007, ITT recorded a net restructuring charge of \$23.9 reflecting costs of \$18.9 related to actions during the six months and \$6.2 related to prior years' plans, as well as the reversal of \$1.2 of restructuring accruals that management determined would not be required.

| | 2007 Actions — Six Months Ended June 30 | | | | | Planned Position Eliminations | Prior Years' Plans Additional Costs | Reversal of Accruals |
|--------------------------------|---|------------------------------|----------------------------------|------------------|----------------|-------------------------------|-------------------------------------|----------------------|
| | Severance | Other Employee-Related Costs | Lease Cancellation & Other Costs | Asset Write-Offs | Total | | | |
| Fluid Technology | \$ 10.5 | \$ 0.1 | \$ 0.7 | \$ 0.6 | \$ 11.9 | 207 | \$ 2.6 | \$ (0.9) |
| Defense Electronics & Services | 2.2 | — | 1.3 | — | 3.5 | 39 | 2.9 | — |
| Motion & Flow Control | 1.7 | — | — | — | 1.7 | 21 | 0.7 | (0.3) |
| Corporate and Other | 1.8 | — | — | — | 1.8 | 2 | — | — |
| | <u>\$ 16.2</u> | <u>\$ 0.1</u> | <u>\$ 2.0</u> | <u>\$ 0.6</u> | <u>\$ 18.9</u> | <u>269</u> | <u>\$ 6.2</u> | <u>\$ (1.2)</u> |

The charges associated with actions announced during the first six months of 2007 represent a reduction of structural costs in all business segments and the closure of three facilities in the Fluid Technology business segment and one facility in the Defense Electronics & Services business segment. Planned position eliminations total 269, including 150 factory workers, 111 office workers and eight management employees. The costs associated with prior years' plans primarily reflect additional costs related to an adjustment to the write-off of leased space as well as asset write-offs and severance costs.

ITT CORPORATION AND SUBSIDIARIES

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

The following table displays a rollforward of the restructuring accruals:

| | <u>Fluid Technology</u> | <u>Defense Electronics & Services</u> | <u>Motion & Flow Control</u> | <u>Corporate and Other</u> | <u>Total</u> |
|--|-----------------------------|---|--|--------------------------------|----------------|
| Balance December 31, 2007 | \$ 21.0 | \$ 7.9 | \$ 9.1 | \$ 2.0 | \$ 40.0 |
| Additional charges for prior years' plans | 2.7 | 0.1 | 3.0 | — | 5.8 |
| Cash payments and other related to prior charges | (15.8) | (3.2) | (7.8) | (1.2) | (28.0) |
| Reversals of prior charges | (0.6) | (0.2) | (0.4) | — | (1.2) |
| Charges for 2008 actions | 3.7 | 1.6 | 0.4 | 0.6 | 6.3 |
| Cash payments and other related to 2008 charges | (0.7) | (0.3) | (0.2) | — | (1.2) |
| Balance June 30, 2008 | <u>\$ 10.3</u> | <u>\$ 5.9</u> | <u>\$ 4.1</u> | <u>\$ 1.4</u> | <u>\$ 21.7</u> |

The accrual balance at June 30, 2008 of \$21.7 includes \$15.3 for severance and \$6.4 for facility carrying costs and other.

The following is a rollforward of employee positions eliminated associated with restructuring activities through June 30, 2008:

| | |
|--|--------------|
| Planned reductions as of December 31, 2007 | 313 |
| Planned reductions from 2008 actions | 74 |
| Actual reductions, January 1 — June 30, 2008 | <u>(341)</u> |
| Planned reductions as of June 30, 2008 | <u>46</u> |

As of June 30, 2008, of the planned facility closures, one facility in the Motion & Flow Control business segment and one facility in the Defense Electronics & Services business segment remain to be closed. These closures are expected within the next three months.

4) Discontinued Operations

2007 Dispositions

Switches

On July 26, 2007, ITT completed the sale of substantially all of its Switches businesses to a private equity firm for net proceeds of \$223.2, and an after-tax gain of \$84.4. The Switches businesses have been reported as discontinued operations since the third quarter of 2006. During the second quarter and first six months of 2008, we recognized an after-tax loss from discontinued operations of \$3.3 and \$2.3, respectively. This loss is primarily attributable to the remaining component of the Switches businesses.

Revenues and operating income for Switches reported in discontinued operations were as follows:

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|------------------------|---------------------------------------|-------------|-------------------------------------|-------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Revenues (third party) | \$3.3 | \$72.6 | \$6.6 | \$151.0 |
| Operating income | \$0.5 | \$ 3.2 | \$2.0 | \$ 10.5 |

ITT CORPORATION AND SUBSIDIARIES

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

5) Pension and Postretirement Benefit Expenses

Components of net periodic pension (benefit) cost were as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-------------------------------------|-------------------------------|---------|-----------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| Service cost | \$ 24.2 | \$ 25.0 | \$ 48.4 | \$ 50.0 |
| Interest cost | 81.6 | 74.2 | 163.3 | 148.3 |
| Expected return on plan assets | (110.4) | (99.3) | (220.7) | (198.7) |
| Amortization of prior service cost | 0.8 | 0.7 | 1.6 | 1.3 |
| Amortization of actuarial loss | 3.7 | 16.3 | 7.5 | 32.7 |
| Net periodic pension (benefit) cost | \$ (0.1) | \$ 16.9 | \$ 0.1 | \$ 33.6 |

Net periodic pension cost decreased in the first six months of 2008, as a result of the higher discount rate adopted at year-end 2007 leading to a lower amortization of actuarial losses, higher expected returns on plan assets due to increased asset levels, and lower amortization of deferred losses, partially offset by an increase in interest costs and higher average foreign exchange rates. Based on the facts and circumstances described below the decrease in net periodic pension cost will be partially offset by reduced recoveries of costs under our U.S. Government contracts.

The Defense Electronics & Services business segment represents approximately 67% of the active U.S. Salaried Plan participants. As a result, we have sought and will seek reimbursement from the Department of Defense for a portion of our pension costs, in accordance with government regulations. U.S. Government Cost Accounting Standards ("CAS") govern the extent to which pension costs are allocable to and recoverable under contracts with the U.S. Government.

ITT contributed approximately \$14.6 to its various plans during the first six months of 2008. Additional contributions totaling between \$10.4 and \$15.4 are expected over the balance of 2008.

Components of net periodic postretirement cost were as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---------------------------------------|-------------------------------|--------|-----------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| Service cost | \$ 2.1 | \$ 2.0 | \$ 4.2 | \$ 4.0 |
| Interest cost | 10.7 | 10.5 | 21.4 | 20.9 |
| Expected return on plan assets | (6.9) | (6.3) | (13.8) | (12.6) |
| Amortization of prior service benefit | 0.9 | 0.6 | 1.8 | 1.2 |
| Amortization of actuarial loss | 1.2 | 1.3 | 2.3 | 2.5 |
| Net periodic postretirement cost | \$ 8.0 | \$ 8.1 | \$ 15.9 | \$ 16.0 |

Net periodic postretirement cost decreased in the first six months of 2008 primarily as a result of the higher expected returns on plan assets due to increased asset levels, partially offset by higher amortization of prior service benefits.

See Note 18, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements of the 2007 Annual Report on Form 10-K for additional details of pension and postretirement benefits.

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

6) Comprehensive Income

| | <u>Pretax (Expense) Income</u> | <u>Tax Expense</u> | <u>Net-of-Tax Amount</u> |
|---|--|------------------------|------------------------------|
| Three Months Ended June 30, 2008 | | | |
| Net income | | | \$ 221.0 |
| Other comprehensive (loss) income: | | | |
| Foreign currency translation adjustments | \$ (6.5) | \$ — | (6.5) |
| Pension and postretirement adjustments included in net periodic benefit cost: | | | |
| Amortization of actuarial loss | 4.9 | (1.8) | 3.1 |
| Amortization of prior service cost | 1.7 | (0.7) | 1.0 |
| Other comprehensive loss | <u>\$ 0.1</u> | <u>\$ (2.5)</u> | <u>(2.4)</u> |
| Comprehensive income | | | <u>\$ 218.6</u> |
| Three Months Ended June 30, 2007 | | | |
| Net income | | | \$ 213.7 |
| Other comprehensive income: | | | |
| Foreign currency translation adjustments | \$ 12.0 | \$ — | 12.0 |
| Other | 0.3 | (0.1) | 0.2 |
| Pension and postretirement adjustments included in net periodic benefit cost: | | | |
| Amortization of actuarial loss | 17.6 | (6.1) | 11.5 |
| Amortization of prior service cost | 1.3 | (0.5) | 0.8 |
| Other comprehensive income | <u>\$ 31.2</u> | <u>\$ (6.7)</u> | <u>24.5</u> |
| Comprehensive income | | | <u>\$ 238.2</u> |
| Six Months Ended June 30, 2008 | | | |
| Net income | | | \$ 392.9 |
| Other comprehensive income: | | | |
| Foreign currency translation adjustments | \$ 93.2 | \$ — | 93.2 |
| Pension and postretirement adjustments included in net periodic benefit cost: | | | |
| Amortization of actuarial loss | 9.8 | (3.6) | 6.2 |
| Amortization of prior service cost | 3.4 | (1.3) | 2.1 |
| Other comprehensive income | <u>\$ 106.4</u> | <u>\$ (4.9)</u> | <u>101.5</u> |
| Comprehensive income | | | <u>\$ 494.4</u> |

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

| | <u>Pretax Income</u> | <u>Tax Expense</u> | <u>Net-of-Tax Amount</u> |
|---|--------------------------|------------------------|------------------------------|
| Six Months Ended June 30, 2007 | | | |
| Net income | | | \$ 353.7 |
| Other comprehensive income: | | | |
| Foreign currency translation adjustments | \$ 27.6 | \$ — | 27.6 |
| Pension and postretirement adjustments included in net periodic benefit cost: | | | |
| Amortization of actuarial loss | 35.2 | (12.2) | 23.0 |
| Amortization of prior service cost | 2.5 | (0.9) | 1.6 |
| Other comprehensive income | \$ 65.3 | \$ (13.1) | 52.2 |
| Comprehensive income | | | <u>\$ 405.9</u> |

7) Earnings Per Share

A reconciliation of the data used in the calculation of basic and diluted earnings per share computations for income from continuing operations is as follows:

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|--|---------------------------------------|--------------|-------------------------------------|--------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Basic earnings per share: | | | | |
| Income from continuing operations available to common shareholders | \$ 224.3 | \$ 199.2 | \$ 395.2 | \$ 336.0 |
| Average common shares outstanding | 181.0 | 180.3 | 180.9 | 180.9 |
| Basic earnings per share | \$ 1.24 | \$ 1.11 | \$ 2.18 | \$ 1.86 |
| Diluted earnings per share: | | | | |
| Income from continuing operations available to common shareholders | \$ 224.3 | \$ 199.2 | \$ 395.2 | \$ 336.0 |
| Average common shares outstanding | 181.0 | 180.3 | 180.9 | 180.9 |
| Add: Impact of stock options and restricted stock | 3.3 | 3.4 | 3.1 | 3.3 |
| Average common shares outstanding on a diluted basis | <u>184.3</u> | <u>183.7</u> | <u>184.0</u> | <u>184.2</u> |
| Diluted earnings per share | \$ 1.22 | \$ 1.08 | \$ 2.15 | \$ 1.82 |

Shares underlying stock options excluded from the computation of diluted earnings per share because they were anti-dilutive were as follows:

| | <u>Three Months Ended June 30</u> | | <u>Six Months Ended June 30</u> | |
|------------------------|---------------------------------------|-------------|-------------------------------------|-------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Stock options | 1.1 | 0.5 | 0.9 | 0.5 |
| Average Exercise Price | \$55.22 | \$58.15 | \$55.69 | \$58.13 |

ITT CORPORATION AND SUBSIDIARIES
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(In millions, except per share amounts, unless otherwise stated)

8) Receivables, Net

| | June 30, 2008 | December 31, 2007 |
|--|-------------------|----------------------|
| Trade | \$ 1,970.5 | \$ 1,843.3 |
| Other | 103.9 | 127.9 |
| Less: allowance for doubtful accounts and cash discounts | (35.7) | (36.2) |
| | <u>\$ 2,038.7</u> | <u>\$ 1,935.0</u> |

9) Inventories, Net

| | June 30, 2008 | December 31, 2007 |
|-------------------------|------------------|----------------------|
| Finished goods | \$ 235.2 | \$ 209.4 |
| Work in process | 342.5 | 304.0 |
| Raw materials | 450.7 | 470.8 |
| Less: progress payments | (105.0) | (96.6) |
| | <u>\$ 923.4</u> | <u>\$ 887.6</u> |

10) Plant, Property and Equipment, Net

| | June 30, 2008 | December 31, 2007 |
|---|------------------|----------------------|
| Land and improvements | \$ 63.2 | \$ 58.7 |
| Buildings and improvements | 592.4 | 554.7 |
| Machinery and equipment | 1,689.3 | 1,559.7 |
| Furniture, fixtures and office equipment | 242.8 | 229.7 |
| Construction work in progress | 84.4 | 91.1 |
| Other | 91.5 | 139.3 |
| | <u>2,763.6</u> | <u>2,633.2</u> |
| Less: accumulated depreciation and amortization | (1,774.8) | (1,652.9) |
| | <u>\$ 988.8</u> | <u>\$ 980.3</u> |

11) Goodwill and Other Intangible Assets

The application of purchase accounting under SFAS No. 141, "Business Combinations" ("SFAS 141"), requires that the total purchase price be allocated to the fair value of assets acquired and liabilities assumed based on their fair value at the acquisition date, with amounts exceeding the net fair value being recorded as goodwill. The allocation process requires an analysis of items such as acquired contracts, customer relationships, fixed assets, contractual commitments, legal contingencies, and brand value to identify and record the fair value of all assets and liabilities assumed. In valuing acquired assets and liabilities, fair values are based on, but not limited to, future expected discounted cash flows, comparable market rates, replacement costs, expected settlement amounts, and discount and growth rates.

On December 20, 2007, ITT acquired all of the outstanding shares of EDO Corporation ("EDO"), a global aerospace and defense company. As a result, we assigned preliminary fair value amounts to the tangible and intangible assets acquired and liabilities assumed. As additional information was obtained, adjustments were made

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to the purchase price allocation during the first six months of 2008; however, the allocation is subject to further refinement, including the valuation of certain long-term contracts. These adjustments are reflected in the tables below within the Defense Electronics & Services business segment.

Changes in the carrying amount of goodwill for the six months ended June 30, 2008 by business segment are as follows:

| | Fluid Technology | Defense Electronics & Services | Motion & Flow Control | Corporate and Other | Total |
|---|---------------------|--------------------------------------|-----------------------------|------------------------|-------------------|
| Balance as of January 1, 2008 | \$ 1,167.4 | \$ 2,176.8 | \$ 480.5 | \$ 5.0 | \$ 3,829.7 |
| Goodwill acquired during the period | 7.1 | — | 12.5 | — | 19.6 |
| Adjustments to purchase price allocations | 0.2 | 33.6 | 0.5 | — | 34.3 |
| Foreign currency translation | 25.0 | — | 1.8 | — | 26.8 |
| Balance as of June 30, 2008 | <u>\$ 1,199.7</u> | <u>\$ 2,210.4</u> | <u>\$ 495.3</u> | <u>\$ 5.0</u> | <u>\$ 3,910.4</u> |

Information regarding other intangible assets is as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net Intangibles |
|---------------------------------|-----------------------------|-----------------------------|--------------------|
| 2008 | | | |
| Finite-lived intangibles: | | | |
| Customer relationships | \$ 648.8 | \$ (111.2) | \$ 537.6 |
| Proprietary technology | 69.6 | (17.9) | 51.7 |
| Trademarks | 30.4 | (4.3) | 26.1 |
| Patents and other | 57.0 | (25.3) | 31.7 |
| Indefinite-lived intangibles: | | | |
| Brands and trademarks | 21.6 | — | 21.6 |
| Balance as of June 30, 2008 | <u>\$ 827.4</u> | <u>\$ (158.7)</u> | <u>\$ 668.7</u> |
| 2007 | | | |
| Finite-lived intangibles: | | | |
| Customer relationships | \$ 672.9 | \$ (62.1) | \$ 610.8 |
| Proprietary technology | 63.2 | (15.5) | 47.7 |
| Trademarks | 28.3 | (2.3) | 26.0 |
| Patents and other | 53.2 | (22.2) | 31.0 |
| Indefinite-lived intangibles: | | | |
| Brands and trademarks | 17.5 | — | 17.5 |
| Balance as of December 31, 2007 | <u>\$ 835.1</u> | <u>\$ (102.1)</u> | <u>\$ 733.0</u> |

Amortization expense related to intangible assets for the six month periods ending June 30, 2008 and 2007 was \$56.0 and \$15.0, respectively.

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

| 2009 | 2010 | 2011 | 2012 | 2013 |
|--------|--------|--------|--------|--------|
| \$93.2 | \$94.6 | \$67.4 | \$55.7 | \$49.4 |

Customer relationships, proprietary technology, trademarks, and patents and other are amortized over weighted average lives of approximately 14 years, 13 years, 18 years, and 18 years, respectively.

12) Other Assets

| | June 30, 2008 | December 31, 2007 |
|---|------------------|----------------------|
| Pension assets and prepaid benefit plan costs | \$ 696.6 | \$ 675.6 |
| Insurance receivables | 190.3 | 182.0 |
| Other long-term third party receivables, net | 48.7 | 54.3 |
| Other employee benefit-related assets | 52.6 | 51.3 |
| Capitalized software costs | 29.4 | 27.0 |
| Investments in unconsolidated companies | 9.0 | 9.3 |
| Environmental and employee benefit trusts | 3.1 | 8.7 |
| Other | 39.1 | 42.0 |
| | \$ 1,068.8 | \$ 1,050.2 |

13) Other Liabilities

| | June 30, 2008 | December 31, 2007 |
|---|------------------|----------------------|
| Deferred income taxes and other tax-related accruals | \$ 314.5 | \$ 310.1 |
| Product liability, guarantees and other legal matters | 251.9 | 237.6 |
| Compensation and other employee-related benefits | 149.3 | 139.5 |
| Environmental | 121.3 | 110.2 |
| Other | 94.3 | 106.6 |
| | \$ 931.3 | \$ 904.0 |

14) Uncertain Tax Positions

In accordance with the Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109,” (“FIN 48”) we recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. We adopted the provisions set forth by FIN 48 effective January 1, 2007.

As of June 30, 2008 and December 31, 2007, we have \$106.0 and \$103.3, respectively, of total unrecognized tax benefits. The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$47.3 and \$42.8, as of June 30, 2008 and December 31, 2007, respectively.

We do not believe that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date.

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We classify interest relating to tax matters as a component of interest expense and tax penalties as a component of income tax expense in our income statement. We have accrued \$38.3 and \$36.2 for payment of interest and penalties as of June 30, 2008 and December 31, 2007, respectively.

15) Commitments and Contingencies

The Company is from time to time involved in legal proceedings that are incidental to the operation of its businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities, product liabilities (including asbestos), employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. The Company will continue to defend itself vigorously 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 a material adverse impact on the financial position, results of operations, or cash flows of the Company on a consolidated basis.

See "Critical Accounting Estimates" within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the 2007 Annual Report on Form 10-K for a discussion of contingent liabilities, including the related estimates, assumptions, uncertainties, and potential financial statement impact from revisions to our estimates.

Environmental

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. The Company's environmental liability includes matters associated with properties containing disposed or recycled wastes generated by current or former properties of ITT, and nearby properties impacted by contamination originating at those properties. 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 management's opinion, the total amount accrued and related receivables are appropriate based on existing facts and circumstances. Management does not anticipate that these liabilities 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 or its state equivalent. As of June 30, 2008, the Company is responsible, or is alleged to be responsible, for approximately 99 ongoing environmental investigation and remediation sites in various countries. These sites are in various stages of investigation and/or remediation and in many of these proceedings the Company's liability is considered de minimis. At June 30, 2008, the Company's best estimate for environmental liabilities is \$134.9, which approximates the accrual related to the investigation and remediation of ground water, soil, and soil vapor, as well as related legal fees. This also includes the Company's estimated accrual for environmental liabilities associated with its former automotive business. The low range estimate for its environmental liabilities is \$108.4 and the high range estimate for those liabilities is \$233.1. 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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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — (Continued)
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The Company is involved in an environmental proceeding in Glendale, California relating to the San Fernando Valley. The Company is one of numerous PRPs who are alleged by the EPA to have contributed to the contamination of the aquifers. 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 ALX*, 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 plant. The operation of the water treatment plant 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 plant. In 2007, one PRP defaulted on its percentage share of costs, and the PRP Group is pursuing a remedy of the default; however, this default has increased ITT's allocated share of the liability. Additionally, modification to the allowable hexavalent chromium National Pollution Discharge Elimination System discharge standard occurred in 2007, and the impact of this change has resulted in additional costs for potential modifications to the water treatment plant. As of June 30, 2008, the Company's accrual for operation of the water treatment plant through 2013 was \$7.8 representing its best estimate; its low estimate for the liability is \$3.8 and its high estimate is \$12.9.

Prior to the 1995 Distribution Agreement (See "Company History and Certain Relationships" within Part I, Item 1 of the 2007 Annual Report on Form 10-K for a description of the 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 former manufacturing 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 \$3.8 and \$16.7. The Company has accrued \$6.4 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 1930s. The Company's current estimates for its exposure are between \$6.8 and \$15.5, and it has an accrual for this matter of \$10.9, which represents its best estimate. 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 while ITT has received notice of potential claims from third parties.

The Company operated a facility in Rochester, New York, called Rochester Form Machine from 1979 until 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 the New York State Department of Environmental Conservation to investigate and remediate facility-related impacts to soil, soil vapor, indoor air and ground water. As of June 30, 2008, the Company's current estimate for this exposure is between \$4.3 and \$17.0 and it has an accrual for this matter of \$6.8, which represents the best estimate. The Company is pursuing a legal claim against certain other PRPs who may share responsibility.

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 matters listed above. Discovery, procedural matters, changes in California law, and various appeals have prolonged this case. For several years, the case had been on appeal 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. However, in April 2007, the Superior Court vacated its earlier ruling.

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dismissing the claims based on the California Supreme Court's decision in *Powerline Oil Co. v. Superior Court*. As a result, the Court of Appeals dismissed the appeal as moot. The case is now back before the Superior Court and the parties are engaged in further discovery. 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.

Product Liability and Other Matters

The Company, including its subsidiary Goulds Pumps, Inc. ("Goulds"), has been joined as a defendant 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.

As of June 30, 2008, there were approximately 104,000 open claims against the Company, essentially unchanged from December 31, 2007. 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 the first six months of 2008, the Company resolved approximately 2,600 claims. Most of these claims were dismissed, with settlement on a modest percentage of claims. The average amount of settlement per claim has been nominal and substantially all defense and settlement costs have been covered by insurance.

The Company's estimated accrued costs, net of expected insurance recoveries, for the resolution of all of these pending claims were \$27.1 and \$24.8 as of June 30, 2008 and December 31, 2007, respectively. While it is probable that the Company will incur additional costs for claims to be filed in the future, these additional costs are not reasonably estimable at this time.

Although it is impossible to predict the ultimate outcome of these product liability suits, based on current information, the Company's experience in handling these matters, and its substantial insurance program, management does not believe that these claims will 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 had 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, Goulds has negotiated coverage-in-place agreements with Utica National ("Utica") and ACE allocating the Goulds' asbestos liabilities between insurance policies issued by Utica, ACE and those issued by others. The terms of the settlements provide Goulds with substantial coverage from those two insurers for asbestos liabilities. Goulds will continue to seek coverage from its other insurers for these liabilities.

The Company provides an indemnity to U.S. Silica Company for silica personal injury suits filed prior to September 12, 2005 against its former subsidiary Pennsylvania Glass Sand. ITT sold the stock of Pennsylvania Glass Sand to U.S. Silica Company 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 provide insurance for these claims. On October 4, 2005, ITT filed a suit against the insurer, *ITT v. Pacific Employers Insurance Co., CA No. 05CV 5223*, seeking its defense costs and indemnity from the insurance carrier for Pennsylvania Glass Sand product liabilities. In April 2007, the Court granted the Company's motion for summary

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judgment on the carrier's duty to defend the silica cases; however, that decision was overturned on appeal. The matter was returned to the Superior Court in part for determination of several factual issues. The Company will continue to seek its past and future defense costs for these cases from this carrier. 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. All silica related costs, net of insurance recoveries, are shared pursuant to the Distribution Agreement. See "BUSINESS — Company History and Certain Relationships" of the Company's 2007 Annual Report on Form 10-K for a description of the Distribution Agreement.

On October 25, 2006, The Hartford and Fencourt Reinsurance Company ("Fencourt"), a subsidiary of The Hartford, filed a contribution claim against ITT for losses incurred by Fencourt as a result of a reinsurance contract obligation it owes to Century Indemnity Company (a subsidiary of Ace Insurance). Century Indemnity Company was an insurer of ITT's Domestic Casualty Program from 1978 through 1992. Fencourt, formed in 1978, was a captive insurer of ITT and provided reinsurance to Century for certain ITT self-insured losses. Fencourt was transferred to The Hartford in the demerger of ITT in 1995. This matter is covered by the 1995 Distribution Agreement (See "BUSINESS — Company History and Certain Relationships" of the Company's 2007 Annual Report on Form 10-K for a description of the Distribution Agreement) and that agreement contains clear language that The Hartford agreed to assume the liabilities of Fencourt and indemnify ITT against all claims against Fencourt. The case is stayed pending the resolution of an arbitration proceeding currently pending in New Jersey. The Company believes that this matter will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

In December 2005, the Company received an anonymous complaint regarding the possible payment of commissions to foreign government officials by employees of its Nanjing Goulds Pumps company, in Nanjing, China. Such commission payments may violate the Foreign Corrupt Practices Act. The Company is conducting an investigation utilizing internal and external resources and voluntarily disclosed the preliminary results of the investigation to the United States Department of Justice and the Securities and Exchange Commission. At the conclusion of the investigation, the U.S. government could impose a civil penalty or a criminal fine and/or order that the Company disgorge any profits derived from contracts where inappropriate commissions were paid. The Company does not expect that this matter will have a material adverse impact on the financial position, results of operations or cash flows of the Company on a consolidated basis.

On March 27, 2007, the Company reached a settlement relating to an investigation of its ITT Night Vision Division's compliance with the International Traffic in Arms Regulations ("ITAR") pursuant to which the Company pled guilty to two violations based on the export of defense articles without a license and the omission of material facts in required export reports. The Company was assessed a total of \$50 in fines, forfeitures and penalties, which was accrued for fully as of December 31, 2006. Of the total, \$30 was paid in 2007 and the remaining balance is to be paid over five years, including \$4 which was paid in the first quarter of 2008. ITT also entered into a Deferred Prosecution Agreement with the U.S. government which deferred action regarding a third count of violations related to ITAR pending the Company's implementation of a remedial action plan, including the appointment of an independent monitor. The Company was assessed a deferred prosecution monetary penalty of \$50 which the Company will reduce for monies spent by the Company, over the five years following the date of the Plea Agreement, to accelerate and further the development and fielding of advanced night vision technology. On October 11, 2007, the Company and the Department of Defense finalized an Administrative Compliance Agreement wherein the Company agreed to take certain remedial actions including implementing compliance programs and appointing an independent monitor for the oversight of the Company's compliance programs. On December 28, 2007, the Company finalized a Consent Agreement with the Department of State wherein the Company agreed to undertake certain remedial actions, including appointment of a Special Compliance Official. 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.

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(In millions, except per share amounts, unless otherwise stated)

On April 17, 2007, the Company's Board of Directors received a letter on behalf of a shareholder requesting that the Board take appropriate action against the employees responsible for the actions described in the Company's agreements with the United States Attorney's Office for the Western District of Virginia, which were disclosed on Form 8-K filed on March 30, 2007. The Board of Directors has appointed a Special Litigation Committee to evaluate the request.

On April 20, 2007, the Company received notice of a shareholder derivative action, *Sylvia Piven trustee under trust agreement dated April 3, 1973 f/b/o Sylvia B. Piven, derivatively on behalf of ITT Corporation v. Steve Loranger et al. and ITT Corporation*, U.S. District Court for the Southern District of New York, CA No. 07-CV-2878 (the "Piven" action), alleging that the Company's Board of Directors breached their fiduciary duties in connection with the Company's compliance programs at its Night Vision business. The Piven Complaint seeks compensatory and punitive damages for the Company from its Directors, the removal of the Directors, and the election of new directors. On July 12, 2007, the Company received notice of a second shareholder derivative action, *Norman Levy, derivatively on behalf of ITT Industries, Inc. v. Steven R. Loranger et al. and ITT Industries, Inc.*, U.S. District Court for the Southern District of New York, CA No. 07-CV-6339 (the "Levy" action). The Levy Complaint asserts similar claims as the Piven Complaint and seeks compensatory damages for the Company from its Directors. On August 20, 2007, the Company received notice of the third derivative action, *Anthony Reale v. Steven R. Loranger et al. and ITT Company [sic]*, U.S. District Court for the Southern District of New York, CA No. 07-CV-6339 (the "Reale" action). The Reale action also names as John Doe defendants the individual managers allegedly responsible for the actions that gave rise to the Night Vision guilty plea, as well as the law firm that advised the Company in connection with a voluntary disclosure of violations. All three actions are consolidated before the U.S. District Court for the Southern District of New York, *In Re ITT Corporation Derivative Litigation*, CA No. 07-CV-2878 (CLB). On April 10, 2008, the Court denied the Company's motion to dismiss the consolidated Complaint and the Company has filed a Motion for Reconsideration. On July 14, 2008, the Company received notice that a fourth derivative action was filed in the same court where the above matters are currently pending, *Robert Wilkinson v. Steven R. Loranger et al. and ITT Corporation*, U.S. District Court for the Southern District of New York, CA No. 08-CV-6318 (the "Wilkinson" action). The Wilkinson action names the same defendants as the above complaints and asserts similar claims. Management believes that these suits will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

16) Guarantees, Indemnities and Warranties***Guarantees & Indemnities***

Since ITT's incorporation in 1920, we have 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. We do not have a liability recorded for the historic indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.

In December of 2007, we entered into a sales-type lease agreement for our corporate aircraft and then leased the aircraft back under a five-year operating lease. We have provided, under the lease, a residual value guarantee to the counterparty in the amount of \$50.2, which is the maximum amount of undiscounted future payments. We 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, 2008, we do not believe that a loss contingency is probable and therefore do not have an accrual recorded in our financial statements.

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

ITT has a number of individually immaterial guarantees outstanding at June 30, 2008, that may be affected by various conditions and external forces, some of which could require that payments be made under such guarantees. We do not believe these payments will have any material adverse impact on the financial position, results of operations or cash flow on a consolidated basis in the foreseeable future.

Product Warranties:

ITT warrants numerous products, the terms of which vary widely. In general, ITT warrants its products against defect and specific non-performance. In the automotive businesses, liability for product defects could extend beyond the selling price of the product and could be significant if the defect shuts down production or results in a recall. Changes in product warranty accruals for June 30, 2008 and 2007 were as follows:

| | 2008 | 2007 |
|--|---------|---------|
| Beginning balance January 1 | \$ 52.1 | \$ 46.8 |
| Accruals for product warranties issued in the period | 15.9 | 10.2 |
| Changes in pre-existing warranties, including changes in estimates | 2.4 | (3.0) |
| Payments | (13.3) | (10.6) |
| Ending balance June 30 | \$ 57.1 | \$ 43.4 |

17) Business Segment Information

| | Three Months Ended June 30, 2008 | | | | | |
|-----------------------------|----------------------------------|--------------------------------------|-----------------------------|------------------------|--------------|-------------|
| | Fluid Technology | Defense Electronics & Services | Motion & Flow Control | Corporate and Other | Eliminations | Total |
| Product sales | \$ 989.4 | \$ 991.8 | \$ 442.1 | \$ — | \$ (3.2) | \$ 2,420.1 |
| Service revenues | 36.2 | 607.4 | 0.4 | — | — | 644.0 |
| Total sales and revenues | \$ 1,025.6 | \$ 1,599.2 | \$ 442.5 | \$ — | \$ (3.2) | \$ 3,064.1 |
| Operating income (expense) | \$ 138.8 | \$ 198.9 | \$ 71.4 | \$ (54.3) | \$ — | \$ 354.8 |
| Operating margin | 13.5% | 12.4% | 16.1% | — | — | 11.6% |
| Total assets | \$ 3,213.4 | \$ 4,374.4 | \$ 1,476.1 | \$ 1,739.3 | \$ — | \$ 10,803.2 |
| | Three Months Ended June 30, 2007 | | | | | |
| | Fluid Technology | Defense Electronics & Services | Motion & Flow Control | Corporate and Other | Eliminations | Total |
| Product sales | \$ 842.2 | \$ 564.2 | \$ 329.5 | \$ — | \$ (3.3) | \$ 1,732.6 |
| Service revenues | 37.3 | 453.2 | — | — | — | 490.5 |
| Total sales and revenues | \$ 879.5 | \$ 1,017.4 | \$ 329.5 | \$ — | \$ (3.3) | \$ 2,223.1 |
| Operating income (expense) | \$ 109.5 | \$ 129.8 | \$ 54.0 | \$ (42.1) | \$ — | \$ 251.2 |
| Operating margin | 12.5% | 12.8% | 16.4% | — | — | 11.3% |
| Total assets ⁽¹⁾ | \$ 3,106.4 | \$ 4,466.2 | \$ 1,364.5 | \$ 2,615.6 | \$ — | \$ 11,552.7 |

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

| | Six Months Ended June 30, 2008 | | | | | |
|----------------------------|---------------------------------------|---|--|--------------------------------|---------------------|--------------|
| | <u>Fluid Technology</u> | <u>Defense Electronics & Services</u> | <u>Motion & Flow Control</u> | <u>Corporate and Other</u> | <u>Eliminations</u> | <u>Total</u> |
| Product sales | \$ 1,833.0 | \$ 1,953.9 | \$ 862.3 | \$ — | \$ (6.3) | \$ 4,642.9 |
| Service revenues | 74.0 | 1,152.9 | 0.7 | — | — | 1,227.6 |
| Total sales and revenues | \$ 1,907.0 | \$ 3,106.8 | \$ 863.0 | \$ — | \$ (6.3) | \$ 5,870.5 |
| Operating income (expense) | \$ 240.8 | \$ 351.7 | \$ 139.4 | \$ (93.0) | \$ — | \$ 638.9 |
| Operating margin | 12.6% | 11.3% | 16.2% | — | — | 10.9% |
| Total assets | \$ 3,213.4 | \$ 4,374.4 | \$ 1,476.1 | \$ 1,739.3 | \$ — | \$ 10,803.2 |

| | Six Months Ended June 30, 2007 | | | | | |
|-----------------------------|---------------------------------------|---|--|--------------------------------|---------------------|--------------|
| | <u>Fluid Technology</u> | <u>Defense Electronics & Services</u> | <u>Motion & Flow Control</u> | <u>Corporate and Other</u> | <u>Eliminations</u> | <u>Total</u> |
| Product sales | \$ 1,597.0 | \$ 1,117.4 | \$ 647.7 | \$ — | \$ (6.6) | \$ 3,355.5 |
| Service revenues | 68.5 | 869.4 | — | — | — | 937.9 |
| Total sales and revenues | \$ 1,665.5 | \$ 1,986.8 | \$ 647.7 | \$ — | \$ (6.6) | \$ 4,293.4 |
| Operating income (expense) | \$ 196.6 | \$ 240.2 | \$ 105.0 | \$ (73.1) | \$ — | \$ 468.7 |
| Operating margin | 11.8% | 12.1% | 16.2% | — | — | 10.9% |
| Total assets ⁽¹⁾ | \$ 3,106.4 | \$ 4,466.2 | \$ 1,364.5 | \$ 2,615.6 | \$ — | \$ 11,552.7 |

(1) As of December 31, 2007.

Item 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**
(In millions, except share and per share amounts, unless otherwise stated)

Business Overview

ITT Corporation and its subsidiaries ("ITT", "we", "us", "our" and "the Company") is a global multi-industry company with worldwide operations engaged directly and through its subsidiaries in the design and manufacture of a wide range of engineered products and the provision of related services.

We have a diverse business portfolio, which we believe is designed to respond to the following macro-economic growth drivers: global security and infrastructure demands, population growth, environment trends and emerging markets. Although our business is affected by global, regional and industry-specific economic factors, our geographic and industry diversity, as well as the diversity of our product sales and services, has helped limit the impact of any one industry, or the economy of any single country, on the consolidated operating results. While we do have some businesses that are linked to long- and short-cycle economies such as construction, defense, mining and minerals, transportation, automotive, and aerospace as industries, a disproportionate amount of our portfolio is responsive to large-scale drivers that are less sensitive to economic cycles. Furthermore, we drive our business to have the right mix of products and services by seeking a good combination of original equipment manufacturer ("OEM") and after-market participation, a balance between products and services, and a proper global distribution.

Our growth strategy is centered on both organic and acquisition growth. Our ability to grow organically stems from our value-based product development process, new and existing technologies, distribution capabilities, customer relationships and strong market positions. In addition to our growth initiatives, we have a number of strategic initiatives within the framework of the ITT Management System aimed at enhancing our operational performance. These include global sourcing, footprint rationalization and realignment, Six Sigma and lean fulfillment.

Our three principal business segments are Fluid Technology, Defense Electronics & Services, and Motion & Flow Control.

2008 Outlook

Overall, we expect revenues to increase to between \$11.6 billion and \$11.7 billion. Revenues in the Defense Electronics & Services business segment are expected to grow to \$6.1 billion led by continued growth in the Advanced Engineering & Sciences and Systems divisions and the integration of the newly acquired EDO Corporation ("EDO"). The Fluid Technology business segment expects to grow revenues between \$3.9 billion and \$4.0 billion due to continued growth in the Water & Wastewater and Industrial Process businesses. In the Motion & Flow Control business segment, revenues of \$1.6 billion to \$1.7 billion are expected, with growth largely attributable to the integration of International Motion Control, Inc. ("IMC") into the segment.

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

Fluid Technology

Fluid Technology is a leading global provider of fluid systems and solutions, including the design, development, production, sale and after-sale support of a broad range of pumps, mixers, controls and treatment systems for residential, municipal, commercial, industrial, and agricultural and turf applications. The following provides a summary of the Fluid Technology businesses and the goods and services each provides to its respective end-markets:

Water & Wastewater

Submersible pump systems for water and wastewater control, and biological filtration and disinfection treatment systems for municipal, industrial and commercial applications

| | |
|---|--|
| <i>Residential & Commercial Water</i> | Pumps, systems and accessories for water wells, pressure boosters, agricultural and irrigation applications, heating, ventilation and air conditioning systems, boiler controls, flood control and fire protection |
| <i>Industrial Process</i> | Pumps and valves for industrial, mining, pulp and paper, chemical and petroleum processing, and high-purity systems for biopharmaceutical applications |

Competitive advantages of the Fluid Technology business segment include selling premier brands, enjoying strong distribution capabilities, and benefiting from an installed base of more than 14 million pumps worldwide, which provides a strong foundation for repair, replacement and retrofit aftermarket sales. The demand drivers of the business include population growth, urbanization, migration to coastal areas, social awareness, increased regulation, aging infrastructure, and demand from developing markets.

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.

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 two major areas: Systems and Services and Defense Electronics. With the acquisition of EDO completed at the end of 2007, components of EDO have been integrated into various businesses of the Defense Electronics & Services business segment. In addition, we have identified two new businesses, "Integrated Structures" and "Intelligence & Information Warfare," as a result of the acquisition.

The following provides a summary of the Defense Electronics & Services businesses and the goods and services each provides to its respective end-markets:

| | |
|---|--|
| <i>Advanced Engineering & Services</i> | Homeland defense, telecommunications systems and information technology |
| <i>Communications Systems</i> | Voice and data systems, and battlefield communication technology |
| <i>Electronic Systems</i> | Force protection, integrated electronic warfare systems, reconnaissance and surveillance, radar and undersea systems |
| <i>Integrated Structures</i> | Aircraft armament suspension-and-release systems and advanced composite structures |
| <i>Intelligence & Information Warfare</i> | Intelligence systems and analysis, information warfare solutions and data acquisition and storage |
| <i>Night Vision</i> | Image intensifier technology, military and commercial night vision equipment |
| <i>Space Systems</i> | Satellite imaging systems, meteorological and navigation payloads, related information solutions and systems |
| <i>Systems Division</i> | Systems integration, communications engineering and technical support solutions |

Management believes that the Defense Electronics & Services business segment is well positioned with products and services that support our customers' needs. In addition, we expect new product development to continue to contribute to future growth.

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

Motion & Flow Control

The businesses of the Motion & Flow Control business segment primarily serve the high end of their markets, with highly engineered products, high brand recognition, and a focus on new product development and operational excellence. Revenue opportunities are balanced between OEM and aftermarket customers. In addition to its traditional markets of the U.S. and Western Europe, opportunities in emerging markets such as Asia are increasing.

The following list provides a summary of the Motion & Flow Control businesses and the goods and services each provides to its respective end-markets.

| | |
|-------------------------------|--|
| <i>Aerospace Controls</i> | Aircraft fuel systems and actuators |
| <i>Controls</i> | Motion controls, servo-motors and electro-mechanical actuators for industrial, medical and aircraft applications |
| <i>Energy Absorption</i> | Shock absorbers, suspension systems and pneumatic automation components for transportation, aerospace, industrial and electronics applications |
| <i>Flow Control</i> | Pump systems, valve actuation controls and accessories for leisure marine craft, whirlpool baths, beverage systems and oil and gas pipelines |
| <i>Friction Technologies</i> | Brake pads and friction materials for transportation markets |
| <i>Interconnect Solutions</i> | Connectors and interconnects for the military, industrial, medical and transportation markets |

The Motion & Flow Control businesses' financial results are driven by economic conditions in its major markets, the cyclical nature of the transportation industry, production levels of major auto producers, demand for marine and leisure products, weather conditions, raw material prices, the success of new product development, platform life and changes in technology. Primary areas of business focus include: expansion into adjacent markets, new product development, integration of acquisitions, manufacturing footprint optimization, global sourcing of direct material purchases and lean fulfillment.

Results of Operations

For the quarter ended June 30, 2008, ITT reported sales and revenues of \$3,064.1 and net income of \$221.0, or \$1.20 per diluted share, compared with sales and revenues of \$2,223.1 and net income of \$213.7 or \$1.16 per diluted share for the quarter ended June 30, 2007. Net income for the quarter ended June 30, 2008 includes a loss from discontinued operations of \$3.3 or \$0.02 per diluted share compared to income from discontinued operations of \$14.5 or \$0.08 per diluted share for the same comparable prior year period.

For the six months ended June 30, 2008, ITT reported sales and revenues of \$5,870.5 and net income of \$392.9, or \$2.14 per diluted share, compared with sales and revenues of \$4,293.4 and net income of \$353.7 or \$1.92 per diluted share for the six months ended June 30, 2007. These results include a loss of \$2.3 or \$0.01 per diluted share from discontinued operations compared to income from discontinued operations of \$17.7 or \$0.10 per diluted share, during 2008 and 2007, respectively.

Further details related to these results are contained in the following Consolidated Financial Results and Segment Review sections.

Consolidated Financial Results

| | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|--|----------------------------|-----------|---------------------------------------|--------------------------|-----------|---------------------------------------|
| | 2008 | 2007 | Increase (Decrease) %/Point Change | 2008 | 2007 | Increase (Decrease) %/Point Change |
| Sales and revenues | \$3,064.1 | \$2,223.1 | 37.8% | \$5,870.5 | \$4,293.4 | 36.7% |
| Costs of sales and revenues | 2,197.0 | 1,580.7 | 39.0% | 4,242.5 | 3,066.8 | 38.3% |
| Selling, general and administrative expenses | 445.8 | 330.9 | 34.7% | 866.4 | 650.9 | 33.1% |
| Research & development expenses | 59.2 | 42.8 | 38.3% | 111.8 | 83.1 | 34.5% |
| Operating income | 354.8 | 251.2 | 41.2% | 638.9 | 468.7 | 36.3% |
| Interest expense | 31.4 | 19.1 | 64.4% | 72.0 | 42.9 | 67.8% |
| Interest income | 7.9 | 10.2 | (22.5)% | 16.3 | 18.4 | (11.4)% |
| Income from continuing operations | 224.3 | 199.2 | 12.6% | 395.2 | 336.0 | 17.6% |
| Gross margin as a % of sales | 28.3% | 28.9% | (0.6)% | 27.7% | 28.6% | (0.9)% |
| Selling, general and administrative expenses as a % of sales | 14.5% | 14.9% | (0.4)% | 14.8% | 15.2% | (0.4)% |
| Research & development expenses as a % of sales | 1.9% | 1.9% | — | 1.9% | 1.9% | — |
| Operating margin | 11.6% | 11.3% | 0.3% | 10.9% | 10.9% | — |
| Effective tax rate | 31.5% | 17.1% | 14.4% | 31.4% | 23.3% | 8.1% |

Sales and Revenues

Sales and revenues increased \$841.0 or 37.8% to \$3,064.1 for the second quarter of 2008 over the same prior year period. Excluding the impact of foreign currency translation ("constant currency basis"), sales and revenues for

the second quarter increased \$757.4. Sales and revenues from acquired companies, including EDO (acquired during the fourth quarter of 2007) and IMC (acquired during the third quarter of 2007), contributed \$598.5 during the second quarter of 2008. Organic sales and revenues (defined as sales and revenues from existing businesses on a constant currency basis) contributed \$158.9 to our overall revenue growth, primarily due to higher volume and price, including the impact of new products and programs.

Sales and revenues for the six months ended June 30, 2008 increased \$1,577.1 to \$5,870.5, representing a 36.7% increase over the same prior year period. On a constant currency basis, sales and revenues increased \$1,423.2, including contributions from acquisitions of \$1,072.6. Organic sales and revenues grew \$350.6 over 2007, primarily attributable to higher volume and price, and the impact of new products and programs.

The following table further illustrates the impact of organic growth, acquisitions, and foreign currency translation fluctuations on sales and revenues during these periods.

| | Three Months 2008/2007 % Change | Six Months 2008/2007 % Change |
|------------------------------|--|--|
| Organic growth | 7.1% | 8.2% |
| Acquisitions | 26.9% | 25.0% |
| Foreign currency translation | 3.8% | 3.5% |
| Sales and revenues | <u>37.8%</u> | <u>36.7%</u> |

During the second quarter of 2008, we received orders of \$2,822.0, an increase of \$814.2 or 40.6% over the same prior year period. On a constant currency basis, orders grew \$729.2 or 36.3%. This increase was attributable to organic growth of \$379.7 or 18.9%, including contributions from each of our business segments, and orders from acquisitions of \$349.5 or 17.4%, including the addition of EDO and IMC. Orders received during the first six months of 2008 increased \$1,482.0 or 36.9% over the prior year, including \$707.1 or 17.6% from acquisitions, and organic growth of \$613.9 or 15.3%. Foreign currency translation had a positive impact of 4.3% and 4.0% for the second quarter and six month period ended June 30, 2008, respectively.

Costs of Sales and Revenues and Gross Margin

Costs of sales and revenues were \$2,197.0 and \$4,242.5 for the second quarter and six month period ended June 30, 2008, respectively. This represents increases of \$616.3 or 39.0% and \$1,175.7 or 38.3% over the same prior year periods. These increases were primarily attributable to the acquisitions of EDO and IMC, higher sales volume and an unfavorable impact from foreign exchange translation.

Gross margin for the second quarter of 2008 was \$867.1, a 35.0% increase compared to \$642.4 during the same prior year period. Gross margin for the first six months of 2008 was \$1,628.0, a 32.7% increase compared to \$1,226.6 during the same prior year period. Gross margin as a percent of sales was 28.3% and 27.7% for the second quarter and six month period ended June 30, 2008, respectively, compared to 28.9% and 28.6% over the same prior year periods. The year-over-year decreases were driven by higher production costs and unfavorable sales mix, but were partially offset by our productivity and strategic initiatives, including our efforts to improve supply chain productivity and control material costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") were \$445.8 and \$866.4 for the second quarter and six month period ended June 30, 2008, respectively, an increase of \$114.9 and \$215.5 over the same prior year period. The year-over-year increases were primarily attributable to the acquisitions of EDO and IMC. SG&A as a percent of sales was 14.5% and 14.8% for the second quarter and first six months of 2008, compared to 14.9% and 15.2% during the same prior year periods.

Research & Development Expenses

Research and development expenses ("R&D") were \$59.2 and \$111.8 for the second quarter and six month period ended June 30, 2008, respectively, compared to \$42.8 and \$83.1 during the same prior year periods. The year-over-year increases were primarily attributable to the acquisitions of EDO and IMC. R&D expense as a percentage of sales was consistent over the same periods as we continued our efforts to support product development.

Operating Income

Operating income increased \$103.6 or 41.2% and \$170.2 or 36.3% during the second quarter and first six months of 2008 over the same prior year periods. These increases were largely due to the impact from the EDO and IMC acquisitions. In addition, organic contributions were realized at each business segment. These contributions were primarily attributable to higher sales volumes and price, benefits from operating efficiencies, and cost savings initiatives, partially offset by unfavorable sales mix, and the impact of foreign currency exchange transactions and increased SG&A expenses.

Operating margin increased 30 basis points to 11.6% and remained flat at 10.9% for the second quarter and six month period ended June 30, 2008, respectively, over the same prior year periods. These results primarily reflect the benefits from operating efficiencies and cost savings initiatives, partially offset by unfavorable sales mix, and the impact of acquisitions (higher amortization of intangible assets).

Interest Expense and Interest Income

Interest expense during the second quarter and first six months of 2008 increased \$12.3 and \$29.1, respectively, compared to the same prior year periods. These increases were primarily attributable to higher levels of debt, reflecting our funding for acquisitions and capital expenditures during the periods, partially offset by lower interest rates during the current year. In addition, during the second quarter of 2007 we recognized a \$7.0 decrease in accrued interest as a result of the settlement of a tax examination.

We recorded interest income of \$7.9 and \$16.3 for the second quarter and six month period ended June 30, 2008, respectively. This represents year-over-year decreases of \$2.3 and \$2.1, respectively, which were primarily attributable to a lower average balance of cash and cash equivalents during the second quarter of 2008.

Income Tax Expense

Income tax expense for the quarter and six month period ended June 30, 2008 was \$103.3 and \$181.3, respectively, an increase of \$62.3 and \$79.1 over the same prior year periods. The effective tax rate for the quarter and six month period ended June 30, 2008 was 31.5% and 31.4%, respectively, compared to 17.1% and 23.3% during the prior year.

The year-over-year tax expense increases primarily reflect the impact of a tax benefit of \$44.3 resulting from the settlement of a tax examination during the second quarter of 2007, and higher earnings during the 2008 periods, partially offset by the impact of other tax-related items.

The year-over-year effective tax rate increases primarily reflect the impact of the previously discussed 2007 tax benefit, partially offset by a change in earnings mix and the impact of other tax-related items.

Segment Review

| | Sales & Revenues | | Operating Income | | Operating Margin | |
|-----------------------------------|-------------------|-------------------|------------------|-----------------|------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Three Months Ended June 30 | | | | | | |
| Fluid Technology | \$ 1,025.6 | \$ 879.5 | \$ 138.8 | \$ 109.5 | 13.5% | 12.5% |
| Defense Electronics & Services | 1,599.2 | 1,017.4 | 198.9 | 129.8 | 12.4% | 12.8% |
| Motion & Flow Control | 442.5 | 329.5 | 71.4 | 54.0 | 16.1% | 16.4% |
| Eliminations/Corporate and Other | (3.2) | (3.3) | (54.3) | (42.1) | — | — |
| Total | \$ 3,064.1 | \$ 2,223.1 | \$ 354.8 | \$ 251.2 | 11.6% | 11.3% |
| Six Months Ended June 30 | | | | | | |
| Fluid Technology | \$ 1,907.0 | \$ 1,665.5 | \$ 240.8 | \$ 196.6 | 12.6% | 11.8% |
| Defense Electronics & Services | 3,106.8 | 1,986.8 | 351.7 | 240.2 | 11.3% | 12.1% |
| Motion & Flow Control | 863.0 | 647.7 | 139.4 | 105.0 | 16.2% | 16.2% |
| Eliminations/Corporate and Other | (6.3) | (6.6) | (93.0) | (73.1) | — | — |
| Total | \$ 5,870.5 | \$ 4,293.4 | \$ 638.9 | \$ 468.7 | 10.9% | 10.9% |

Fluid Technology

For the quarter and six months ended June 30, 2008, sales and revenues from the Fluid Technology business segment increased \$146.1 or 16.6% and \$241.5 or 14.5%, respectively, over the same prior year periods. The following table illustrates the impact of organic growth, acquisitions, and foreign currency translation fluctuations on sales and revenues during these periods.

| | Three Months 2008/2007 % Change | Six Months 2008/2007 % Change |
|------------------------------|---------------------------------------|-------------------------------------|
| Organic growth | 10.0% | 8.2% |
| Acquisitions | 0.4% | 0.3% |
| Foreign currency translation | 6.2% | 6.0% |
| Sales and revenues | 16.6% | 14.5% |

During the second quarter and first six months of 2008, the Fluid Technology business segment recognized sales and revenues on a constant currency basis of \$970.9 and \$1,806.9, respectively, an increase of \$91.4 or 10.4% and \$141.4 or 8.5% over the same 2007 periods. Organic sales grew by \$88.0 or 10.0% and \$137.3 or 8.2% over the same periods. Factors driving these contributions were as follows:

Water & Wastewater

Organic sales increased \$39.0 or 9.5% and \$53.6 or 6.9% for the quarter and six month period ended June 30, 2008, respectively, due to strength in water/wastewater transport, particularly within the municipal and industrial markets, and dewatering, primarily attributable to the industrial (mining) market.

Residential & Commercial Water

Organic sales increased \$22.3 or 7.3% and \$34.7 or 6.1% for the quarter and six month period ended June 30, 2008, respectively, due to strength in commercial, agriculture/irrigation applications, offset by weakness in the residential market.

Industrial Process

Organic sales increased by \$28.6 or 16.4% and \$53.9 or 15.9% for the quarter and six month period ended June 30, 2008, respectively, due to strength in large project sales, particularly in the chemical, oil and gas and mining markets.

The Fluid Technology business segment received orders of \$1,168.8 for the second quarter of 2008, an increase of \$230.9 or 24.6% over 2007, including \$57.6 and \$3.5 attributable to the impact of foreign currency translation and acquisitions, respectively. Organic orders increased \$169.8 or 18.1% over the same prior year period. Orders received during the first six months of 2008 increased \$305.8 or 16.8% over the prior year with \$192.8 or 10.6% attributable to organic growth, an impact of \$108.3 or 6.0% from foreign currency translation, and \$4.7 due to acquisitions.

Operating income for the second quarter and first six months of 2008 increased \$29.3 or 26.8% and \$44.2 or 22.5%, respectively, over 2007. Excluding the impact of foreign exchange translation/transaction and contributions from acquisitions, operating income increased \$28.9 or 26.4% and \$45.5 or 23.1%, respectively, over the same periods. These increases were attributable to higher sales volume, productivity improvements and strategic initiatives, partially offset by material and labor cost increases, and a negative impact from sales mix.

The Fluid Technology business segment reported second quarter 2008 operating margins of 13.5%, an increase of 100 basis points over the same prior year period. Excluding the impact of foreign currency translation/transaction and contributions from acquisitions, operating margins expanded 180 basis points to 14.3% for the second quarter of 2008. For the six month period ended June 30, 2008, the Fluid Technology business segment reported operating margins of 12.6%, an increase of 80 basis points over 2007. Excluding the impact of foreign exchange translation/transaction and contributions from acquisitions, operating margins increased 160 basis points to 13.4% over the same period. The improved profitability over both periods was primarily attributable to the benefit from productivity improvements and strategic initiatives, partially offset by sales mix.

Defense Electronics & Services

For the quarter and six months ended June 30, 2008, sales and revenues from the Defense Electronics & Services business segment increased \$581.8 or 57.2% and \$1,120.0 or 56.4%, respectively, over the same prior year periods. The following table illustrates the impact of organic growth, and acquisitions on sales and revenues during these periods.

| | <u>Three Months 2008/2007 % Change</u> | <u>Six Months 2008/2007 % Change</u> |
|--------------------|--|--|
| Organic growth | 4.9% | 8.6% |
| Acquisitions | 52.3% | 47.8% |
| Sales and revenues | 57.2% | 56.4% |

Acquisitions contributed \$532.5 and \$950.0 in sales and revenues for the second quarter and six month period ended June 30, 2008. These contributions were primarily attributable to the EDO acquisition. Organic sales increased \$49.4 or 4.9% and \$170.2 or 8.6% during the second quarter and six month period ended June 30, 2008, respectively, compared to 2007. These increases were primarily attributable to sales growth in our Advanced Engineering & Sciences business, including increased efforts on existing contracts and benefits from new contracts (such as the Federal Aviation Administration contract to build the next generation air-traffic control system), and contributions from the Systems business. The Communications Systems business declined year-over-year for the quarter ended June 30, 2008, but maintained a positive contribution for the first half of 2008. Partially offsetting both the second quarter and first six month sales growth was a decline in the Space Systems business.

The Defense Electronics & Services business segment received orders of \$1,220.8 for the second quarter of 2008, an increase of \$478.0 or 64.4% over 2007, including \$283.3 attributable to acquisitions. Organic orders increased \$194.7 or 26.2% over the same prior year period. Orders received during the first six months of 2008 increased \$971.9 or 62.9% over the prior year with \$581.9 or 37.6% attributable to acquisitions, and organic growth of \$390.0 or 25.2%. Fluctuations in order growth within the Defense Electronics & Services business segment illustrate how the level of activity related to programs can, at times, be affected by timing within government funding authorization and project evaluation cycles.

Operating income for the second quarter of 2008 increased \$69.1 or 53.2% over the same prior year period. Excluding contributions from acquisitions, operating income increased \$19.3 or 14.9%. For the six month period ended June 30, 2008, operating income increased \$111.5 or 46.4% over 2007. Excluding contributions from

acquisitions, operating income increased \$37.7 or 15.7%. These increases were primarily attributable to the previously mentioned organic sales growth.

The Defense Electronics & Services business segment reported second quarter 2008 operating margins of 12.4%, a decrease of 40 basis points compared to 2007, and reported operating margins of 11.3% for the first half of 2008, a decrease of 80 basis points from the same prior year period. These decreases were primarily attributable to the EDO acquisition (higher amortization of intangible assets). Excluding the impact of acquisitions, operating margins grew 120 and 80 basis points over the same periods.

Motion & Flow Control

For the quarter and six months ended June 30, 2008, sales and revenues from the Motion & Flow Control business segment increased \$113.0 or 34.3% and \$215.3 or 33.2%, respectively, over the same prior year periods, primarily due to the acquisition of IMC. The following table illustrates the impact of organic growth, acquisitions, and foreign currency translation fluctuations on sales and revenues during these periods.

| | Three Months 2008/2007 % Change | Six Months 2008/2007 % Change |
|------------------------------|--|--|
| Organic growth | 6.4% | 6.6% |
| Acquisitions | 19.0% | 18.3% |
| Foreign currency translation | 8.9% | 8.3% |
| Sales and revenues | 34.3% | 33.2% |

During the second quarter and first six months of 2008, the Motion & Flow Control business segment recognized sales and revenues on a constant currency basis of \$413.3 and \$808.9, respectively. This represents an increase of \$83.8 or 25.4% and \$161.2 or 24.9% over the same 2007 periods, including organic sales growth of \$21.2 or 6.4% and \$42.7 or 6.6%, respectively. Factors driving these contributions were as follows:

Friction Materials

Organic sales increased \$17.1 or 17.2% and \$29.8 or 14.7% for the quarter and six month period ended June 30, 2008. These increases were attributable to higher volumes of OEM components (new platform wins), and aftermarket brake pad sales.

Interconnect Solutions

Organic sales increased on higher volumes by \$1.5 or 1.4% for the quarter ended June 30, 2008, attributable to the Americas markets (strength in medical and military markets), while organic sales increased \$8.3 or 3.9% for the six month period ended June 30, 2008, attributable to the Americas, Europe and Asia markets (strength in medical, defense and industrial markets, particularly within the oil & gas industry).

Flow Control

Organic sales declined \$3.3 or 4.9% and \$6.2 or 4.8% for the quarter and six month period ended June 30, 2008. These decreases were due to softness in the domestic marine, industrial, and the bath, spa and whirlpool markets, partially offset by international strength within the international marine market, and positive contributions in the beverage and recreational vehicle markets.

Aerospace Controls

Organic sales increased \$4.6 or 18.3% and \$7.9 or 16.2% for the quarter and six month period ended June 30, 2008, respectively, driven by strength in commercial/aerospace aftermarket products.

Energy Absorption

Organic sales increased \$1.4 or 5.1% and \$2.9 or 5.5% for the quarter and six month period ended June 30, 2008, respectively, driven by strength in the railway and bus and truck markets, partially offset by softness in automobile aftermarket product sales.

The Motion & Flow Control business segment received orders of \$435.8 for the second quarter of 2008, an increase of \$105.2 or 31.8% over 2007, including \$62.7 or 19.0% and \$27.5 or 8.3% attributable to the impact of acquisitions and foreign currency translation, respectively. Organic orders increased \$15.0 or 4.5% over the same prior year period. Orders received during the first six months of 2008 increased \$205.7 or 31.2% over the prior year with \$120.5 or 18.3% attributable to acquisitions, an impact of \$52.8 or 8.0% from foreign currency translation, and organic growth of \$32.4 or 4.9%.

Operating income for the second quarter and first six months of 2008 increased \$17.4 or 32.2% and \$34.4 or 32.8%, respectively, over 2007. Excluding the impact of foreign exchange translation/transaction and contributions from acquisitions, operating income increased \$1.4 or 2.6% and \$6.4 or 6.1%, respectively, over the same periods. These increases were attributable to higher sales volume (as discussed above), productivity improvements and strategic initiatives, partially offset by material and labor cost increases, and a negative impact from sales mix.

The Motion & Flow Control business segment reported second quarter 2008 operating margins of 16.1%, a decrease of 30 basis points over the same prior year period. Excluding the impact of foreign currency translation/transaction and contributions from acquisitions, operating margins decreased 70 basis points to 15.7% for the second quarter of 2008. For the six month period ended June 30, 2008, operating margins were flat year-over-year at 16.2%. Excluding the impact of foreign exchange translation/transaction and contributions from acquisitions, operating margins decreased 10 basis points. These declines were primarily attributable to investments in marketing, research and development and other business related activities, partially offset by benefits from productivity improvements and strategic initiatives.

Corporate and Other

Corporate expenses of \$54.3 and \$93.0 for the second quarter and six month period ended June 30, 2008 increased \$12.2 and \$19.9, respectively, compared to the same prior year periods, primarily reflecting higher costs associated with legacy litigation matters, as well as corporate initiatives, including expanded resources and review procedures in the tax accounting function.

Restructuring and Asset Impairment Charges

2008 Restructuring Activities

During the second quarter of 2008, ITT recorded a net restructuring charge of \$7.3, reflecting costs of \$4.1 related to new actions and \$4.2 related to prior actions, as well as the reversal of \$1.0 of restructuring accruals that management determined would not be required.

| | 2008 Actions — Three Months Ended June 30 | | | | Prior Actions' Additional Costs | Reversal of Accruals |
|--------------------------------|---|----------------------------------|---------------|-------------------------------|---------------------------------|----------------------|
| | Severance | Lease Cancellation & Other Costs | Total | Planned Position Eliminations | | |
| Fluid Technology | \$ 2.2 | \$ — | \$ 2.2 | 27 | \$ 1.8 | \$ (0.6) |
| Defense Electronics & Services | 1.3 | 0.3 | 1.6 | 13 | 0.1 | (0.2) |
| Motion & Flow Control | 0.3 | — | 0.3 | 9 | 2.2 | (0.2) |
| Corporate and Other | — | — | — | — | 0.1 | — |
| | <u>\$ 3.8</u> | <u>\$ 0.3</u> | <u>\$ 4.1</u> | <u>49</u> | <u>\$ 4.2</u> | <u>\$ (1.0)</u> |

The charges associated with actions announced during the second quarter of 2008 represent a reduction of structural costs and a site closure within the Motion and Flow Control business segment. Planned position eliminations total 49, including 13 factory workers, 32 office workers and four management employees. The costs

associated with prior actions primarily reflect severance costs, move related and lease cancellation costs and asset write-offs.

The projected future savings from restructuring actions announced during the second quarter of 2008 are approximately \$2.0 during 2008 and \$29.9 between 2009 and 2013.

Payments of \$0.7 were made during the second quarter of 2008 related to actions announced during the quarter.

Components of First Six Months 2008 Charge

During the first six months of 2008, ITT recorded a net restructuring charge of \$10.9, reflecting costs of \$6.3 related to new actions and \$5.8 related to prior year plans, as well as the reversal of \$1.2 of restructuring accruals that management determined would not be required.

| | 2008 Actions — Six Months Ended June 30 | | | | Planned Position Eliminations | Prior Years' Plans Additional Costs | Reversal of Accruals |
|--------------------------------|---|------------------------------------|--|---------------|-------------------------------------|--|-------------------------|
| | Severance | Other Employee Related Costs | Lease Cancellation & Other Costs | Total | | | |
| Fluid Technology | \$ 3.2 | \$ 0.2 | \$ 0.3 | \$ 3.7 | 50 | \$ 2.7 | \$ (0.6) |
| Defense Electronics & Services | 1.3 | — | 0.3 | 1.6 | 13 | 0.1 | (0.2) |
| Motion & Flow Control | 0.4 | — | — | 0.4 | 10 | 3.0 | (0.4) |
| Corporate and Other | 0.5 | — | 0.1 | 0.6 | 1 | — | — |
| | <u>\$ 5.4</u> | <u>\$ 0.2</u> | <u>\$ 0.7</u> | <u>\$ 6.3</u> | <u>74</u> | <u>\$ 5.8</u> | <u>\$ (1.2)</u> |

The charges associated with actions announced during the first six months of 2008 represent a reduction of structural costs and a site closure within the Motion and Flow Control business segment. Planned position eliminations total 74, including 13 factory workers, 51 office workers and 10 management employees. The costs associated with prior years' plans primarily reflect severance costs, as well as move related and lease cancellation costs.

The projected future savings from restructuring actions announced during the first six months of 2008 are approximately \$3.5 during 2008 and \$39.3 between 2009 and 2013.

Payments of \$1.2 were made during the first six months of 2008 related to actions announced during that period.

2007 Restructuring Activities

Components of Second Quarter 2007 Charge

During the second quarter of 2007, ITT recorded a net restructuring charge of \$17.5 reflecting costs of \$14.4 related to actions during the quarter and \$4.0 related to prior actions, as well as the reversal of \$0.9 of restructuring accruals that management determined would not be required.

| | 2007 Actions — Three Months Ended June 30 | | | | Planned Position Eliminations | Prior Actions' Additional Costs | Reversal of Accruals |
|--------------------------------|---|--|---------------------|----------------|-------------------------------------|---------------------------------------|-------------------------|
| | Severance | Lease Cancellation & Other Costs | Asset Write-Offs | Total | | | |
| Fluid Technology | \$ 9.3 | \$ 0.7 | \$ 0.1 | \$ 10.1 | 193 | \$ 0.9 | \$ (0.9) |
| Defense Electronics & Services | 1.4 | — | — | 1.4 | 25 | 2.9 | — |
| Motion & Flow Control | 1.1 | — | — | 1.1 | 8 | 0.2 | — |
| Corporate and Other | 1.8 | — | — | 1.8 | 2 | — | — |
| | <u>\$ 13.6</u> | <u>\$ 0.7</u> | <u>\$ 0.1</u> | <u>\$ 14.4</u> | <u>228</u> | <u>\$ 4.0</u> | <u>\$ (0.9)</u> |

The charges associated with actions announced during the second quarter of 2007 represent a reduction of structural costs in all business segments and the closure of three facilities in the Fluid Technology business segment.

Planned position eliminations total 228, including 132 factory workers, 89 office workers and seven management employees. The costs associated with prior actions are largely due to additional costs related to an adjustment to the write-off of leased space as well as additional severance costs.

The projected future savings from restructuring actions announced during the second quarter of 2007 are approximately \$5.0 during 2007 and \$86.0 between 2008 and 2012. 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.”

Payments of \$4.9 were made during the second quarter of 2007 related to actions announced during that period.

Components of First Six Months 2007 Charge

During the first six months of 2007, ITT recorded a net restructuring charge of \$23.9 reflecting costs of \$18.9 related to actions during the six months and \$6.2 related to prior years’ plans, as well as the reversal of \$1.2 of restructuring accruals that management determined would not be required.

| | 2007 Actions — Six Months Ended June 30 | | | | | Planned Position Eliminations | Prior Years’ Plans Additional Costs | Reversal of Accruals |
|--------------------------------|---|------------------------------|----------------------------------|------------------|----------------|-------------------------------|-------------------------------------|----------------------|
| | Severance | Other Employee-Related Costs | Lease Cancellation & Other Costs | Asset Write-Offs | Total | | | |
| Fluid Technology | \$ 10.5 | \$ 0.1 | \$ 0.7 | \$ 0.6 | \$ 11.9 | 207 | \$ 2.6 | \$ (0.9) |
| Defense Electronics & Services | 2.2 | — | 1.3 | — | 3.5 | 39 | 2.9 | — |
| Motion & Flow Control | 1.7 | — | — | — | 1.7 | 21 | 0.7 | (0.3) |
| Corporate and Other | 1.8 | — | — | — | 1.8 | 2 | — | — |
| | <u>\$ 16.2</u> | <u>\$ 0.1</u> | <u>\$ 2.0</u> | <u>\$ 0.6</u> | <u>\$ 18.9</u> | <u>269</u> | <u>\$ 6.2</u> | <u>\$ (1.2)</u> |

The charges associated with actions announced during the first six months of 2007 represent a reduction of structural costs in all business segments and the closure of three facilities in the Fluid Technology business segment and one facility in the Defense Electronics & Services business segment. Planned position eliminations total 269, including 150 factory workers, 111 office workers and eight management employees. The costs associated with prior years’ plans primarily reflect additional costs related to an adjustment to the write-off of leased space as well as asset write-offs and severance costs.

The projected future savings from restructuring actions announced during the first six months of 2007 are approximately \$6.0 during 2007 and \$105.0 between 2008 and 2012. 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.”

Payments of \$7.1 were made during the first six months of 2007 related to actions announced during that period.

Liquidity and Capital Resources

Cash and cash equivalents declined \$962.3 to \$877.7 as of June 30, 2008, primarily due to the repayment of \$1,143.5 of short-term debt. During the same period, ITT generated \$490.2 of cash from operating activities and had a \$54.8 benefit from foreign exchange, which it used to fund acquisitions and capital investments in the business, while at the same time returning value to the shareholders through dividend payments which increased 25% from 2007.

Cash Flow Summary

| | Six Months Ended | |
|----------------------|------------------|----------|
| | June 30 | |
| | 2008 | 2007 |
| Operating Activities | \$ 490.2 | \$ 139.4 |
| Investing Activities | (307.0) | (67.9) |
| Financing Activities | (1,191.9) | 78.0 |
| Foreign Exchange | 54.8 | 25.3 |

Operating Activities

Cash provided by operating activities in the first six months of 2008 increased \$350.8 from the prior year. This significant increase is partially due to an increase in income from continuing operations excluding non-cash increases in depreciation and amortization of \$119.0, combined with a reduction in contributions to the U.S. Salaried Pension Plan (reflected within the change of other current and non-current assets). There were no contributions to the U.S. Salaried Pension Plan made in 2008 as compared to \$50.0 in 2007. Also driving the increase is a higher cash benefit from accrued and deferred taxes of \$75.0 primarily related to higher tax liabilities combined with a \$62.2 reduction in the use of cash from accounts receivable, driven by improved cash collections within the Fluid Technology business segment.

Investing Activities

Additions to Plant, Property and Equipment:

Capital expenditures during the first six months of 2008 were \$79.4, an increase of \$13.1 as compared to the first six months of 2007. The increase is driven by higher spending of \$5.2 in the Defense Electronics & Services business segment primarily due to the addition of EDO 2008 results and by \$5.5 related to the leasehold improvements for ITT's new headquarters that consolidates its corporate headquarters and the headquarters operations of its Fluid Technology and Motion & Flow Control business segments.

Acquisitions:

During the first six months of 2008, we spent \$194.2 related to additional costs for the EDO acquisition within the Defense Electronics & Services business segment, largely for repayment of debt acquired. We also spent \$34.8 on acquisitions of several other smaller companies.

Financing Activities

Our funding needs are monitored and strategies are executed to manage overall cash requirements and debt ratios. Current debt ratios have positioned us to continue to grow our business with investments for organic growth and through strategic acquisitions, while providing the ability to return value to shareholders through increased dividends and share repurchases.

| | June 30, 2008 | December 31, 2007 |
|--|------------------|----------------------|
| Cash & cash equivalents | \$ 877.7 | \$ 1,840.0 |
| Total debt | 2,279.7 | 3,566.0 |
| Net debt | 1,402.0 | 1,726.0 |
| Total shareholders' equity | 4,371.8 | 3,944.8 |
| Total capitalization (debt plus equity) | 6,651.5 | 7,510.8 |
| Net capitalization (debt plus equity less cash and cash equivalents) | 5,773.8 | 5,670.8 |
| Debt to total capitalization | 34.3% | 47.5% |
| Net debt to net capitalization | 24.3% | 30.4% |

Debt and Credit Facilities:

| | <u>June 30,</u> <u>2008</u> | <u>December 31,</u> <u>2007</u> |
|--|--------------------------------|------------------------------------|
| Commercial paper | \$ 1,778.9 | \$ 1,589.7 |
| Other debt | <u>20.1</u> | <u>1,493.3</u> |
| Notes payable and current maturities of long-term debt | 1,799.0 | 3,083.0 |
| Long-term debt | <u>480.7</u> | <u>483.0</u> |
| Total debt | <u>\$ 2,279.7</u> | <u>\$ 3,566.0</u> |

Total debt at June 30, 2008 was \$2.3 billion, compared to \$3.6 billion at December 31, 2007. The decrease primarily reflects payments made during the first quarter of 2008. We expect that a portion of cash generated from operations over the next two years will be utilized to further decrease our debt balance.

In November 2005, ITT entered into a five-year revolving credit agreement (the "November 2005 Credit Facility") in the aggregate principal amount of \$1.25 billion. Effective November 8, 2007, ITT exercised an option to increase the principal amount under this agreement to \$1.75 billion. In March 2008, ITT entered into a new 364-day revolving credit agreement (the "March 2008 Credit Facility"), providing an additional \$1.0 billion principal amount of available borrowings. The revolving credit agreements serve as backup for our commercial paper program. As a result, the maximum amount of outstanding borrowings under both facilities is now \$2.75 billion.

In December 2007, the ITT Board of Directors approved commercial paper borrowings, using the November 2005 Credit Agreement as backup, to increase up to \$1.75 billion. In addition, the ITT Board of Directors approved a further increase of \$1.0 billion of commercial paper borrowings, which would be backed up by a new credit facility. As a result, we may issue up to \$2.75 billion of commercial paper.

The provisions of this agreement require that we maintain an interest coverage ratio, as defined, of 3.5 times. At June 30, 2008, we were in compliance with our debt covenants.

Share Repurchases

During June of 2008, we repurchased 0.8 shares for \$50.0 in connection with our \$1 billion share repurchase program. The settlement of these shares occurred subsequent to the end of the second quarter of 2008. As of June 30, 2008 we had repurchased 6.7 shares for \$405.6 under our \$1 billion share repurchase program. In addition, we have paid \$0.2 in commissions related to these repurchases. This program replaces our previous practice of covering shares granted or exercised in the context of ITT's performance incentive plans. The program is consistent with our capital allocation process, which is centered on those investments necessary to grow our businesses organically and through acquisitions, while also providing cash returns to shareholders.

Critical Accounting Estimates

The preparation of ITT'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. ITT 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 2007 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 ITT's critical accounting policies or estimates during the first six months of 2008.

New Accounting Pronouncements

ITT adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157") effective January 1, 2008. This statement, issued by the FASB in September 2006, defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. However, the FASB issued FASB Staff Positions ("FSP") 157-1 and 157-2. FSP 157-1 amends SFAS 157 to exclude FASB No. 13, "Accounting for Leases," and its related interpretive accounting pronouncements that address leasing transactions, while FSP-2 delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. Furthermore, the FASB has proposed FSP 157-c which clarifies the principles in SFAS 157 on the fair value measurement of liabilities. Public comments on FSP 157-c were due in February 2008. This statement did not have a material effect on ITT's financial statements for the six months ended June 30, 2008 and ITT does not expect this statement to have a material effect on its financial statements in future periods.

ITT adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") effective January 1, 2008. SFAS 159, issued by the FASB in February 2007, permits an entity to measure certain financial assets and financial liabilities at fair value. Under SFAS 159, entities electing the fair value option will report unrealized gains and losses in earnings as of each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis with few exceptions, as long as it is applied to the instrument in its entirety. SFAS 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of an entity's election on its earnings. SFAS 159 requires prospective application. If an entity elects the fair value option for items existing as of the date of adoption, the difference between their carrying amount and fair value should be included in a cumulative-effect adjustment to the opening balance of retained earnings. SFAS 159 did not have a material effect on ITT's financial statements for the six months ended June 30, 2008 and ITT does not expect this statement to have a material effect on its financial statements in future periods.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"), which replaces SFAS No. 141, "Business Combinations." SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. However, SFAS 141(R) changes the method of applying the acquisition method in a number of significant areas, including that acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS No. 109, "Accounting for Income Taxes," such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). Early adoption of SFAS 141(R) is not permitted. We are evaluating the potential impact of this statement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51." This statement requires the recognition of a noncontrolling interest (minority interest) as a separate component within equity within the consolidated balance sheet. It also requires the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented within the consolidated statement of income. This statement also amends certain of ARB No. 51's consolidation procedures to make them consistent with the requirements of SFAS 141(R). SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. We are evaluating the potential impact of this statement.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133." This statement amends SFAS No. 133 by requiring enhanced disclosures about an entity's derivative instruments and hedging activities, but does not change

SFAS No. 133's scope or accounting. SFAS No. 161 requires increased qualitative, quantitative and credit-risk disclosures about the entity's derivative instruments and hedging activities. SFAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with earlier adoption permitted. We are evaluating the potential impact of this statement.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities". This FSP concluded that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders and therefore are considered participating securities for purposes of computing earnings per share. Entities that have participating securities that are not convertible into common stock are required to use the "two class" method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. We are evaluating the potential impact of this statement.

Contractual Obligations and Commitments

The Company's contractual obligations and commitments have not changed materially from those disclosed in the 2007 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 our 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 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 income tax accounting, 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 ITT Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and other ITT filings with the Securities and Exchange Commission. We undertake 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 our 2007 Annual Report on Form 10-K.

Item 4.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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.

Management Assessment on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Act. Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2008. Based on that assessment, the Company's management, including its CEO and CFO, concluded that the Company's internal controls over financial reporting were not effective because it has not yet been concluded that the material weaknesses in the Company's internal control over financial reporting reported as of December 31, 2007 in the Company's Annual Report on Form 10-K have been remediated.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting identified during the six months ended June 30, 2008, except for the implementation of measures described below under "Remediation of Material Weaknesses."

Remediation of Material Weaknesses

The Company has implemented, or plans to implement, certain measures to remediate the material weakness relating to the Company's income tax closing process identified in the Company's 2007 Annual Report on Form 10-K. As of the date of the filing of this Quarterly Report on Form 10-Q, the Company is implementing the following measures:

- Expanding technical resources and enhancing review procedures in the income tax accounting function
- Assessing the existing internal control structure and implementing new controls
- Conducting a comprehensive evaluation of the organizational structure and processes.

The Company anticipates that these remediation actions represent ongoing improvement measures. Furthermore, while the Company has taken steps to remediate the material weaknesses, these steps may not be adequate to fully remediate those weaknesses, and additional measures may be required. The effectiveness of its remediation efforts will not be known until the Company can test those controls in connection with the management tests of internal controls over financial reporting that the Company will perform as of December 31, 2008.

**PART II.
OTHER INFORMATION**

Item 1.

LEGAL PROCEEDINGS

The following should be read in conjunction with Note 15 "Commitments and Contingencies" to the unaudited interim Consolidated Condensed Financial Statements in Part I of this report, as well as Part I, Item 3 of the ITT 2007 Annual Report on Form 10-K.

ITT Corporation 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 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. ITT 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 our assessment of the merits of the particular claim, as well as our current reserves and insurance coverage, we do not expect that such legal

proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of ITT 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 our 2007 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 | Average Price Paid Per Share(1) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2) | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(2) (In millions) |
|------------------|----------------------------------|---------------------------------|---|--|
| 4/1/08 — 4/30/08 | — | \$ — | — | \$ 644.3 |
| 5/1/08 — 5/31/08 | — | \$ — | — | \$ 644.3 |
| 6/1/08 — 6/30/08 | 807,659 | \$ 61.91 | 807,659 | \$ 594.2 |

- (1) Average price paid per share is calculated on a settlement basis and excludes commission.
- (2) On October 27, 2006, we announced a three-year \$1 billion share repurchase program. This program replaces our previous practice of covering shares granted or exercised in the context of ITT's performance incentive plans. The program is consistent with our capital allocation process, which is centered on those investments necessary to grow our businesses organically and through acquisitions, while also providing cash returns to shareholders. Our strategy for cash flow utilization is to pay dividends, complete strategic acquisitions, invest in our business, repay debt, and repurchase common stock to cover option exercises and restricted stock issuances and make discretionary repurchases of our common stock.

Item 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's annual meeting of shareholders held on May 13, 2008, 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 | 150,845,433 | 6,267,809 |
| Christina A. Gold | 150,504,557 | 6,608,685 |
| Ralph F. Hake | 150,711,141 | 6,402,101 |
| John J. Hamre | 154,620,041 | 2,493,201 |
| Steven R. Loranger | 154,003,898 | 3,109,344 |
| Frank T. MacInnis | 154,567,756 | 2,545,486 |
| Surya N. Mohapatra | 154,604,510 | 2,508,732 |
| Linda S. Sanford | 153,329,350 | 3,783,892 |
| Markos I. Tambakeras | 154,634,781 | 2,478,461 |

In addition to the election of directors, seven other votes were taken at the meeting:

- The appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2008 was ratified by a vote of 154,603,946 shares in favor, 787,496 shares against, and 1,721,799 shares abstained.

- Amendments to the Restated Articles of Incorporation of ITT Corporation to authorize additional shares and authorize the Company's by-laws to provide for majority voting for directors in uncontested elections were approved by a vote of 150,860,733 shares for, 4,142,817 shares against and 2,109,693 shares abstained.
- Amendment and restatement of the ITT Corporation 2003 Equity Incentive Plan was approved by a vote of 119,081,060 shares for, 11,584,683 shares against, and 2,322,751 shares abstained.
- Material terms of the ITT Corporation 2003 Equity Incentive Plan (for purposes of Section 162 (m) of the Internal Revenue Code) were re-approved by a vote of 145,393,384 shares for, 6,981,749 shares against and 4,783,110 shares abstained.
- Material terms of the ITT Corporation Annual Incentive Plan for Executive Officers (for purposes of Section 162 (m) of the Internal Revenue Code) were approved by a vote of 147,803,195 shares for, 6,584,880 shares against, and 2,725,168 shares abstained.
- Material terms of the ITT Corporation 1997 Long-Term Incentive Plan (for purposes of Section 162 (m) of the Internal Revenue Code) were approved by a vote of 148,545,936 shares for, 6,180,476 shares against, and 2,386,830 shares abstained.
- A shareholder proposal requesting that the Company provide a comprehensive report, at a reasonable cost and omitting proprietary and classified information, of the Company's foreign military and weapons-related products and services was not approved by a vote of 7,727,519 shares for, 95,766,956 shares against and 29,493,631 shares abstained.

There were no other matters presented for a vote at the meeting.

Item 6.

EXHIBITS

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

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 May 13, 2008 | Incorporated by reference to Exhibit 3.1 of ITT Corporation's Form 8-K Current Report dated May 14, 2008 (CIK No. 216228, File No. 1-5672). |
| | (b) ITT Corporation's By-laws, as amended May 13, 2008 | Incorporated by reference to Exhibit 3.2 of ITT Corporation's Form 8-K Current Report dated May 14, 2008 (CIK No. 216228, File No. 1-5672). |
| (4) | Instruments defining the rights of security holders, including indentures | Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries upon request of the Commission. |
| (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). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|-----------------------|---|--|
| (10.5)* | ITT 2003 Equity Incentive Plan, amended and restated as of February 15, 2008 (previously amended and restated as of July 13, 2004 and subsequently amended as of December 18, 2006) and previously known as ITT Industries, Inc. 2003 Equity Incentive Plan | Attached. |
| (10.6)* | ITT Corporation 1997 Long-Term Incentive Plan, amended and restated as of February 15, 2008 (previously amended and restated as of July 13, 2004) and formerly known as ITT Industries, Inc. 1997 Long-Term Incentive Plan | Attached. |
| (10.7)* | ITT Corporation Annual Incentive Plan for Executive Officers, amended and restated as of February 15, 2008, previously known as 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004) and also previously known as ITT Industries, Inc. 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004) | Attached. |
| (10.8)* | 1994 ITT Incentive Stock Plan (amended and restated as of July 13, 2004 and subsequently amended as of December 19, 2006) formerly known as 1994 ITT Industries Incentive Stock Plan (amended and restated as of July 13, 2004) | Incorporated by reference to Exhibit 10.8 of ITT Corporation's Form 10-K for the year ended December 31, 2006 (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 and subsequently amended as of December 19, 2006) 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 10.10 of ITT Corporation's Form 10-K for the year ended December 31, 2006 (CIK No. 216228, File No. 1-5672). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|---------------------------|--|---|
| (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). |
| (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). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|---------------------------|--|--|
| (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). |
| (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). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|-----------------------|--|---|
| (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). |
| (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 September 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 September 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). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|---------------------------|---|--|
| (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 September 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). |
| (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). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|-----------------------|---|---|
| (10.38) | 2002 ITT Stock Option Plan for Non-Employee Directors formerly known as the 2002 ITT Industries, Inc. Stock Option Plan for Non-Employee Directors (as amended on December 19, 2006) | Incorporated by reference to Exhibit 10.38 of ITT Corporation's Form 10-K for the year ended December 31, 2006 (CIK No. 216228, File No. 1-5672). |
| (10.39)* | Employment Agreement dated as of May 21, 2007 and effective as of July 1, 2007 between ITT Corporation and Denise L. Ramos | Incorporated by reference to Exhibit 99.1 to ITT Corporation Form 8-K dated July 2, 2007 (CIK No. 216228, File No. 1-5672). |
| (10.40)* | Separation Memorandum dated July 10, 2007 and effective as of July 18, 2007 between ITT Corporation and George E. Minnich | Incorporated by reference to Exhibit 10.1 to ITT Corporation Form 8-K Current Report dated July 19, 2007 (CIK No. 216228, File No. 1-5672). |
| (10.41) | Agreement and Plan of Merger | Incorporated by reference to Exhibit 2.1 and 2.2 to ITT Corporation's Form 8-K dated September 18, 2007 (CIK No. 216228, File No. 1-5672). |
| (10.42) | Accession Agreement to Five-Year Competitive Advance and Revolving Credit Facility | Incorporated by reference to Exhibit 2.03 to ITT Corporation's Form 8-K dated November 8, 2007 (CIK No. 216228, File No. 1-5672). |
| (10.43) | Summary of material terms of amendments to ITT Excess Pension Plan 1A and the ITT Excess Pension Plan 1B, the ITT Excess Pension Plan II, the ITT Excess Savings Plan, the ITT Deferred Compensation Plan and the severance plans and policies of the Company and its subsidiaries and other affiliates | Incorporated by reference to Exhibit 5.02 to ITT Corporation's Form 8-K dated December 19, 2007 (CIK No. 216228, File No. 1-5672). |
| (10.44) | Credit Agreement | Incorporated by reference to Exhibit 2.01 to ITT Corporation's Form 8-K dated December 20, 2007 (CIK No. 216228, File No. 1-5672). |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|-----------------------|---|--|
| (10.45) | Issuance of Commercial Paper | Incorporated by Reference to Exhibit 2.03 to ITT Corporation's Form 8-K dated December 20, 2007 (CIK No. 216228, File No. 1-5672). |
| (10.46) | ITT Corporation 2003 Equity Incentive Plan Restricted Stock Unit Award Agreement — Non-Employee Director | Attached. |
| (10.47) | ITT Corporation 2003 Equity Incentive Plan Director Restricted Stock Unit Award Deferral Election Form | Attached. |
| (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 | Incorporated by reference to Exhibit 18 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2006. (CIK No. 216228, File No. 1-5672). |
| (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. |
| (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. |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Location</u> |
|-----------------------|--|--|
| (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. |
| (99.1) | Deferred Prosecution Agreement filed March 28, 2007 between ITT Corporation and the United States Attorney's Office for the Western District of Virginia | Incorporated by reference to Exhibit 99.4 of ITT Corporation's Form 8-K dated March 30, 2007 (CIK No. 216228, File No. 1-5672). |
| (99.2) | Administrative Compliance Agreement filed October 11, 2007 between ITT Corporation and The United States Agency on behalf of the U.S. Government | Incorporated by reference to Exhibit 99.1 of ITT Corporation's Form 8-K dated October 12, 2007 (CIK No. 216228, File No. 1-5672). |

* Management compensatory plan

ITT Corporation
2003 Equity Incentive Plan
(amended and restated as of February 15, 2008)

Article 1.

Establishment, Purpose, and Duration

1.1 *Establishment.* ITT Corporation, an Indiana corporation (hereinafter referred to as the "Company"), establishes an incentive compensation plan to be known as the 2003 Equity Incentive Plan (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights (SARs), Restricted Stock, and Restricted Stock Units.

The Plan first became effective as of May 13, 2003 (the "Effective Date") and was previously known as the "ITT Industries, Inc. 2003 Long-Term Incentive Plan." The Plan was amended and restated as of February 15, 2008, subject to shareholder approval. The Plan shall remain in effect as provided in Section 1.3 hereof.

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

1.3 *Duration of the Plan.* The Plan shall commence as of the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Article 13 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions.

Article 2.

Definitions

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

2.1 "*Acceleration Event*" shall be deemed to have occurred as of the first day that any one or more of the following conditions have been satisfied:

(a) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Exchange Act disclosing that any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary, is the Beneficial Owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Company (the "Stock");

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

(c) the stockholders of the Company shall approve

(i) any consolidation, business combination or merger involving the Company, other than a consolidation, business combination or merger involving the Company in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before; or

(ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;

(d) there shall have been a change in a majority of the members of the Board within a 12-month period unless the election or nomination for election by the Company's stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of such 12-month period or (y) whose nomination for election or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of such 12-month period; or

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

2.2 "*Affiliate*" shall mean any Subsidiary and any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

2.3 "*Award*" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, and Restricted Stock Units.

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

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

2.6 "*Board*" or "*Board of Directors*" means the Board of Directors of the Company.

2.7 "*Code*" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

2.8 "*Committee*" means the Compensation and Personnel Committee of the Board.

2.9 "*Company*" means ITT Corporation, an Indiana corporation, and any successor thereto as provided in Article 15 herein.

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

2.11 "*Director*" means any individual who is a member of the Board of Directors.

2.12 "*Employee*" means any employee of the Company or its Affiliates.

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

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

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

2.15 "*Freestanding SAR*" means a SAR that is granted independently of any Options, as described in Article 7 herein.

2.16 "*Grant Price*" means the amount to which the Fair Market Value of a Share is compared pursuant to Section 7.6 to determine the amount of payment that should be made upon exercise of a SAR

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

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

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

2.20 "*Option*" means an Incentive Stock Option or a Nonqualified Stock Option to purchase Shares, as described in Article 6 herein.

2.21 "*Option Price*" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.22 "*Participant*" means an Employee or Director who has been selected to receive an Award or who has an outstanding Award granted under the Plan.

2.23 "*Performance-Based Compensation*" means an Award that is qualified as Performance-Based Compensation under Code Section 162(m).

2.24 "*Performance Measures*" means measures as described in Article 9, the attainment of which may determine the amount of payout and/or vesting with respect to Awards.

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

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

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

2.28 "*Plan Year*" means the fiscal year.

2.29 "*Restricted Stock*" means an Award granted to a Participant pursuant to Article 8 herein.

2.30 "*Restricted Stock Unit*" means an Award granted to a Participant pursuant to Article 8 herein.

2.31 "*Share*" means a share of common stock of the Company, \$1.00 par value per share.

2.32 "*Stock Appreciation Right*" or "*SAR*" means an Award granted to a Participant pursuant to Article 7 herein.

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

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

Article 3.

Administration

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

3.2 *Authority of the Committee.* The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of the Plan and to determine eligibility for Awards and to adopt such rules, regulations, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions and, subject to Article 13, adopting modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries in which the Company and its Affiliates operate.

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

Article 4.

Shares Subject to the Plan and Maximum Awards

4.1 *Number of Shares Available for Awards.* Subject to adjustment as provided in Section 4.2 herein, the number of Shares hereby reserved for issuance to Participants under the Plan shall be fifteen million four hundred thousand (15,400,000).

The number of Shares that may be issued under the Plan for Awards other than Options granted with an Option Price equal to at least Fair Market Value on the date of grant or SARs with a Grant Price equal to at least Fair Market Value on the date of grant shall not exceed four million (4,000,000).

All of the reserved Shares may be used as ISOs.

Any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, are settled in cash in lieu of Shares, or are exchanged with the Committee’s permission for Awards not involving Shares, shall be available again for grant under the Plan. Notwithstanding the foregoing, upon the exercise of a stock-settled Stock Appreciation Right, the number of Shares subject to the Award that are then being exercised shall be counted against the maximum aggregate number of Shares that may be issued under the Plan as provided above, on the basis of one Share for every Share subject thereto, regardless of the actual number of Shares used to settle the Stock Appreciation Right upon exercise. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares.

The following limits ("*Award Limits*") shall apply to Awards:

(a) *Options*: The maximum aggregate number of Shares that may be granted in the form of Options, pursuant to any Award granted in any one Plan Year to any one Participant shall be six hundred thousand (600,000).

(b) *SARs*: The maximum number of Shares that may be granted in the form of Stock Appreciation Rights, pursuant to any Award granted in any one Fiscal Year to any one Participant shall be six hundred thousand (600,000).

(c) *Restricted Stock or Restricted Stock Units*: The maximum aggregate grant with respect to Awards of Restricted Stock or Restricted Stock Units granted in any one Plan Year to any one Participant shall be three hundred thousand (300,000).

4.2 *Adjustments in Authorized Shares*. In the event of any equity restructuring (within the meaning of Financial Accounting Standards No. 123 (revised 2004) that causes the per share value of Shares to change, such as a stock dividend, stock split, spin off, rights offering, or recapitalization through a large, nonrecurring cash dividend, the Committee shall cause there to be made an equitable adjustment to: (a) the number and, if applicable, kind of shares that may be issued under the Plan or pursuant to any type of Award under the Plan, (b) the Award Limits, (c) the number and, if applicable, kind of shares subject to outstanding Awards and (d) as applicable, the Option Price or Grant Price of any then outstanding Awards. In the event of any other change in corporate structure or capitalization, such as a merger, consolidation, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Company, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, shall cause there to be made such equitable adjustments described in the foregoing sentence. Any fractional shares resulting from adjustments made pursuant to this Section 4.2 shall be eliminated. Any adjustment made pursuant to this Section 4.2 shall be conclusive and binding for all purposes of the Plan.

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

Subject to the provisions of Article 12, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, share exchange, amalgamation, reorganization or similar transaction upon such terms and conditions as it may deem appropriate; provided, however, that no such issuance or assumption shall be made without affecting the number of Shares reserved or available hereunder if it would prevent the granting of ISOs under the Plan.

Article 5.

Eligibility and Participation

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

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

Article 6.

Stock Options

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

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

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

6.3 *Option Price.* Subject to the following sentence, the Option Price for each grant of an Option under this Plan shall be as determined by the Committee; provided, however, the Option Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. For Options granted to Participants outside the United States, the Committee, in order to comply with local tax laws and regulations, has the authority to grant Options at a price that is less than the Fair Market Value of a Share on the date of grant.

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

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

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

A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Option Price. The Option Price of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price (provided the Shares tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price or have been purchased on the open market), (c) by a combination of (a) and (b), or (d) any other method approved by the Committee in its sole discretion. The Committee shall determine acceptable methods for tendering Shares as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Shares to exercise an Option as it deems appropriate.

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

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

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

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

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

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

(b) *Nonqualified Stock Options.* Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Under no circumstances may an NQSO be transferable for value or consideration.

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

Article 7.

Stock Appreciation Rights

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

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

The SAR Grant Price for each grant of a Freestanding SAR shall be determined by the Committee and shall be specified in the Award Agreement. Subject to the following sentence, the SAR Grant Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the SAR is granted. For SARs granted to Participants outside the United States, the Committee, in order to comply with local tax laws and regulations, has the authority to grant SARs at a price that is less than the Fair Market Value of a Share on the date of grant. The Grant Price of Tandem SARs shall be equal to the Option Price of the related Option.

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

7.3 *Term of SAR.* Subject to the following sentence, the term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion, provided that, except as determined otherwise by the Committee and specified in the SAR Award Agreement, no SAR shall be exercisable later than the tenth (10th) anniversary of its grant. For SARs granted to Participants outside the United States, the Committee has the authority to grant SARs that have a term greater than ten (10) years.

7.4 *Exercise of Freestanding SARs.* Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

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

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the

difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

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

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the Grant Price; by
- (b) The number of Shares with respect to which the SAR is exercised.

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

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

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

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

Article 8.

Restricted Stock and Restricted Stock Units

8.1 *Grant of Restricted Stock or Restricted Stock Units.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Participant on the date of grant.

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

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

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

goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable federal or state securities laws.

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

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

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

8.6 *Dividends and Other Distributions.* During the Period of Restriction, Participants holding Shares of Restricted Stock or Restricted Stock Units granted hereunder may, if the Committee so determines, be credited with dividends paid with respect to the underlying Shares or dividend equivalents while they are so held in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, Shares, Restricted Stock, or Restricted Stock Units.

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

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

Article 9.

Performance Measures

Unless and until the Committee proposes for shareholder vote and the shareholders approve a change in the general Performance Measures set forth in this Article 9, the performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to the following Performance Measures:

- (a) Net earnings;
- (b) Earnings per share;
- (c) Net sales growth;
- (d) Net income (before or after taxes);
- (e) Net operating profit;
- (f) Return measures (including, but not limited to, return on assets, capital, equity, or sales);
- (g) Cash flow (including, but not limited to, operating cash flow and free cash flow);

- (h) Cash flow return on capital;
- (i) Earnings before or after taxes, interest, depreciation, and/or amortization;
- (j) Gross or operating margins;
- (k) Productivity ratios;
- (l) Share price (including, but not limited to, growth measures and total shareholder return);
- (m) Expense targets;
- (n) Margins;
- (o) Operating efficiency;
- (p) Customer satisfaction;
- (q) Employee satisfaction metrics;
- (r) Human resources metrics;
- (s) Working capital targets; and
- (t) EVA®.

Any Performance Measure(s) may be used to measure the performance of the Company or an Affiliate as a whole or any business unit of the Company or an Affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above Performance Measures as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Company may select Performance Measure (1) above as compared to various stock market indices. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 9.

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

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

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

Article 10.

Beneficiary Designation

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

Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

Article 11.

Rights of Participants

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

Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company and, accordingly, subject to Article 3 and Section 13.1, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates, and/or its Subsidiaries.

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

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

Article 12.

Acceleration Event

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

Article 13.

Amendment, Modification, Suspension, and Termination

13.1 *Amendment, Modification, Suspension, and Termination.* Subject to Section 13.3, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, except for a change or adjustment made pursuant to Section 4.2, no Option Price of an outstanding Option or Grant Price of an outstanding SAR shall be reduced (whether through amendment, cancellation or replacement Awards with other Awards or other payments of cash or property) without shareholder approval.

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

13.3 *Awards Previously Granted.* Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

Article 14.

Withholding

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

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

Article 15.

Successors

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

Article 16.

General Provisions

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

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

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

16.4 *Severability.* In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

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

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

16.7 *Registration and Listing.* The Company may use reasonable endeavors to register Shares allotted pursuant to the exercise of an Award with the United States Securities and Exchange Commission or to effect

compliance with the registration, qualification, and listing requirements of any national securities laws, stock exchange, or automated quotation system.

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

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

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

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

- (a) Determine which Affiliates shall be covered by the Plan;
- (b) Determine which Employees and/or Directors outside the United States are eligible to participate in the Plan;
- (c) Modify the administrative terms and conditions of any Award granted to Employees and/or Directors outside the United States to comply with applicable foreign laws;
- (d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 16.10 by the Committee shall be attached to this Plan document as appendices; and
- (e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

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

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

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

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

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

16.15 *Governing Law.* The Plan and each Award Agreement shall be governed by the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of New York, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

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

ITT CORPORATION 1997 LONG-TERM INCENTIVE PLAN
(amended and restated as of February 15, 2008)

1. ESTABLISHMENT AND PURPOSE

1.1 *Establishment of the Plan.* ITT Corporation, an Indiana corporation, hereby establishes an incentive compensation plan to be known as the "ITT Corporation 1997 Long-Term Incentive Plan" (the "Plan"), as set forth in this document. The Plan first became effective as of January 1, 1997, and was previously known as the "ITT Industries 1997 Long-Term Incentive Plan." The Plan was amended and restated as of February 15, 2008, subject to shareholder approval. The Plan shall remain in effect until terminated by the Board.

1.2 *Purposes.* The purposes of the Plan are to promote the achievement of long-term objectives of the Company by tying Key Employees' long-term incentive opportunities to preestablished goals; to attract and retain Key Employees of outstanding competence, and to encourage teamwork among them; and to reward performance based on the successful achievement of the preestablished objectives. Awards will be made, at the discretion of the Committee, to Key Employees (including officers and Directors who are also employees) whose responsibilities and decisions directly affect the performance of any Participating Company. It is intended that, if desired, compensation payable under the Plan will qualify as "performance-based compensation," within the meaning of Section 162(m) of the Code and regulations promulgated thereunder.

2. DEFINITIONS

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

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

(i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Exchange Act disclosing that any person (within the meaning of Section 13(d) of the Exchange Act), other than the Company or a Subsidiary or any employee benefit plan sponsored by the Company or a Subsidiary, is the Beneficial Owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of the Company (the "Stock");

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

(iii) the stockholders of the Company shall approve

(a) any consolidation, business combination or merger involving the Company, other than a consolidation, business combination or merger involving the Company in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before; or

(b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;

(iv) there shall have been a change in a majority of the members of the Board within a 12-month period unless the election or nomination for election by the Company's stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of such 12-month period or (y) whose nomination for election or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of such 12-month period; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. ADMINISTRATION

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

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

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

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

3.4 *Performance Goals and Measures.* Performance Goals shall be based on one or more Performance Measures as established by the Committee, which may include financial measures with respect to the Company and its Subsidiaries or with respect to a Participating Company. Performance Measures may include factors such as the attainment of certain target levels of or changes in (i) economic value added; (ii) after-tax profits; (iii) operational cash flow; (iv) debt or other similar financial obligations; (v) earnings; (vi) revenues; (vii) net income; (viii) return on capital; (ix) shareholders’ equity; (x) return on shareholders’ equity; and (xi) total shareholder return (measured as a change in the market price of the common stock of the Company plus dividend yield) relative to one or more indices such as the S&P 500 or the S&P Industrials. In addition to these Performance Measures, Awards that are not intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code may be based on such additional or other criteria as the Committee may determine.

4. ELIGIBILITY AND PARTICIPATION

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

5. AWARDS

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

5.2 *Award Value.* Each Award shall have an initial value that is established by the Committee at the time of Award. The maximum payment that may be made with respect to Awards to any Participant in any one calendar year shall be \$10,000,000; provided, however, that this limitation shall not apply with respect to any Award that is paid in a calendar year prior to the year it would ordinarily be paid because of an Acceleration Event or other transaction or event that provides for accelerated payment of Awards.

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

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

5.5 *Form and Timing of Payment of Awards.* Payment with respect to earned Awards shall be made as soon as practicable following the close of the applicable Performance Period. Payment shall be made solely in the form of cash.

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

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

6. TERMINATION OF EMPLOYMENT

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

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

7. ACCELERATION EVENT

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

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

8. BENEFICIARY DESIGNATION

8.1 *Designation of Beneficiary.* Each Participant may file with the Participating Company a written designation of one or more persons as the beneficiary who shall be entitled to receive payout, if any, with respect to the Award upon his or her death. The Participant may from time to time revoke or change his or her beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Participating Company. The last such designation received by the Participating Company shall be controlling; provided however, that no designation, or change or revocation thereof, shall be effective unless received by the Participating Company prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

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

9. AMENDMENT, MODIFICATION, AND TERMINATION

9.1 *Amendment, Modification, and Termination.* The Board may terminate, amend, or modify the Plan.

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

10. MISCELLANEOUS PROVISIONS

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

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

10.3 *Rights to Common Stock.* Awards do not give Participants any right whatsoever with respect to shares of the Company's common stock.

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

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

10.6 *Successors.* All obligations of the Company under the Plan with respect to payout of Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or other acquisition of all or substantially all of the business or assets of the Company.

10.7 *Indemnification.* Each person who is or shall have been a member of the Committee or the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or

failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation, By-laws, insurance or other agreement or otherwise.

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

10.9 *Severability.* In the event that any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

10.10 *Requirements of Law.* The granting and payout of Awards shall be subject to all applicable laws, rules, and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

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

ITT Corporation Annual Incentive Plan For Executive Officers
(amended and restated as of February 15, 2008)

1. Purpose

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

It is intended that compensation payable under the Incentive Plan will qualify as "performance-based compensation," within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and regulations promulgated thereunder, if such qualification is desired.

2. Plan Administration

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

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

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

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

The Board reserves the right to amend or terminate the Incentive Plan in whole or in part at any time; provided, however, that except as necessary to maintain an outstanding incentive award's qualification as performance-based compensation under Section 162(m) of the Code ("Performance-Based Compensation"), no amendments shall adversely affect or impair the rights of any participant that have previously accrued hereunder, without the written consent of the participant. Unless otherwise prohibited by applicable law, any amendment required to cause an incentive award to qualify as Performance-Based Compensation may be made by the Committee. No amendment to the Incentive Plan may be made to alter the class of individuals who are eligible to participate in the Incentive Plan, the performance criteria specified in Section 4 hereof or the maximum incentive award payable to any participant without shareholder approval unless shareholder approval of the amendment is not required in order for incentive awards paid to participants to constitute Performance-Based Compensation.

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

3. Eligible Executives

Executive officers of the Company and its subsidiaries, as defined by the Securities Exchange Act of 1934, Rule 3b-7, as that definition may be amended from time to time, shall be eligible to participate in the Incentive Plan. The Committee shall select from all eligible executive officers, those to whom incentive awards shall be granted under the Incentive Plan.

4. Plan Year, Performance Periods, Performance Measures and Performance Targets

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

The Committee shall establish the performance measures (the "Performance Measures") to be used which may include, one or more of the following criteria: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per share; (v) book value per share; (vi) return on shareholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenues or sales (including organic revenue); (xv) costs; (xvi) cash flow; (xvii) working capital (xviii) return on assets; (xix) total shareholder return; (xx) return on invested or total capital and (xxi) economic value added.

In addition, to the extent consistent with Section 162(m) of the Code, Performance Measures may be based upon other objectives such as negotiating transactions or sales, implementation of Company policy, development of long-term business goals or strategic plans, negotiation of significant corporate transactions, meeting specified market penetration goals, productivity measures, geographic business expansion goals, cost targets, customer satisfaction or employee satisfaction goals, goals relating to merger synergies, management of employment practices and employee benefits, or supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries and/or other affiliates or joint ventures; provided however, that the measurement of any such Performance Measures must be objectively determinable.

All Performance Measures shall be objectively determinable and, to the extent they are expressed in standard accounting terms, shall be according to generally accepted accounting principles as in existence on the date on which the applicable Performance Period is established and without regard to any changes in such principles after such date (unless the modification of a Performance Measure to take into account such a change is pre-established in writing at the time the Performance Measures are established in writing by the Committee and/or the modification would not affect the ability of the incentive award to qualify as Performance-Based Compensation).

Notwithstanding the foregoing, incentive awards that are not intended to qualify as Performance-Based Compensation may be based on the Performance Measures described above or such other measures as the Committee may determine.

The Committee shall establish the performance targets (the "Performance Targets") to be achieved which shall be based on one or more Performance Measures relating to the Company as a whole or to the specific businesses of the Company, subsidiaries, operating groups, or operating units, as determined by the Committee. Performance Targets may be established on such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies. The Committee also shall establish with respect to each incentive award an objective formula to be used in calculating the amount of incentive award each participant shall be eligible to receive. There may be a sliding scale of payment dependent upon the percentage levels of achievement of Performance Targets.

The Performance Measures and Performance Targets, which may be different with respect to each participant and each Performance Period, must be set forth in writing by the Committee within the first ninety (90) days of the applicable Performance Period or, if sooner, prior to the time when 25 percent of the relevant Performance Period has elapsed.

5. Certification of Performance Targets and Calculation of Incentive Awards

After the end of each Performance Period, and prior to the payment for such Performance Period, the Committee must certify in writing the degree to which the Performance Targets for the Performance Period were achieved, including the specific target objective or objectives and the satisfaction of any other material terms of the incentive award. The Committee shall calculate the amount of each participant's incentive award for such Performance Period based upon the Performance Measures and Performance Targets for such participant. In establishing Performance Targets and Performance Measures and in calculating the degree of achievement thereof, the Committee may ignore extraordinary items, property transactions, changes in accounting standards and losses or gains arising from discontinued operations. The Committee shall have no authority or discretion to increase the amount of any participant's incentive award as so determined to the extent such incentive award is intended to qualify as Performance-Based Compensation, but it may reduce the amount or totally eliminate any such incentive award if it determines in its absolute and sole discretion that such action is appropriate in order to reflect the participant's performance or unanticipated factors during the Performance Period. The Committee shall have the authority to increase or decrease the amount of an incentive award to the extent the incentive award is not intended to qualify as Performance-Based Compensation.

The maximum payment that may be made with respect to incentive awards under the Plan to any participant in any one calendar year shall be \$8,000,000; provided, however, that this limitation shall not apply with respect to any incentive award that is paid in a calendar year prior to the year it would ordinarily be paid because of an Acceleration Event or other transaction or event that provides for accelerated payment of an incentive award.

6. Payment of Awards

Approved incentive awards shall be payable by the Company in cash to each participant, or to the participant's estate in the event of the participant's death, as soon as practicable (and in any event no later than 2 1/2 months) after the end of each Performance Period. No incentive award that is intended to qualify as Performance-Based Compensation may be paid under the Incentive Plan until the Committee has certified in writing that the relevant Performance Targets were achieved. If a participant is not an employee on the last day of the Performance Period, the Committee shall have sole discretion to determine what portion, if any, the participant shall be entitled to receive with respect to any award for the Performance Period. The Committee shall have the authority to adopt appropriate rules and regulations for the administration of the Incentive Plan in such termination cases.

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

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

7. Other Terms and Conditions

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

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

8. Acceleration Event.

An "Acceleration Event" shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than the Company or a subsidiary of the

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

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

9. Miscellaneous.

The Incentive Plan, as amended and restated, shall be effective February 15, 2008 subject to the approval of the requisite shareholders of the Company. Once approved, the Incentive Plan shall remain in effect unless/until terminated by the Board; provided, however, that if an Acceleration Event has occurred no amendment or termination shall impair the rights of any participant with respect to any prior award.

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

**ITT CORPORATION
2003 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
Non-Employee Director**

NOTICE OF RESTRICTED STOCK UNIT AWARD

ITT Corporation (the "Company") grants to the Director named below, in accordance with the terms of the ITT Corporation 2003 Equity Incentive Plan (the "Plan") and this Restricted Stock Unit award agreement (this "Agreement"), the number of Restricted Stock Units (the "Restricted Stock Units" or the "Award") provided as follows:

| | |
|--------------------------------|---------|
| DIRECTOR | [] |
| RESTRICTED STOCK UNITS GRANTED | [] |
| DATE OF GRANT | [] |
| VESTING SCHEDULE | [] |

Except as provided in Section 3 of this Agreement, the Restricted Stock Units will vest on the following date(s), subject to the Director's continued service as a director of the Company:

| | |
|--|---|
| <u>Vesting Date(s)</u> | Restricted Stock Units Vesting |
| Day before the Regular Annual Meeting of Shareholders in 200[9] | 100% of Award |

AGREEMENT

1. Grant of Award. The Company hereby grants to the Director the Restricted Stock Units, subject to the terms, definitions and provisions of the Plan and this Agreement. All terms, provisions, and conditions applicable to the Restricted Stock Units set forth in the Plan and not set forth herein are incorporated by reference. To the extent any provision hereof is inconsistent with a provision of the Plan the provisions of the Plan will govern. All capitalized terms that are used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan.

2. Vesting and Settlement of Award

a. Right to Award. This Award shall vest in accordance with the vesting schedule set forth above (the "Vesting Schedule") and with the applicable provisions of the Plan and this Agreement.

b. Settlement of Award. Except as otherwise provided in a deferral agreement duly executed by the Director on a form prescribed by the Company for such elections and timely filed with the Company, the vested portion of this Award shall be settled (and any related dividend equivalents shall be paid) on or as soon as practicable following the vesting date set forth in the Vesting Schedule or in Section 3 of this Agreement, as the case may be, but in no event later than the following dates, as applicable: (i) if the vesting date is the vesting date set forth in the Vesting Schedule above, the last day of the calendar year in which the vesting date occurs or (ii) if the vesting date is a separation from service described in Section 3 of this Agreement, the date that is 90 days following the date of such separation from service.

The Company may require the Director to furnish or execute such documents as the Company shall reasonably deem necessary (i) to evidence such settlement and (ii) to comply with or satisfy the requirements of the Securities Act of 1933, as amended, the Exchange Act or any applicable laws. If the Director dies before the settlement of all or a portion of the Award, the vested but unsettled portion of the Award may be settled by

delivery of Shares (and payment of related dividend equivalents) to the Participant's designated beneficiary or, if no such beneficiary has been designated, the Participant's estate.

c. Method of Settlement. The Company shall deliver to the Director one Share for each vested Restricted Stock Unit. Share certificates shall be issued in the name of the Director (or in the name of the Director's designated beneficiary or estate, as the case may be, if the Director dies prior to settlement).

d. Dividend Equivalents. If a cash dividend is declared on the Shares, the Director shall be credited with a dividend equivalent in an amount of cash equal to the number of Restricted Stock Units held by the Director as of the dividend payment date, multiplied by the amount of the cash dividend paid per Share. Any such dividend equivalents shall be paid if and when the underlying Restricted Stock Units are settled. Dividend equivalents shall not accrue interest.

3. Separation from Service. The Award shall become 100% vested prior to the vesting date set forth in the Vesting Schedule above upon the Director's separation from service for any of the following reasons:

- a. the Director's death;
- b. the Director's Disability (as defined below);
- c. the Director's retirement from the Board at or after age 72; or
- d. the Director's separation from service on account of the acceptance by the Director of a position (other than an honorary position) in the government of the United States, any State or any municipality or any subdivision thereof or any organization performing any quasi-governmental function.

If the Director's service on the Board terminates for any reason other than one listed above prior to the vesting date set forth in the Vesting Schedule above, the Award shall be forfeited immediately with respect to the number of Restricted Stock Units for which the Award is not yet vested.

For purposes of this Agreement, the term "Disability" means the complete and permanent inability of the Director to perform all of his or her duties as a member of the Board, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

4. Transferability of Award.

The Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated.

5. Miscellaneous Provisions.

a. Rights as a Stockholder. The Director shall have no rights as a stockholder with respect to any Shares subject to this Award, except as provided in Paragraph 2(d), until the Award has vested and Shares, if any, have been issued.

b. Compliance with Federal Securities Laws and Other Applicable Laws. Notwithstanding anything to contrary in this Agreement or in the Plan, to the extent permitted by Section 409A of the Code and any treasury regulations or other applicable guidance promulgated with respect thereto, the issuance or delivery of any Shares pursuant to this Agreement may be delayed if the Company reasonably anticipates that the issuance or delivery of the Shares will violate Federal securities laws or other applicable law; provided that delivery or issuance of the Shares shall be made at the earliest date at which the Company reasonably anticipates that such delivery or issuance will not cause a violation. The Company shall not be liable to the Director for any damages relating to any delays in issuing the certificates to the Director, any loss of the certificates, or any mistakes or errors in the issuance of the certificates or the certificates themselves.

c. Choice of Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

d. Modification or Amendment. This Agreement may only be modified or amended by written agreement executed by the parties hereto; provided, however, that the adjustments permitted pursuant to Section 4.2 of the Plan may be made without such written agreement.

e. Severability. In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been included.

f. References to Plan. All references to the Plan shall be deemed references to the Plan as may be amended from time to time.

g. Headings. The captions used in this Agreement are inserted for convenience and shall not be deemed a part of this Award for construction or interpretation.

h. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Director or by the Company forthwith to the Committee, which shall review such dispute at its next regular meeting. If the Director is a member of the Committee, the Director shall not participate in such review. The resolution of such dispute by the Committee shall be final and binding on all persons.

i. Section 409A of the Code. The provisions of this Agreement and any payments made herein are intended to comply with, and should be interpreted consistent with, the requirements of Section 409A of the Code, and any related regulations or other effective guidance promulgated thereunder by the U.S. Department of the Treasury or the Internal Revenue Service.

j. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

ITT Corporation

By: _____

Name:

Title:

The Director represents that s/he is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Director has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. The Director hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or this Agreement.

Signed: _____
Director

Dated: _____

**ITT CORPORATION
2003 EQUITY INCENTIVE PLAN
DIRECTOR RESTRICTED STOCK UNIT AWARD
DEFERRAL ELECTION FORM**

SEND TO: Attention: Vivian Houchens, The Newport Group, 3957 Westerre Parkway, Suite 401, Richmond, VA 23233, and retain a duplicate copy for your records.

SECTION 1 — DIRECTOR INFORMATION

| | | | |
|-----------------|------------|----|------------------------|
| Last Name | First Name | MI | Social Security Number |
| Mailing Address | | | Daytime Telephone |

I understand that this Deferral Election Form relates to a grant of Restricted Stock Units granted to me on May , 2008, as a director of ITT Corporation (the "Company") pursuant to the ITT Corporation 2003 Equity Incentive Plan (the "Plan"). I further understand that, unless I make a deferral election as provided in Section 2 below, the distribution of my vested Restricted Stock Units (and any related dividend equivalents) will be made in accordance with the terms of my Restricted Stock Unit award agreement. I further understand that any capitalized terms used in this Deferral Election Form, if not otherwise defined herein, will have the same meanings as provided in the Plan or my award agreement.

SECTION 2 — DEFERRAL ELECTION

I hereby elect to defer the payment of my vested Restricted Stock Units (and any related dividend equivalents) as set forth below. I understand that if no box is selected, then there will not be any deferral of the distribution of the Shares (and any related dividend equivalents) receivable upon the vesting of the Restricted Stock Units.

With respect to the Restricted Stock Units that are scheduled to vest on May , 2009 (and any related dividend equivalents), except as otherwise provided in Section 3, any such Restricted Stock Units and related dividend equivalents that vest will be settled and any related dividend equivalents will be paid on the following date or event, rather than the vesting date set forth in my Restricted Stock Unit award agreement (check one):

- The date I separate from service as a Director for any reason.
- Upon the earlier of (i) the date I separate from service as a Director for any reason or (ii) , 20 (date selected cannot be earlier than the scheduled vesting date).

I understand that the RSUs will be settled (and dividend equivalents will be paid) on the date or event specified above or as soon as practicable thereafter, but in all events will be settled and paid (i) if the settlement and payment date is separation from service, not later than 90 days after the date of separation from service or (ii) if the settlement and payment date is the specified date, not later than the last day of the calendar year in which the specified date occurs. I understand that in the event of my death prior to settlement of my Restricted Stock Units or payment of any related dividend equivalents, my Restricted Stock Units will be settled and any dividend equivalents will be paid to my designated beneficiary or, if no such designated beneficiary exists, to my estate.

I understand that during the period of any deferral pursuant to this Deferral Election Form, if a cash dividend is declared on the Shares, I shall be credited with a dividend equivalent in an amount of cash equal to the number of Restricted Stock Units subject to this Deferral Election Form as of the dividend payment date, multiplied by the amount of the cash dividend paid per Share. Any such dividend equivalents shall be paid if and when the underlying

Restricted Stock Units are settled pursuant to this Deferral Election Form (or any subsequent elections). Dividend equivalents shall not accrue interest.

I understand that, notwithstanding anything to contrary in this Deferral Election Form or in the Plan, to the extent permitted by Section 409A of the Code and any treasury regulations or other applicable guidance promulgated with respect thereto, the issuance or delivery of any Shares pursuant to this Deferral Election Form may be delayed if the Company reasonably anticipates that the issuance or delivery of the Shares will violate Federal securities laws or other applicable law; provided that delivery or issuance of the Shares shall be made at the earliest date at which the Company reasonably anticipates that such delivery or issuance will not cause a violation.

Subsequent Elections:

I understand that the Committee may permit me, pursuant to a subsequent deferral election, to further defer all of the amounts I have elected to defer pursuant to this Deferral Election Form, but that any such additional election shall be permitted only if and to the extent authorized by the Committee and, if permitted, shall be subject to such limitations and restrictions as the Committee may prescribe. Any such subsequent elections will be subject to the conditions set forth in Section 409A of the Code relating to subsequent elections, including the conditions that such subsequent elections (i) shall not take effect until at least 12 months after the date on which the subsequent election is made, (ii) shall provide for an additional deferral of the amounts subject to the subsequent election for a period of not less than five years from the date such amounts would otherwise have been settled and paid pursuant to the deferral election then in effect and (iii) must be made not less than 12 months before the date the Restricted Stock Units (and any dividend equivalents) would have been settled and paid pursuant to the deferral election then in effect. I further understand that if the Committee permits such subsequent election, any such subsequent election that I make will become irrevocable as of the deadline for making the subsequent election. If permitted, any such subsequent elections shall be made pursuant to a subsequent election form provided separately by the Company.

SECTION 3 — ACKNOWLEDGEMENT AND AUTHORIZATION

I acknowledge and agree that I have received and reviewed a copy of the Plan and my award agreement and I hereby agree to defer payment of my Restricted Stock Units (and any related dividend equivalents) as indicated in Section 2 above and I understand that I relinquish any right to receive delivery of shares with respect to these Restricted Stock Units (and payment of any related dividend equivalents) until the date or event I elected above.

I understand that, except as otherwise provided in the following sentence, this Deferral Election Form must be filed with The Newport Group on or before the last day of the calendar year (or such earlier date as the Committee may prescribe) that precedes the calendar year in which the Restricted Stock Units are granted to me. Pursuant to transition relief under Section 409A of the Code, in 2008, I may elect to change the time of delivery of the Restricted Stock Units that are granted to me in 2008 (and payment of related dividend equivalents) by filing this Deferral Election Form with The Newport Group in 2008 on or prior to the deadline established by the Committee; provided, however that if my Restricted Stock Units (and any dividend equivalents) become vested in 2008 pursuant to Section 3 of my Restricted Stock Unit award agreement (or otherwise), any such deferral election made pursuant to transition relief in 2008 shall be void and of no effect to the extent it would cause an amount to be delivered or paid later than calendar year 2008. I further understand that the election I made in Section 2 above becomes irrevocable on the latest permitted date for filing this Deferral Election Form as described above and may not be accelerated, revoked or modified except as otherwise permitted under Section 409A of the Code, and the Plan.

I agree that my successors in interest and my assigns and all persons claiming under me shall, to the extent consistent with applicable law, be bound by the statements contained herein and by the provisions of the Plan as they now exist and as they may be amended from time to time.

I have read and understand this Deferral Election Form and hereby authorize the Company to take all actions indicated on this form.

Date

Director's Signature

**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: July 25, 2008

**CERTIFICATION OF DENISE L. RAMOS PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION**

I, Denise L. Ramos, 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/ DENISE L. RAMOS

Denise L. Ramos
Senior Vice President and
Chief Financial Officer

Date: July 25, 2008

**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, 2008 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*

July 25, 2008

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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Denise L. Ramos, 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/ DENISE L. RAMOS

Denise L. Ramos
*Senior Vice President and
Chief Financial Officer*

July 25, 2008

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.