

REMEDIAL ACTION PLAN
APPENDIX B

As part of its obligations pursuant to the Agreement, ITT agrees to implement the remedial action plan set forth below. ITT understands that the remedial actions set forth below impose obligations that are in addition to those imposed by existing laws, regulations and contractual obligations. Nothing in the Agreement shall be construed to, or shall have the effect of, excusing any failure of ITT to comply with the provisions of existing laws, regulations and contractual obligations.

I. Compliance Management

A. Executive Manager of Compliance

ITT shall establish an executive position within its corporate structure dedicated to the mission of ensuring that ITT is in full compliance with all U.S. export laws and regulations and all U.S. programs directed at the protection of classified information and technology, including, but not limited to the following:

1. The National Industrial Security Program (hereinafter “NISP”) and its implementing provisions contained in the National Industrial Security Program Operating Manual (hereinafter “NISPOM”).
2. The Arms Export Control Act (hereinafter “AECA”) and its implementing regulations contained in the International Traffic in Arms Regulations (hereinafter “ITAR”); and
3. The Export Administration Act/International Emergency Economic Powers Act (hereinafter “IEEPA”) and its implementing regulations contained in the Export Administration Regulations (hereinafter “EAR”) and the Office of Foreign Assets Control Regulations;

ITT shall submit to the government for approval the name and background of the person who will fill the position of executive manager of compliance (hereinafter “EMC”) within three months of the date of the Court order granting the Joint Deferral Motion. The EMC shall be hired within six months of the date of the Court order granting the Joint Deferral Motion. The EMC shall have significant background, training and experience with the compliance laws, regulations and programs listed above. The EMC will report directly to the Chief Executive Officer of ITT (hereinafter “CEO”) and shall have access to ITT’s Board of Directors. The EMC shall have the authority and the resources necessary to ensure that ITT is in full compliance with the laws, regulations and programs listed above.

B. Compliance Management Structure

ITT shall restructure its management of all ITT employees charged with the responsibility of implementing the compliance laws, regulations and programs listed in Section I. A. above within six months of the date of the Court order granting the Joint Deferral Motion. In particular, all ITT export compliance managers and/or security managers with the responsibility of safeguarding U.S. classified materials or export controlled materials, including all “Empowered Officials” (hereinafter “EO”) pursuant to the ITAR or “Facility Security Officers” (hereinafter “FSO”) pursuant to the NISPOM shall be supervised, evaluated and report directly to the EMC or other export/security compliance managers who report directly to the EMC. All other ITT export compliance employees or security employees with responsibility for safeguarding classified or export controlled materials shall be supervised, evaluated and report directly to an export/security compliance manager who is directly or indirectly supervised by the EMC. The purpose of this provision is to ensure that all ITT export compliance and security personnel with responsibility for safeguarding export controlled or classified materials can act to ensure full compliance with the laws, regulations and programs listed in Section I. A. above without fear of adverse action.

II. Compliance Education & Training

A. Annual Training

ITT shall institute within nine months of the date of the Court order granting the Joint Deferral Motion a comprehensive export compliance and NISPOM education/training program for its employees. All ITT employees who have access to or who manage ITT employees who have access to export controlled or classified materials shall receive annual training which at a minimum shall include the purpose of, their responsibilities under, and the potential consequences of violating the compliance laws, regulations and programs listed in Section I. A. above. ITT shall submit to the Monitor an outline of the training to be given along with any materials to be provided during the training at least one month prior to the training. The first annual training shall take place within nine months of the date of the Court order granting the Joint Deferral Motion.

B. Additional Manager Training

ITT shall ensure that all export compliance managers and security managers, including all EOs, FSOs and their immediate assistants shall have sufficient training and experience to ensure full compliance with the compliance laws, regulations and programs listed in Section I. A. above. The EMC, on behalf of ITT, shall submit to the Monitor within one year from the date of the Court order granting the Joint Deferral Motion, a written certification stating that ITT has reviewed the background and training of all ITT EOs, FSOs, and their immediate assistants, and that all ITT EOs, FSOs, and their immediate assistants have sufficient training and experience to ensure full compliance with the compliance laws, regulations and programs listed in Section I. A. above. ITT shall ensure that all export compliance and security managers and their immediate assistants regularly obtain additional training to improve and update their knowledge of the export compliance laws, regulations and programs listed in Section I. A. above.

C. Record Keeping

ITT shall keep a record of the training provided and the names and positions of the individuals who received training for a period of at least five years. Each employee who received training shall sign a document verifying that he/she has received the required annual training and understands the purpose of, their responsibilities under, and the consequences of violating the export compliance laws, regulations and programs listed in Section I. A. above. ITT shall also keep a record of all training received by all export compliance managers and security managers, including all EOs, FSOs and their immediate assistants for a period of at least ten years.

III. Mandatory Reporting of Violations

A. Classified Information

ITT shall report all losses, compromises or suspected losses or compromises of U.S. classified materials in its possession or custody to the responsible Cognizant Security Agency (hereinafter "CSA") and the Monitor as soon as possible, and in no case later than twenty four hours, from the discovery of the loss, compromise or suspected loss or compromise of U.S. classified materials. ITT shall make interim and/or final reports of all losses, compromises or suspected losses or compromises of U.S. classified materials as directed by the CSA. A copy of any interim or final reports shall also be provided to the Monitor.

ITT shall also report all attempts to gain unauthorized access to U.S. classified materials in its possession or custody, including, but not limited to, computer network intrusions, to the responsible CSA and the Monitor as soon as possible, and in no case later than twenty four hours from the discovery of the attempt to gain unauthorized access to U.S. classified materials. ITT shall make interim and/or final reports of all attempts to gain unauthorized access to U.S. classified materials

as directed by the CSA. A copy of any interim or final reports shall also be provided to the Monitor.

B. AECA/ITAR Violations

ITT shall make an initial written report of all violations of the AECA/ITAR to the U.S. Department of State, Office of Defense Trade Controls Compliance, and the Monitor within one week of the discovery of the violation. ITT shall make written interim and/or final reports of all violations of the AECA/ITAR as directed by the U.S. Department of State, Office of Defense Trade Controls Compliance. A copy of any interim or final reports shall also be provided to the Monitor.

C. IEEPA/EAR Violations

ITT shall make an initial written report of all violations of the IEEPA/EAR to the U.S. Department of Commerce, Office of Export Enforcement, and the Monitor within one week of the discovery of the violation. ITT shall make written interim and final reports of all violations of IEEPA/EAR as directed by the U.S. Department of Commerce, Office of Export Enforcement. A copy of any interim or final reports shall also be provided to the Monitor.

IV. Compliance Investigation

A. Classified Materials

- 1. Classified Materials Inventory** - ITT shall conduct a complete inventory of all classified materials (hereinafter "Inventory") in its possession, custody or control within six months of the date of the Court order granting the Joint Deferral Motion. ITT shall update this Inventory on a bi-annual basis thereafter. ITT shall maintain copies of the Inventory and the bi-annual updates for a period of at least ten years and shall produce the Inventory and the bi-annual updates for inspection and copying when requested by authorized U.S. Government agencies.

2. **Classified Materials Disclosure Audit** - Within one year of the date of the Court order granting the Joint Deferral Motion, ITT shall determine whether any classified materials in its possession or custody have been misplaced, lost or improperly disclosed to any unauthorized person or entity. ITT shall also prepare and submit to the Monitor within one year of the date of the Court order granting the Joint Deferral Motion a list of all foreign persons or foreign entities to whom ITT has disclosed U.S. classified material within the past ten years. ITT shall further use its best efforts to determine whether any foreign person or foreign entity to whom ITT has disclosed U.S. classified materials has made a disclosure of that U.S. classified material to any unauthorized person or entity. ITT shall report any loss, compromise or suspected compromise of classified information to the CSA and the Monitor as set forth in paragraph III. A. above.

3. **Classified Materials Security Audit** - Within one year of the date of the Court order granting the Joint Deferral Motion, ITT shall conduct an audit to determine whether each of ITT's business units that have possession or custody of U.S. classified materials have sufficient security in place to protect all U.S. classified materials. A copy of the audits shall be provided to the CSA and the Monitor. All security deficiencies shall be corrected within eighteen months of the date of the Court order granting the Joint Deferral Motion.

B. Export Compliance

ITT shall conduct an export compliance audit of each ITT business unit that has access to export controlled materials. The primary purpose of these audits will be to identify past and present violations of the compliance laws, regulations and programs listed in Section I. A. above and to determine whether each ITT business unit has a sufficient program and resources to ensure full compliance with the export laws of the United States. The audits shall also determine whether proper export licenses are in place and whether the terms, conditions, and

provisos of ITT's export licenses are being fully complied with. A copy of each audit shall be provided to the Monitor and the United States. Within three months of the completion of each audit, the Chief Executive Officer of the ITT business unit audited shall sign and submit to the Monitor a certification stating that a comprehensive audit to identify past and present violations of the compliance laws, regulations and programs listed in Section I. A. above and to determine whether each ITT business unit has a sufficient program and resources to ensure full compliance with the export laws of the United States has been completed and that all violations of the compliance laws, regulations and programs listed in Section I. A. above have been reported to the Monitor and the United States. All export compliance audits shall be completed within two years of the date of the Court order granting the Joint Deferral Motion. All export compliance deficiencies shall be corrected within thirty months of the date of the Court order granting the Joint Deferral Motion.

C. Foreign Subcontractors/Foreign Corporate Partners

ITT shall determine whether each of its foreign agents, sub-contractors and corporate partners with whom ITT has shared export controlled materials in the past five years has sufficient knowledge of the United States export laws and regulations to prevent export compliance violations by the foreign agent, sub-contractor or corporate partner. ITT shall also determine whether all export controlled materials have been sufficiently marked by ITT personnel to put all of its foreign agents, sub-contractors and corporate partners on notice of the export controlled nature of the materials provided. ITT shall complete these tasks within one year of the date of the Court order granting the Joint Deferral Motion.

V. Annual Compliance Certification

A. ITT Business Units

The Chief Executive Officer of each ITT business unit that has access to export controlled or classified materials shall sign an annual

compliance certification. The annual compliance certification shall state as follows:

“I, (Name) _____, (Title) _____, on behalf of (Name of ITT business unit) _____, do hereby certify that to the best of my knowledge and belief, (Name of ITT business unit) _____, is in full compliance with the export laws of the United States and the National Industrial Security Program. I further certify that all violations of the export laws of the United States or loses, compromises or suspected loses or compromises of United States classified information have been reported to the appropriate official(s) of the United States government.”

The annual compliance certification shall be dated and notarized by a notary public. The executed annual compliance certifications shall be forwarded to the Monitor no later than the first of June for each year the Agreement is in effect.

B. ITT Corporation

The Chief Executive Officer of ITT and the EMC shall sign an annual compliance certification on behalf of ITT. The annual compliance certification shall states as follows:

“I, (Name) _____, (Title) _____, on behalf of ITT Corporation, do hereby certify that to the best of my knowledge and belief, ITT Corporation, is in full compliance with the export laws of the United States and the National Industrial Security Program. I further certify that all violations of the export laws of the United States or loses, compromises or suspected loses or compromises of United States classified information have been reported to the appropriate official(s) of the United States government.”

The annual compliance certification shall be dated and notarized by a notary public. The executed annual compliance certification shall be forwarded to the Monitor no later than the first of June for each year the Agreement is in effect.