UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION, **100 F Street, N.E.** **Washington, DC 20549**	:	
Plaintiff,	:	**C.A. No.**
v.		
ITT CORPORATION,		Case: 1:09-cv-00272 Assigned To : Leon, Richard J. Assign. Date : 2/11/2009 Description: General Civil
Defendant.		

COMPLAINT

Plaintiff Securities and Exchange Commission ("the Commission") alleges:

NATURE OF THE ACTION

1. The Commission brings this action based on violations by ITT Corporation ("ITT") of the books and records and internal controls provisions of the Foreign Corrupt Practices Act ("FCPA") resulting from payments to Chinese government officials by ITT's wholly-owned Chinese subsidiary, Nanjing Goulds Pumps Ltd. ("NGP"). From 2001 through 2005, NGP's illicit payments to employees of numerous Chinese state-owned entities ("SOEs") totaled approximately $200,000. The SOE customers associated with those illicit payments generated over $4 million in sales to NGP, from which ITT realized improper profits of more than $1 million.

2. In improperly recording the payments for the sales to SOEs, ITT violated the books and records provisions of the FCPA because none of the illicit payments were accurately reflected in ITT's books and records. In addition, ITT also violated the internal controls

provisions of the FCPA because ITT lacked internal controls sufficient to provide reasonable assurances that transactions were executed with management's authorization and recorded to maintain accountability for its assets, and access to the company's assets was permitted only in accordance with management's authorization.

3. Plaintiff brings this action to enjoin such acts and practices, which violate Section 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78m(b)(2)(A) and 78m(b)(2)(B)].

4. The defendant may, unless restrained and enjoined, continue to engage in the acts and practices set forth in this Complaint and in acts and practices of similar purport and object.

JURISDICTION

5. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. The Defendant made use of the means or instrumentalities of interstate commerce, of the mails, or the facilities of a national securities exchange in connection with the acts, transactions, practices, and courses of business alleged herein.

DEFENDANT

6. ITT, including its subsidiaries, is, and was during the relevant time frame, a global multi-industry company engaged in the design and manufacture of a wide range of engineered products and related services. The principal executive offices of ITT are located in White Plains, New York. ITT generates revenue through its three principal business segments: Fluid Technology, Defense Electronics & Services, and Motion & Flow Control. During the relevant period of time, ITT's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and was listed on the New York Stock Exchange. Thus,

during the relevant time period, ITT was an "issuer" as that term is defined in Section 3(a)(8) of the Exchange Act [15 U.S.C. § 78(c)(a)(8)].

FACTS

Background

7. ITT's Fluid Technology segment is a 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, agricultural, and turf applications.

8. ITT's subsidiary, NGP, is headquartered in Nanjing, China and is part of ITT's Fluid Technology division. NGP manufactures and distributes a variety of water pump products that are sold primarily to power plants, building developers, and general contractors throughout China. NGP began as a joint venture between Goulds Pumps and Nanjing Deep Well in 1985. In 1997, ITT acquired Goulds Pumps and a sixty percent interest in the joint venture. In or about 2003, ITT obtained full ownership of NGP.

Illicit Payments to Chinese State-Owned Entities

9. In December 2005, ITT's Corporate Compliance Ombudsman received an anonymous complaint from NGP employees alleging illicit payments to Chinese government officials by employees of NGP. ITT had a Corporate Compliance Ombudsman program in place designed to receive and respond to anonymous complaints of alleged wrongdoing throughout the company.

10. After investigation, ITT determined that certain NGP employees and agents of NGP made inappropriate payments in connection with one or more contracts with each of thirty-two different SOE customers during the years 2001 through 2005. Employees and agents of

NGP made most of the illicit payments, directly or indirectly, to employees of Design Institutes (some of which were SOEs) that assisted in the design of large infrastructure projects in China. NGP employees agreed to the payments as an inducement or *quid pro quo* for the Design Institutes to formulate requests for proposals ("RFPs") that contained specifications corresponding to NGP manufactured pumps for use in the projects. NGP and the Design Institute employees both understood that after the Design Institutes received NGP's response to the RFP, the Design Institutes would evaluate and grade NGP's response, and then make favorable recommendations on the NGP products to SOEs that were responsible for the oversight and construction of the projects ("project SOEs").

11. As part of the arrangement, NGP did not pay the Design Institute employees until after NGP received payments for the pumps purchased for the projects. NGP employees used two methods to make the illicit payments directly to the Design Institutes' employees: NGP employees either sent wire transfers to Design Institute employees' personal bank accounts or gave Design Institute employees checks made out to "cash." Both the NGP employees and the Design Institute employees understood that the funds provided to the Design Institute employees might thereafter be distributed among other employees of the Design Institute.

12. NGP employees also made illicit payments by using third-party agents to facilitate the payments. When using third-party agents, NGP paid inflated commissions to agents, after NGP received payments on the pumps. NGP paid the inflated commissions to the third-party agents based on the understanding that the agents would then make payments to the Design Institute employees that specified and recommended NGP products or in at least in one instance make a payment directly to employees of the project SOE.

13. One example of an infrastructure project where NGP employees and agents made illicit payments to obtain sales contracts for its pumps is the Xiaolangdi Hydroelectric Power Plant project on the Yellow River. NGP employees made an illicit payment to a Design Institute employee to secure the initial contract for its pumps in the project. Subsequently, an independent agent with a close relationship to both the Head of Procurement and a relative of the General Manager of the project SOE was used to obtain a second contract for NGP's pumps. NGP made a payment to the agent of eight percent of the contract price, and the agent then paid the funds to the individuals to secure the second contract.

14. Similarly, during the relevant time period, NGP employees made an illicit payment to a Design Institute employee to secure a contract for the purchase of NGP's pumps for use in the Three Gorges Dam infrastructure project.

15. From 2001 through 2005, NGP employees paid approximately $200,000 in illicit payments to Design Institute employees and third-party agents in order to obtain sales contracts with SOEs. The SOE customers associated with those illicit payments generated over $4 million in sales to NGP, from which ITT realized improper profits of more than $1 million.

16. Regardless of whether NGP paid the Design Institute employees directly or through third-party agents, NGP improperly recorded all such payments as commission payments, under costs of sales in its accounting books and records. These improper entries were consolidated and included in ITT's financial statements contained in its filings with the Commission for the company's fiscal years ended December 31, 2001 through December 31, 2005.

17. ITT did not make or keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected the illicit payments by NGP employees and the related

disposition of its assets. ITT also failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions were executed in accordance with management's general or specific authorization; (ii) transactions were recorded as necessary to maintain accountability for its assets; and (iii) access to its assets was permitted only in accordance with management's general or specific authorization.

FIRST CLAIM FOR RELIEF

Violations of Section 13(b)(2)(A) of the Exchange Act

18. Paragraphs 1 through 17 above are realleged and incorporated by reference herein.

19. As set forth more fully above, ITT failed to make and keep books, records, or accounts that, in reasonable detail, accurately and fairly reflected the transactions and disposition of its assets.

20. As a result of the foregoing, ITT violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

SECOND CLAIM FOR RELIEF

Violations of Section 13(b)(2)(B) of the Exchange Act

21. Paragraphs 1 through 17 above are realleged and incorporated by reference herein.

22. As set forth more fully above, ITT failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions were executed in accordance with management's general or specific authorization; (ii) transactions were recorded as necessary to maintain accountability for its assets; and (iii) access to its assets was permitted only in accordance with management's general or specific

authorization. As a result of the foregoing, ITT violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a Final Judgment:

(a) permanently restraining and enjoining defendant ITT, its officers, agents, employees, assigns, attorneys, and those persons in active concert or participation with them who receive actual notice of the Final Judgment, and each of them, from violating Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A) and 78m(b)(2)(B)];

(b) ordering defendant ITT to disgorge profits derived from contracts resulting from its inappropriate payments to SOEs during the years 2001 through 2005 and pay prejudgment interest on those amounts;

(c) ordering defendant ITT to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

(d) granting such other and further relief as this Court deems just and appropriate under the circumstances.

Dated: Feb. 11, 2009
Washington, D.C.

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