

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

ITT Corporation
Engineered Valves Group
33 Centerville Road
Lancaster, PA 17603-2064

Attention: *Dave Tarbell*
Director, International Trade & Compliance

Dear Mr. Tarbell:

The Bureau of Industry and Security, U. S. Department of Commerce ("BIS"), has reason to believe that the Engineered Valves Group, Industrial and Biopharm business unit of ITT Corporation, of Lancaster, PA, ("Engineered Valves") has committed eight violations of the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act").² Specifically, BIS charges that Engineered Valves committed the following violations:

Charges 1-6 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct by Exporting Lined Valves and Valve Bodies Without the Required License)

As detailed in the attached schedule of transactions, on six occasions between on or about February 14, 2001 and August 26, 2005, Engineered Valves engaged in conduct prohibited by the Regulations by exporting lined valves and valve bodies, items subject to the Regulations³ to China, Israel, Saudi Arabia and Taiwan without obtaining Department of Commerce licenses, as required by Section 742.2 of the Regulations. In so doing, Engineered Valves committed six violations of Section 764.2(a) of the Regulations.

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred in 2001-2005. The Regulations governing the violations at issue are found in the 2001-2005 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2005)). The 2006 Regulations govern the procedural aspects of this case.

² 50 U.S.C. app. §§ 2401- 2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 2, 2006, (71 Fed. Reg. 44551 (August 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) ("IEEPA").

³The commodities are classified under Export Control Classification Number (ECCN) 2B350 and are controlled for proliferation of chemical and biological weapons reasons.

Charge 7 (15 C.F.R. §764.2(g) - Misrepresentation)

On or about February 14, 2001, in connection with transaction one described in the attached schedule of transactions, Engineered Valves made false or misleading representations to the U.S. government in violation of the Regulations. Specifically, Engineered Valves filed or caused to be filed a Shipper's Export Declaration ("SED") with the U.S. Government that stated that certain valves and valve bodies qualified for export from the United States to Saudi Arabia as NLR ("No License Required"). This is false because a license is required for export to Saudi Arabia. An SED is an export control document as defined in Part 772 of the Regulations. In so doing, Engineered Valves committed one violation of Section 764.2(g) of the Regulations.

Charge 8 (15 C.F.R. §764.2(i) - Failure to Comply with Reporting, Recordkeeping Requirements)

In connection with Charge 4 above, on or about November 17, 2003, Engineered Valves failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. Specifically, Engineered Valves failed to file and/or retain export control documents (including SEDs) in connection with certain exports described in Charge 4 above. In so doing, Engineered Valves committed one violation of Section 764.2(i) of the Regulations.

* * * * *

Accordingly, ITT Industries, Inc. is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of up to \$11,000 per violation;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

If ITT Industries, Inc. fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default.

⁴ See 15 C.F.R. § 6.4 (2001-2005), as supplemented by 68 Fed. Reg. 4,380 (Jan. 29, 2003), and 68 Fed. Reg. 69,001 (Dec. 11, 2003).

(Regulations, Sections 766.6 and 766.7). If ITT Industries, Inc. defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to ITT Industries, Inc. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

ITT Industries, Inc. is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. (Regulations, Section 766.6). ITT Industries, Inc. is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should ITT Industries, Inc. have a proposal to settle this case, ITT Industries, Inc.'s representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, ITT Industries, Inc.'s answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

In addition, a copy of ITT Industries, Inc.'s answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Eric Clark, Esq.
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Engineered Valves
Proposed Charging Letter
Page 4

Eric Clark is the attorney representing BIS in this case; any communications that ITT Industries, Inc. may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael Turner
Director
Office of Export Enforcement

Enclosure

**ITT Corporation
Engineered Valves Group
Schedule of Violations**

Export Date	Order #	Commodities	Qty.	Value	ECCN	Entry of Utl. Dest.	Violation
1 2/14/2001	673549	2" Weir/Flanged/Ci/Tefzel lined - manual w/ PTFE diaphragm	9	\$2,312.82	2B350	Saudi Arabia	764.2(a), 764.2(g)
2 6/19/2001	680779	1.5" Weir/Flanged/Ci/Tefzel lined - actuated w/ PTFE diaphragm	2	\$975.00	2B350	Taiwan	764.2(a)
3 11/19/2001	690071	.75" Weir/Flanged/Ci/Tefzel lined - actuated w/PTFE diaphragm	2	\$808.00	2B350	Taiwan	764.2(a)
		.5" Weir/Socketweld/CN7M - manual w/ VITON diaphragm	10	\$1,455.00	2B350		
		.5" Weir/Screwed/CN7M - manual w/ VITON diaphragm	5	\$732.50	2B350		
4 11/17/2003	726672	1" Weir/Flanged/Ci/Tefzel lined - manual w/ VITON diaphragm	15	\$2,482.50	2B350	China	764.2(a), 764.2(i)
		1.5" Weir/Flanged/Ci/Tefzel lined - manual w/ VITON diaphragm	10	\$2,170.00	2B350		
		2" Weir/Flanged/Ci/Tefzel lined - manual w/ VITON diaphragm	6	\$1,917.00	2B350		
5 8/24/2004	sample	Sample Cam-line body	1	sample	2B350	China	764.2(a)
6 8/26/2005	764373	.75" Weir/Flanged/Di/PVDF (FDA) lined - manual w/ VITON diaphragm	6	\$972.00	2B350		
		1.5" Weir/Flanged/Di/PVDF (FDA) lined - manual w/ VITON diaphragm	6	\$1,948.00	2B350	Israel	764.2(a)
Totals:			72	\$15,772.82			

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

.....
In the Matter of:)
)
ITT Corporation)
Engineered Valves Group)
33 Centerville Road)
Lancaster, PA 17603)
)
..... Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between ITT Corporation (formerly ITT Industries, Inc.) on behalf of its Engineered Valves Group within the Industrial and Biopharm Division (“Engineered Valves”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),²

¹ The violations alleged to have been committed occurred in 2001 - 2005. The Regulations governing the violations at issue are found in the 2001 - 2005 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2005)). The 2006 Regulations establish the procedures that apply to this matter.

² Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2006 (71 Fed. Reg. 44,551 (Aug. 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”).

WHEREAS, Engineered Valves filed a voluntary self-disclosure on January 31, 2006 with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning certain transactions at issue herein;

WHEREAS, BIS has notified Engineered Valves of its intention to initiate an administrative proceeding against Engineered Valves, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Engineered Valves that alleged that Engineered Valves committed eight violations of the Regulations, specifically:

Charges 1-6 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct by Exporting Lined Valves and Valve Bodies Without the Required License)

On six occasions between on or about February 14, 2001 and August 26, 2005, Engineered Valves engaged in conduct prohibited by the Regulations by exporting lined valves and valve bodies, items subject to the Regulations³ to China, Israel, Saudi Arabia and Taiwan without obtaining Department of Commerce licenses, as required by Section 742.2 of the Regulations. In so doing, Engineered Valves committed six violations of Section 764.2(a) of the Regulations.

Charge 7 (15 C.F.R. §764.2(g) - Misrepresentation)

On or about February 14, 2001, in connection with transaction one described in the attached schedule of transactions, Engineered Valves made false or misleading representations to the U.S. government in violation of the Regulations. Specifically, Engineered Valves filed or caused to be filed a Shipper's Export Declaration ("SED") with the U.S. Government that stated that certain valves and valve bodies qualified for export from the United States to Saudi Arabia as NLR ("No License Required"). This is false because a license is required for export to Saudi Arabia. An SED is an export control document as defined in Part 772 of the Regulations. In so doing, Engineered Valves committed one violation of Section 764.2(g) of the Regulations.

³The commodities are classified under Export Control Classification Number (ECCN) 2B350 and are controlled for proliferation of chemical and biological weapons reasons.

Charge 8 (15 C.F.R. §764.2(i) - Failure to Comply with Reporting, Recordkeeping Requirements)

In connection with transaction four described in the attached schedule of transactions, on or about November 17, 2003, Engineered Valves failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. Specifically, Engineered Valves failed to file and/or retain export control documents (including SEDs) in connection with certain exports described in transaction four above. In so doing, Engineered Valves committed one violation of Section 764.2(i) of the Regulations.

WHEREAS, Engineered Valves has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Engineered Valves fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Engineered Valves enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Engineered Valves states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Engineered Valves neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Engineered Valves wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Engineered Valves agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Engineered Valves, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against Engineered Valves in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the January 31, 2006 voluntary self-disclosure and the proposed charging letter:

a. Engineered Valves shall be assessed a civil penalty in the amount of \$26,400, all of which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Engineered Valves. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Engineered Valves' export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Engineered Valves hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$26,400 civil penalty, BIS will not initiate any further administrative proceeding against Engineered Valves in connection with any violation of the Act or the Regulations arising out of the transactions

identified in the January 31, 2006 voluntary self-disclosure and the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

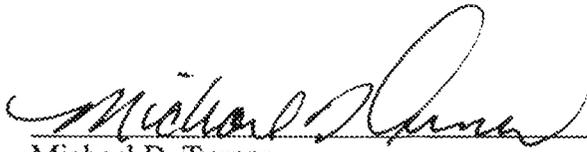
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

ITT CORPORATION ON BEHALF OF ITS
ENGINEERED VALVES GROUP WITHIN
THE INDUSTRIAL AND BIOPHARM
DIVISION



Michael D. Turner
Director
Office of Export Enforcement

Date: 3/8/07



Andrew De Cicco
Assistant Secretary, ITT
Vice President, ITT Fluid Technology

Date: 3-2-07

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

.....
In the Matter of:)
)
ITT Corporation)
Engineered Valves Group)
33 Centerville Road)
Lancaster, PA 17603)
)
Respondent)
.....

ORDER RELATING TO ENGINEERED VALVES GROUP OF ITT CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified ITT Corporation (formerly ITT Industries, Inc.) on behalf of its Engineered Valves Group within the Industrial and Biopharm Division (“Engineered Valves”), of its intention to initiate an administrative proceeding against Engineered Valves pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),² through issuance of a proposed charging letter to Engineered Valves that alleged

¹ The violations alleged to have been committed occurred in 2001 - 2005. The Regulations governing the violations at issue are found in the 2001 - 2005 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2005)). The 2006 Regulations establish the procedures that apply to this matter.

² Since August 21, 2001 the Act has been in lapse. However, the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 Fed. Reg. 44,551, Aug. 7, 2006), has continued the Regulations in effect under International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)).

that Engineered Valves committed eight violations of the Regulations. Specifically, these charges are:

Charges 1-6 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct by Exporting Lined Valves and Valve Bodies Without the Required License)

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In connection with transaction four described in the attached schedule of transactions, on or about November 17, 2003, Engineered Valves failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. Specifically, Engineered Valves failed to file and/or retain export control documents (including SEDs) in connection with certain exports described in transaction four above. In so doing, Engineered Valves committed one violation of Section 764.2(i) of the Regulations.

WHEREAS, BIS and Engineered Valves have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

³The commodities are classified under Export Control Classification Number (ECCN) 2B350 and are controlled for proliferation of chemical and biological weapons reasons.

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

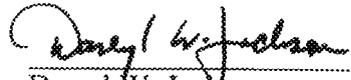
FIRST, that a civil penalty of \$26,400 is assessed against Engineered Valves, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Engineered Valves will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Engineered Valves. Accordingly, if Engineered Valves should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Engineered Valves' export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



.....
Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 13th day of March, 2007.