

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089
		2011
		This Form is Open to Public Inspection

Part I	Annual Report Identification Information
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information
1a Name of plan <u>ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN</u>	1b Three-digit plan number (PN) ► <u>006</u> 1c Effective date of plan <u>10/01/1973</u>
2a Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan) <u>EXELIS INC.</u> <u>1650 TYSONS BLVD.</u> <u>MCLEAN, VA 22102</u>	2b Employer Identification Number (EIN) <u>45-2083813</u> 2c Sponsor's telephone number <u>703-790-6300</u> 2d Business code (see instructions) <u>333200</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	<u>Filed with authorized/valid electronic signature.</u>	<u>10/16/2012</u>	<u>CAROLINE M. HUNT</u>
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2011)
v.012611

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") EXELIS AVIONICS & EXELIS COMMUNICATIONS SYSTEMS 100 KINGSLAND ROAD CLIFTON, NJ 07014	3b Administrator's EIN 45-2083813 3c Administrator's telephone number 973-284-0123
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4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name ITT CORPORATION	4b EIN 13-5158950 4c PN 006
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5 Total number of participants at the beginning of the plan year	5	1453
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6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	357
b Retired or separated participants receiving benefits.....	6b	563
c Other retired or separated participants entitled to future benefits.....	6c	365
d Subtotal. Add lines 6a , 6b , and 6c	6d	1285
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	124
f Total. Add lines 6d and 6e	6f	1409
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	0

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

1B 1G 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)	9b Plan benefit arrangement (check all that apply)
(1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	(1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☐ **A** (Insurance Information)
- (4)** ☐ **C** (Service Provider Information)
- (5)** ☒ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan <u>ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>006</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF <u>EXELIS INC.</u>	D Employer Identification Number (EIN) <u>45-2083813</u>
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2011</u>	
2 Assets:	
a Market value	2a <u>44318385</u>
b Actuarial value	2b <u>40137832</u>
3 Funding target/participant count breakdown:	
	(1) Number of participants (2) Funding Target
a For retired participants and beneficiaries receiving payment	3a <u>711</u> <u>17634044</u>
b For terminated vested participants	3b <u>373</u> <u>5118911</u>
c For active participants:	
(1) Non-vested benefits	3c(1) <u>1144741</u>
(2) Vested benefits	3c(2) <u>11253742</u>
(3) Total active	3c(3) <u>369</u> <u>12398483</u>
d Total	3d <u>1453</u> <u>35151438</u>
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)	☐
a Funding target disregarding prescribed at-risk assumptions	4a
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b
5 Effective interest rate	5 <u>6.21 %</u>
6 Target normal cost	6 <u>701257</u>

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>09/27/2012</u>
Signature of actuary	Date
<u>BARBARA H. VAUGHAN</u>	<u>11-04686</u>
Type or print name of actuary	Most recent enrollment number
<u>BUCK CONSULTANTS, LLC</u>	<u>201-902-2300</u>
Firm name	Telephone number (including area code)
<u>500 PLAZA DRIVE</u> <u>SECAUCUS, NJ 07096-1533</u>	
Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2011
v.012611

Part II		Beginning of year carryover and prefunding balances	
		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	16436220	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	632476	0
9	Amount remaining (line 7 minus line 8)	15803744	0
10	Interest on line 9 using prior year's actual return of <u>13.97</u> %	2207783	0
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38 from prior year)		0
b	Interest on (a) using prior year's effective rate of <u>6.52</u> % except as otherwise provided (see instructions)		0
c	Total available at beginning of current plan year to add to prefunding balance		0
d	Portion of (c) to be added to prefunding balance		0
12	Other reductions in balances due to elections or deemed elections	5994846	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	12016681	0

Part III		Funding percentages	
14	Funding target attainment percentage	14	80.00 %
15	Adjusted funding target attainment percentage	15	114.18 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	127.87 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV		Contributions and liquidity shortfalls			
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ►			18(b)	0	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contributions from prior years.	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 0
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c If 20a is "Yes," see instructions and complete the following table as applicable:	
Liquidity shortfall as of end of quarter of this plan year	
(1) 1st	(2) 2nd
0	0
(3) 3rd	(4) 4th
0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 3.78%	2nd segment: 6.31%	3rd segment: 6.57%	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 4
22 Weighted average retirement age				22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	701257	
b Excess assets, if applicable, but not greater than 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	0	0	
b Waiver amortization installment	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	701257	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	701257	0	701257
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	0	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension funding relief under Pension Relief Act of 2010 (see instructions)

41 If a shortfall amortization base is being amortized pursuant to an alternative amortization schedule:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

<p style="text-align: center;">SCHEDULE D (Form 5500)</p> <p style="text-align: center; font-size: small;">Department of the Treasury Internal Revenue Service</p> <hr/> <p style="text-align: center; font-size: small;">Department of Labor Employee Benefits Security Administration</p>	<p style="text-align: center;">DFE/Participating Plan Information</p> <p style="text-align: center; font-size: small;">This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</p> <p style="text-align: center;">▶ File as an attachment to Form 5500.</p>	<p style="text-align: center; font-size: small;">OMB No. 1210-0110</p> <hr/> <p style="text-align: center; font-size: large;">2011</p> <hr/> <p style="text-align: center; font-size: small;">This Form is Open to Public Inspection.</p>
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

<p>A Name of plan ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN</p>	<p>B Three-digit plan number (PN) ▶ 006</p>
<p>C Plan or DFE sponsor's name as shown on line 2a of Form 5500 EXELIS INC.</p>	<p>D Employer Identification Number (EIN) 45-2083813</p>

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: INV. MASTER TRUST OF EXELIS INC.

b Name of sponsor of entity listed in (a): EXELIS INC.

c EIN-PN 36-6668234-300	d Entity code M	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 41401336
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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code**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2011 This Form is Open to Public Inspection
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>		
A Name of plan <u>ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN</u>		B Three-digit plan number (PN) <u>006</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>EXELIS INC.</u>		D Employer Identification Number (EIN) <u>45-2083813</u>

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
1	Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
	Assets			
a	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions	1b(1)		
	(2) Participant contributions	1b(2)		
	(3) Other.....	1b(3)		
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
	(2) U.S. Government securities.....	1c(2)		
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred	1c(3)(A)		
	(B) All other.....	1c(3)(B)		
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred	1c(4)(A)		
	(B) Common	1c(4)(B)		
	(5) Partnership/joint venture interests	1c(5)		
	(6) Real estate (other than employer real property)	1c(6)		
	(7) Loans (other than to participants)	1c(7)		
	(8) Participant loans	1c(8)		
	(9) Value of interest in common/collective trusts.....	1c(9)		
	(10) Value of interest in pooled separate accounts.....	1c(10)		
	(11) Value of interest in master trust investment accounts	1c(11)	44318385	41401336
	(12) Value of interest in 103-12 investment entities	1c(12)		
	(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
	(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
	(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	44318385	41401336

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h	46685	31575
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	46685	31575

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	44271700	41369761
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		0

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B).....	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		-501353
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		-501353

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	2400586	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		2400586
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		2400586

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d.....	2k		-2901939
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: DELOITTE & TOUCHE LLP

(2) EIN: 13-3891517

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		15000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2011
		This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

A Name of plan <u>ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN</u>	B Three-digit plan number (PN) ▶ <u>006</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>EXELIS INC.</u>	D Employer Identification Number (EIN) <u>45-2083813</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>45-2083813</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	<u>3</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☒ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. Complete as many entries as needed to report all applicable employers.

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: 74% Investment-Grade Debt: 0% High-Yield Debt: 0% Real Estate: 1% Other: 25%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☒ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate item 19(b)?

☐ Effective duration ☒ Macaulay duration ☐ Modified duration ☐ Other (specify):

ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan

Sponsor EIN 45-2083813
Plan No. 006

Financial Statements as of and for the
Years Ended December 31, 2011 and 2010,
and Independent Auditors' Report

ITT AVIONICS DIVISION & ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN

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NOTE: All supplemental schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	

INDEPENDENT AUDITORS' REPORT

To the Trustees of and Participants in
the ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan:

We have audited the accompanying statements of net assets available for pension benefits of the ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan (the "Plan") as of December 31, 2011 and 2010, and the related statements of changes in net assets available for pension benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets available for pension benefits as of December 31, 2011, and the changes therein for the year then ended and its financial status as of December 31, 2010, and the changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

August 28, 2012

**ITT AVIONICS DIVISION &
ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR PENSION BENEFITS
AS OF DECEMBER 31, 2011 AND 2010**

	2011	2010
ASSETS:		
Investments, at fair value —		
Plan's interest in the Master Trust	\$41,401,336	\$44,318,385
LIABILITIES:		
Accrued administrative expenses	<u>31,575</u>	<u>46,685</u>
NET ASSETS AVAILABLE FOR PENSION BENEFITS	<u>\$41,369,761</u>	<u>\$44,271,700</u>

See notes to financial statements.

**ITT AVIONICS DIVISION &
ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN**

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PENSION BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
ADDITIONS:		
Plan's interest in the Master Trust of investment activity	<u>\$ (353,272)</u>	<u>\$ 5,607,748</u>
DEDUCTIONS:		
Benefits paid to participants	2,400,586	2,551,599
Administrative expenses	<u>148,081</u>	<u>208,478</u>
Total deductions	<u>2,548,667</u>	<u>2,760,077</u>
NET (DECREASE) INCREASE	(2,901,939)	2,847,671
NET ASSETS AVAILABLE FOR PENSION BENEFITS:		
Beginning of year	<u>44,271,700</u>	<u>41,424,029</u>
End of year	<u><u>\$41,369,761</u></u>	<u><u>\$44,271,700</u></u>

See notes to financial statements.

ITT AVIONICS DIVISION & ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 (In thousands)

1. DESCRIPTION OF THE PLAN

The following description of the ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

On October 31, 2011, ITT Corporation (ITT) completed the previously announced spin-off (the “Spin-off”) of Exelis Inc. (the “Company” or the “Plan Sponsor” or “Exelis”) and Xylem Inc. (“Xylem”), formerly ITT’s Defense and Information Solutions and Fluid Technology segments, respectively. Prior to October 31, 2011, ITT sponsored the Plan. The sponsorship of the Plan was transferred from ITT to the Company at Spin-off and the Company became the new sponsor of the Plan. All assets in the Master Trust related to plans that continued to be sponsored by ITT and Xylem after the Spin-off were transferred to the Master Trusts of ITT and Xylem, respectively.

General — The Plan is a defined benefit plan covering substantially all employees of Exelis Avionics and Exelis Communications Systems a division of the Company who are represented by Local 447 of the International Union of Electrical, Radio and Machine Workers, AFL-CIO. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Master Trust — Effective October 31, 2011, the Investment Master Trust of ITT Corporation was transferred from ITT to Exelis and renamed the Investment Master Trust of Exelis Inc. (the “Master Trust”). Under a trust agreement dated July 1, 1977, The Northern Trust Company (the “Trustee” or “Northern Trust”) serves as trustee of the Plan and administers the Plan’s investment assets. The Plan’s assets consist of an undivided interest in an investment account of the Master Trust, EIN 36-6668234. The Master Trust includes the combined assets of the Plan as well as several other employee benefit plans of the Company. Although assets of the Plan are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain (loss) of the investment account to the participating plans. The net investment income (loss) of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans. A schedule of the Master Trust assets has been filed with the U.S. Department of Labor and includes the Plan’s proportionate share of such assets at December 31, 2011 and 2010.

Eligibility — Employees of Exelis Avionics and Exelis Communications Systems, a division of Exelis Inc. who are represented by Local 447 of the International Union of Electrical, Radio and Machine Workers, AFL-CIO are eligible as of their date of employment.

Pension Benefits — Participants are eligible for monthly benefit payments upon reaching age 65. The normal monthly benefit payments are determined by multiplying the benefit rate, which depends upon the participant’s annual rate of compensation, by the total number of years of credited service. A participant is 100% vested after five years of service. Prior to that time, the participant is not vested.

Employees are eligible to receive early retirement benefits between the ages of 55 and 65 upon the completion of 10 years of continuous service. Early retirement benefits are computed in a manner similar to normal retirement at age 65, except that they are reduced by certain factors, as outlined in the Plan document, for each month that the early retirement date precedes the normal retirement date.

Death and Disability Benefits — A married employee who is a vested participant is automatically covered by the preretirement death benefit option, which will provide a benefit for the surviving spouse upon death prior to retirement, unless coverage is waived. The benefit would be equal to the benefit the spouse would have received had the employee retired on the date of death, computed under the normal form of payment, and subject to certain limitations.

An employee who has completed 10 years of continuous service and who becomes totally and permanently disabled is eligible to receive a disability retirement benefit. The amount of the benefit is computed as it would be for normal retirement based on the employee's years of credited service as of the date of disability.

Plan Amendments — Effective January 1, 2010, the Plan was amended to reflect certain provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008 and the Worker, Retiree, and Employer Recovery Act of 2008.

Additionally, as of October 1, 2009, the Plan was amended so that a participant whose last day of employment with the Company is on or after October 1, 2009, shall receive a monthly pension benefit, which is determined by multiplying the appropriate benefit rate from the table below by the member's credited service (in whole dollars):

Last Day of Employment	And Your Annual Rate of Pay on Your Last Day of Employment	Monthly Pension Benefit Per Year of Credited Service
10/1/09–9/30/10	Less than \$52,892.32	\$ 44
10/1/09–9/30/10	At least \$52,892.32	46
10/1/10–9/30/11	Less than \$53,951.04	44
10/1/10–9/30/11	At least \$53,951.04	46
10/1/11–9/30/12	Less than \$55,030.56	44
10/1/11–9/30/12	At least \$55,030.56	46
10/1/12–9/30/13	Less than \$56,405.44	44
10/1/12–9/30/13	At least \$56,405.44	46
On or after 10/1/13	Less than \$58,098.56	44
On or after 10/1/13	At least \$58,098.56	46

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties — The Plan, through the Master Trust, utilizes various investment instruments, including common stock, U.S. government securities, corporate debt instruments, limited partnerships, collective trust funds, registered investment companies, and derivatives. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition — Investments are stated at fair value. Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for description of valuation methods.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits — Benefit payments to participants are recorded upon distribution.

Administrative Expenses — Administrative expenses of the Plan are paid by the Master Trust on behalf of the Plan, as provided in the Plan document and the Master Trust agreement. Administrative expenses generally consist of consulting fees, auditing fees, recordkeeping fees, and investment management fees. The Plan Sponsor provides accounting and other administrative services to the Plan and the Master Trust at no charge.

New Accounting Standards:

ASU No. 2010-06 — In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures*, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, adding a new disclosure requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis. This requirement is effective for fiscal years beginning after December 15, 2010. The adoption in 2011 did not materially affect the Plan's financial statements.

ASU No. 2011-04 — In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amends ASC 820. ASU No. 2011-04 also requires the categorization by level for items that are only required to be disclosed at fair value and information about transfers between Level 1 and Level 2. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The new guidance is effective for reporting periods beginning after December 15, 2011. The Company does not believe the standard will have a material effect on the statements of net assets available for pension benefits and statements of changes in net assets available for pension benefits.

3. FAIR VALUE MEASUREMENTS

The Plan's investments are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price).

ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Plan's policy is to recognize significant transfers between levels at the beginning of the reporting period.

The following is a description of the valuation methodologies used for the Master Trust and inputs used to measure fair value for major categories of investments in the Master Trust.

- *Common Collective Trusts* — Common collective trusts (CCTs) are arrangements in which the funds of individual trusts are pooled to avail themselves of professional investment management and achieve greater diversification of investment, stability of income, or other investment objectives. CCTs invest in debt, public and private equity securities, commodity future, cash equivalents and other securities, the mix of which varies by fund, and report net asset value (NAV) as of the measurement date. Fair value is estimated based on the NAV practical expedient described below. CCTs are generally classified in Level 2 of the fair value hierarchy but can be classified as Level 3, depending on the investments held.
- *Common and Preferred Stocks* — Equities (including common and preferred shares, domestic listed and foreign listed stocks and exchange traded funds) are generally valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. All equity securities held directly by the Master Trust (i.e., not held through a commingled trust or limited partnership vehicle) and publicly traded in active markets are classified within Level 1 of the fair value hierarchy.
- *Absolute Returns (Hedge Funds)* — The valuation of limited partnership interests in hedge funds may require significant management judgment. The NAV reported by the asset manager is adjusted when management determines that NAV is not representative of fair value. In making such an assessment, a variety of factors are reviewed by management, including, but not limited to, the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager. Depending on how quickly the Master Trust can redeem these investments and the extent of any adjustments to NAV, hedge funds are classified within either Level 2 (redeemable within 90 days) or Level 3 (redeemable beyond 90 days) of the fair value hierarchy.
- *Other* — Cash equivalents are money market commingled trust vehicles that are classified as Level 2. Cash and adjustments to cash are classified as Level 1. Real estate is invested through an illiquid limited partnership vehicle and accordingly is classified as Level 3. The Guaranteed Investment Contracts are valued at cash surrender value using nonbinding broker quotes and proprietary models and are categorized as Level 3.
- *Partnerships/Joint Ventures* — Limited partnerships and joint ventures can invest in a wide variety of assets, including private equity, venture capital, commodities, mezzanine debt and distressed securities and public equities and debt. The valuation of partnerships/joint ventures funds may require significant management judgment due to the absence of quoted market prices at the measurement date, the inherent lack of liquidity and the long-term nature of the underlying assets and the terms of the investment vehicle. The Plan's investments in limited partnerships are valued at

estimated fair value based on their proportionate share of the limited partnerships' fair value as recorded in the limited partnerships' audited financial statements. The limited partnerships invest primarily in readily marketable securities. The limited partnerships allocate gains, losses, and expenses to the partners based on the ownership percentage as described in the partnership agreements.

- *Registered Investment Companies* — Registered investment companies can include money market mutual funds and open- and closed-ended mutual funds. Money market funds are valued at NAV of shares held by the Plan at year-end. Open-ended mutual funds are valued using NAV reported by the fund manager. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Closed-ended mutual funds, which frequently trade at a premium or discount, are valued using adjusted market prices. All registered investment companies are valued as Level 2.

The following tables sets forth by level within the fair value hierarchy a summary of the Master Trust's investments measured at fair value on a recurring basis at December 31, 2011 and 2010:

	December 31, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category:				
Common collective trusts				
Cash equivalent — short-term investment	\$ -	\$ 195,259	\$ 2,600	\$ 197,859
Equity securities		158,170		158,170
Commodities energy		104,686		104,686
Other		27	12,783	12,810
Fixed income		41,585		41,585
Subtotal — common collective trusts	-	499,727	15,383	515,110
Common and preferred stocks				
Domestic — US	772,496			772,496
Europe, Australasia, Far East	193,556			193,556
Emerging markets	33,696			33,696
Subtotal — common and preferred stocks	999,748	-	-	999,748
Absolute returns (hedge funds)				
Arbitrage		119,380		119,380
Fund of funds		(1,292)	167,985	166,693
Fixed income/multistrategy		9,417	268,938	278,355
Equity long/short		3,996	47,262	51,258
Commodities		20,648		20,648
Macro		10,023		10,023
Subtotal — absolute returns	-	162,172	484,185	646,357
Other				
Cash and cash equivalents	68,979	24,169		93,148
Real estate fund			16,822	16,822
Guaranteed insurance contracts			8,335	8,335
Subtotal — other	68,979	24,169	25,157	118,305
Partnerships/joint ventures				
Buyout		32,291	919,136	951,427
Distressed			241,653	241,653
Equity securities		28,789	179,286	208,075
Venture			56,077	56,077
Commodities			39,781	39,781
Mezzanine			35,450	35,450
Fund of funds			3,940	3,940
Subtotal — partnerships/joint ventures	-	61,080	1,475,323	1,536,403
Registered investment companies		196,578		196,578
Total	\$ 1,068,727	\$ 943,726	\$ 2,000,048	\$ 4,012,501

	December 31, 2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category:				
Common collective trusts				
Equity securities	\$ -	\$ 170,853	\$ -	\$ 170,853
Commodities		210,860		210,860
Fixed Income		39,174		39,174
Other			52,112	52,112
Subtotal-common collective trusts	-	420,887	52,112	472,999
Common and preferred stocks				
Domestic — US	799,704			799,704
Europe, Australasia, Far East	232,658			232,658
Emerging Markets	202,343			202,343
ITT Stock	54,325			54,325
Subtotal — common and preferred stocks	1,289,030	-	-	1,289,030
Absolute returns (hedge funds)				
Arbitrage		143,808		143,808
Fund of funds		85,340	234,287	319,627
Fixed income/ Multi strategy		32,212	250,291	282,503
Equity long/short		84,265	12,379	96,644
Macro		12,404		12,404
Subtotal — absolute return	-	358,029	496,957	854,986
Other				
Cash and cash equivalents		6,376		6,376
Real Estate Fund			18,050	18,050
Gauranteed Insurance Contracts			8,876	8,876
Subtotal — other	-	6,376	26,926	33,302
Partnerships/Joint Ventures				
Buyout		162,558	846,207	1,008,765
Distressed			233,513	233,513
Equity Securities		37,578	211,125	248,703
Venture			47,497	47,497
Fund of funds		2,325	4,419	6,744
Mezzanine			34,914	34,914
Commodities			35,115	35,115
Subtotal — partnership/joint ventures		202,461	1,412,790	1,615,251
Registered Investment Companies	32,481	207,571		240,052
Corporate Bonds and Notes		938		938
Total	\$ 1,321,511	\$ 1,196,262	\$ 1,988,785	\$ 4,506,558

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2011 and 2010:

	Common Collective Trusts	Absolute Returns	Other	Partnership/ Joint Ventures	Total
Beginning balance — January 1, 2011	\$ 52,112	\$ 496,957	\$26,926	\$1,412,790	\$1,988,785
Total gains and losses	1,207	(10,421)	141	(41,718)	(50,791)
Purchases	2,600	67,505	2,231	188,644	260,980
Sales	(1,321)	(156,972)	(2,273)		(160,566)
Settlements			(2,003)	(250,895)	(252,898)
Issuances	(39,215)	59,591	135		20,511
Transfers in/or out of Level 3 (a)	<u></u>	<u>27,525</u>	<u></u>	<u>166,502</u>	<u>194,027</u>
Ending balance — December 31, 2011	<u>\$ 15,383</u>	<u>\$ 484,185</u>	<u>\$25,157</u>	<u>\$1,475,323</u>	<u>\$2,000,048</u>

(a) In 2011, certain investments were reclassified due to refinements in the Plan's valuation process.

	Common Collective Trusts	Absolute Returns	Other	Partnerships/ Joint Ventures	Total
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains	\$2,199	\$(34,541)	\$(28)	\$9,366	\$(23,004)
	Common Collective Trusts	Absolute Returns	Other	Partnerships/ Joint Ventures	Total
Beginning balance — January 1, 2010	\$ 47,309	\$485,708	\$ 14,659	\$ 1,358,238	\$ 1,905,914
Total gains and losses	9,171	50,566	1,939	72,266	133,942
Purchases, sales, issuance, and settlements, net	(4,368)	(39,317)	10,328	113,513	80,156
Transfers in/or out of Level 3 (b)	<u></u>	<u></u>	<u></u>	<u>(131,227)</u>	<u>(131,227)</u>
Ending balance — December 31, 2010	<u>\$ 52,112</u>	<u>\$496,957</u>	<u>\$ 26,926</u>	<u>\$ 1,412,790</u>	<u>\$ 1,988,785</u>

(b) As of December 31, 2010, it was probable that certain funds would be redeemed at a value other than NAV due to pending sales in the secondary market. As a result, the funds were measured based on evidence of the price a market participant would pay in an orderly transaction. As there were no significant unobservable inputs in determining fair value, these funds were reclassified from Level 3 to Level 2.

	Common Collective Trusts	Absolute Returns	Other	Partnership/ Joint Ventures	Total
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains	\$9,784	\$41,577	\$1,910	\$72,104	\$125,375

The following table presents information regarding the nature and risks of the investments, including redemption restrictions for investments where fair value is estimated based on the net asset value (“NAV”) as of December 31, 2011 and 2010:

	Fair value		Redemption Frequency (if Eligible)	Redemption Notice Period
	2011	2010		
Common collective trusts				
Cash equivalent — short-term investment	\$ 197,859	\$ 87,526	daily	N/A
Equity securities	158,170	170,853	daily	N/A
Commodities — energy	104,686	210,860	daily	N/A
Other	12,810	52,112	daily	N/A
Fixed income	<u>41,585</u>	<u>39,174</u>	daily	N/A
Subtotal — common collective trusts	<u>515,110</u>	<u>560,525</u>		
Absolute return (hedge funds)				
Arbitrage (f)	119,380	143,808	quarterly, annually	60 days (g)
Fund of funds (a)	166,693	319,627	weekly, quarterly	45 to 60 days (g)
Fixed income/multistrategy (b)	278,355	282,503	quarterly, annually	30 to 91 days (g)
Equity long/short (c)	51,258	96,644	quarterly, annually	45 to 60 days (g)
Commodities (e)	20,648		quarterly, annually	45 to 60 days (g)
Macro (d)	<u>10,023</u>	<u>12,404</u>	monthly	three days (g)
Subtotal — absolute return	<u>646,357</u>	<u>854,986</u>		
Registered investment companies	<u>99,477</u>	<u>125,616</u>	daily	N/A
Total	<u>\$ 1,260,944</u>	<u>\$ 1,541,127</u>		

Note: There were no unfunded commitments related to the investments valued at NAV.

- (a) Absolute return fund of funds include partnership investment vehicles that invest in a diversified portfolio of other hedge funds that employ a range of investment strategies.
- (b) Fixed income/multistrategy absolute return funds are partnership investment vehicles that invest in multiple investment strategies, such as macro, equity long/short, convertible arbitrage and event driven, often with the intent to diversify risk and reduce volatility.
- (c) Equity long/short absolute return funds include partnership investment vehicles that can purchase both long and short positions of publicly traded equities. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization companies, and from a net long position to a net short position.
- (d) Macro absolute return funds include partnership investment vehicles that make investments predicated on the managers’ views, either fundamentally or quantitatively derived, on different global factors, such as asset allocation (e.g., stocks vs. bonds) interest rates, currency, sovereign risk and commodities over a span of different time frames.
- (e) Commodities are partnership investment vehicles that invest in businesses engaged in commodity related sectors, including energy, natural resources, and agriculture. Investments are realized through the sale of the underlying assets to a strategic or financial buyer.
- (f) Arbitrage is an investment approach that aims at exploiting price differentials that exist as a result of market inefficiencies.
- (g) Redemption restrictions vary by investment management agreement but are based on the initial investment date and take into account liquidity terms, notice periods, redemption schedules, withdrawal with or without penalties and lock-ups, if any.

The following table presents information regarding the unfunded commitments and redemption restrictions for partnerships and joint ventures held by the Plan as of December 31, 2011 and 2010:

	<u>Unfunded Commitments</u>		<u>Redemption Frequency (if Eligible)</u>	<u>Redemption Notice Period</u>
	<u>2011</u>	<u>2010</u>		
Partnerships/joint ventures:				
Buyout funds (a)	\$262,206	\$374,271	(g)	N/A
Distressed funds (b)	48,172	125,627	(g)	N/A
Venture/growth equity funds (c)	40,093	52,185	(g)	N/A
Mezzanine funds (d)	31,755	42,791	(g)	N/A
Commodities (e)	7,528	15,221	(g)	N/A
Real estate (f)	<u>4,438</u>	<u>4,938</u>	(g)	N/A
Total	<u>\$394,192</u>	<u>\$615,033</u>		

- (a) Buyout funds are partnership investment vehicles that take a controlling interest primarily in private companies with the intent of developing them for future sale at a higher price to a strategic or financial buyer or through an initial public offering. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. These partnership vehicles are expected to be liquidated over the next three to 10 years.
- (b) Distressed funds are partnership investment vehicles that purchase debt or preferred equity instruments of companies that are distressed, near bankrupt, or bankrupt. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. These partnership vehicles are expected to be liquidated over the next seven to nine years.
- (c) Venture and growth private equity funds are partnership investment vehicles that provide seed or growth capital to start-ups and early stage companies, usually in high growth industries, such as information and clean technology, health care and biotechnology. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. These partnership vehicles are expected to be liquidated over the next six to nine years.
- (d) Mezzanine private equity funds provide mezzanine loans to companies that need capital but do not want to sell or dilute their equity interests. Mezzanine loans are subordinated debt or preferred equity securities that represent a claim on the borrower's assets, which is senior to the common equity, but subordinate to senior secured and unsecured debt. The nature of the investments in this category is that distributions are received through coupon payments and the liquidation of the underlying assets of the fund. These partnership vehicles are expected to be liquidated over the next eight to 10 years.
- (e) Commodities are partnership investment vehicles that invest in businesses engaged in commodity related sectors, including as energy, natural resources, and agriculture. Investments are realized through the sale of the underlying assets to a strategic or financial buyer or through an initial public offering.
- (f) Real estate investments are partnership investment vehicles that invest in commercial, industrial, and residential real estate. Investments are realized through the sale of the underlying assets to a strategic or financial buyer.
- (g) Partnerships/joint venture assets are "redeemed" via a secondary sale market where a broker is contracted to bid out the assets in question.

4. FUNDING POLICY

Contributions to provide benefits under the Plan are made solely by the Company. The Company's funding policy is to make cash contributions to the Plan in amounts as determined by the Plan's independent actuary. The Company met the minimum funding requirements of ERISA for the years ended December 31, 2011 and 2010.

5. ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to service rendered by employees as of the valuation date. Accumulated plan benefits include benefits expected to be paid to: (1) retired or terminated employees, (2) beneficiaries of employees who have died, and (3) present employees or their beneficiaries. The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The following amounts were calculated as of the latest actuarial valuation date, which was January 1, 2011.

The actuarial present value of accumulated plan benefits as of January 1, 2011 and 2010, is as follows:

	2011	2010
Vested accumulated plan benefits:		
Retired participants and/or beneficiaries currently receiving benefits	\$ 14,923,482	\$ 15,714,872
Other participants	<u>11,529,362</u>	<u>11,068,571</u>
Total vested accumulated plan benefits	26,452,844	26,783,443
Nonvested accumulated plan benefits	<u>613,321</u>	<u>578,689</u>
Total actuarial present value of accumulated plan benefits	<u>\$ 27,066,165</u>	<u>\$ 27,362,132</u>

The changes in the actuarial present value of the Plan's accumulated plan benefits for the year ended January 1, 2011, are as follows:

Actuarial present value of accumulated plan benefits at January 1, 2010	\$ 27,362,132
Increase (decrease) during the year attributable to:	
Benefits accumulated	(94,611)
Benefits paid	(2,551,599)
Interest	<u>2,350,243</u>
Actuarial present value of accumulated plan benefits at January 1, 2011	<u>\$ 27,066,165</u>

The actuarial cost method used to measure the present value of accumulated plan benefits is the accrued benefit method. The significant actuarial assumptions used in the January 1, 2011 and 2010, valuations were:

- Mortality: UP-94 mortality table (scale AA projected 16 years) with special mortality table used for the period after disability in 2011 and 2010.
- Retirement age: Age 65.
- Investment return was 9.0% per annum for 2011 and 2010.
- Discount rate was 9.0% per annum for 2011 and 2010.

Actuarial assumptions for the period before normal retirement include factors for mortality, termination of employment, early retirement, and disability.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

6. INTEREST IN MASTER TRUST

The net investments of the Master Trust at December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Assets:		
Investments:		
Common collective trusts	\$ 515,110	\$ 560,525
Common and preferred stocks	999,748	1,120,691
Corporate bonds and notes		938
Partnerships/joint ventures	1,536,403	1,615,251
Hedge funds	646,357	854,986
Registered investment companies	196,578	240,052
Cash and other, net	<u>118,305</u>	<u>114,115</u>
Total assets of the Master Trust	<u>\$4,012,501</u>	<u>\$4,506,558</u>
Plan's interest in net assets of the Master Trust	<u>\$ 41,401</u>	<u>\$ 44,318</u>
Plan's interest in the Master Trust as a percentage of the total	<u>1.03 %</u>	<u>0.98 %</u>

The net investment earnings of the Master Trust for the years ended December 31, 2011 and 2010, is summarized below:

	2011	2010
Net (depreciation) appreciation investments:		
Common collective trusts	\$ (25,944)	\$ 94,211
Common and preferred stocks	(57,882)	160,559
U.S. government securities		(5,341)
Corporate bonds and notes	(2)	815
Partnerships/joint ventures	111,303	216,091
Hedge funds	(27,494)	52,599
Registered investment companies	(54,512)	40,024
Other	<u>(18,802)</u>	<u>35,355</u>
Net (depreciation) appreciation of investments	(73,333)	594,313
Interest income	1,848	7,321
Dividend income	23,910	20,537
Other income	25,767	27,679
Administrative expenses	<u>(27,450)</u>	<u>(29,534)</u>
Investment income of the Master Trust	<u>\$ (49,258)</u>	<u>\$ 620,316</u>
Plan's interest in the Master Trust investment income	<u>\$ (353)</u>	<u>\$ 5,608</u>

Securities Lending Transactions — The Master Trust participated in a securities lending program through the Trustee. Under this program, the Master Trust's investment securities were loaned to investment brokers for a fee. As of November 23, 2010, the Master Trust exited the securities lending program. Securities loaned were fully collateralized by cash, which was invested in common collective trust funds. Income from the program was immaterial for the year ended December 31, 2010. Fees from security lending activities were \$862 for the year ended December 31, 2010.

7. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Master Trust investments are shares of registered investment companies managed by the Trustee. In addition, the Master Trust entered into a securities lending agreement with the Trustee as described in Note 6. These assets and related transactions qualify as exempt party-in-interest transactions.

Certain administrative functions are performed by officers and employees of the Company (who may also be a participant in the Plan) at no cost to the Plan or Master Trust. These transactions are not deemed prohibited party-in-interest transactions because they are covered by the statutory administrative exemptions from the IRC and ERISA's rules on prohibited transactions.

8. FEDERAL INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated February 10, 2012, that the Plan and related trust are designed in accordance with the applicable sections of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2011 because of the Spin-off. The Company became the Plan's sponsor effective October 31, 2011. ITT Corporation, the prior sponsor of the Plan, may be subject to income tax examinations for years prior to 2011. The Company and ITT entered into a Tax Matters Agreement, which generally provides that ITT shall indemnify Exelis for consolidated income taxes relating to any pre Spin-off period up to a certain amount.

9. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan, in certain circumstances, to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, the net assets of the Plan will be allocated for payment of the Plan benefits to the participants in an order of priority determined in accordance with ERISA, applicable regulations there under and the Plan document.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC") if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive their benefits should the Plan be terminated at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits, the priority of those benefits to be paid and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the existing assets and the PBGC guaranty while other benefits may not be provided for at all.

10. SUBSEQUENT EVENTS

For the year ended December 31, 2011, subsequent events were evaluated through August 28, 2012, 2012, the date the financial statements were available to be issued. Effective January 1, 2012, the Plan name was changed to the Exelis Avionics Division and Exelis Aerospace/Communications Division Pension Plan.

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ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, line 22 – Description of Weighted-Average Retirement Age

This age is derived by applying, for an employee with the characteristics of an average new entrant to the plan, the following formula, modified so that the “½” is not used for t = FRA-ERA.

$$\sum_{t=0}^{FRA-ERA} ({}_t p_{ERA}) * ({}_t q_{ERA+t}^r) * (ERA + t + \frac{1}{2})$$

$$\sum_{t=0}^{FRA-ERA} ({}_t p_{ERA}) * ({}_t q_{ERA+t}^r)$$

where

FRA = age by which everyone is assumed to retire
 ERA = age before which nobody is assumed to retire
 ${}_t p_{ERA}$ = probability of surviving at work to age ERA + t
 ${}_t q_{ERA+t}^r$ = probability of retiring at age ERA + t

Probability of

<u>Age</u>	<u>Normal Retirement</u>	<u>Early Retirement</u>
55		5.00%
56		5.00
57		5.00
58		5.00
59		6.00
60		7.00
61		10.0
62		20.0
63		10.0
64		15.0
65	70.0%	
66	30.0	
67	30.0	
68	30.0	
69	30.0	
70	100.0	

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, Part V – Statement of Actuarial Assumptions and Methods

Prescribed Funding Assumptions and Methods

Funding interest rates

Current Year:	Segment Rates with four month lookback:	
	First Segment Rate	3.78%
	Second Segment Rate	6.31%
	Third Segment Rate	6.57%
	Effective Interest Rate	6.21%
Prior Year:	Segment Rates with no lookback:	
	First Segment Rate	4.60%
	Second Segment Rate	6.65%
	Third Segment Rate	6.76%
	Effective Interest Rate	6.52%

Mortality

Mortality tables mandated by PPA as specified in IRS Regulation 1.430(h)(3)-1, applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants.

Actuarial cost method

The Funding Target is the present value of accrued benefits and based on compensation and service to date. The Target Normal Cost is the present value of benefits expected to be accrued during the current plan year, reflecting the effect of expected compensation increases during the year and including expected plan related expenses to be paid from plan assets during the year.

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, Part V – Statement of Actuarial Assumptions and Methods

Non-Prescribed Funding Assumptions and Methods

Expenses

Expected plan related expenses of \$197,743 were added to Target Normal Cost.

Frequency of optional payment forms

70% of future retirees and terminations are assumed to take a life annuity. Those future retirees who are assumed not to take a life annuity are assumed to take a Joint and Survivor 50%, 75%, or 100% Option with equal probability. Those terminations who are assumed not to take a life annuity are assumed to take a Joint and Survivor 50% or 75% Option with equal probability.

Marital percentage

85% of participants are assumed to be married at death. Husbands are assumed to be 3 years older than their wives.

Mortality table

The mortality table is applied on a static basis. Separate annuitant and non-annuitant tables were used.

Retirement rates

Age	Assumption
55	5.00%
56	5.00%
57	5.00%
58	5.00%
59	6.00%
60	7.00%
61	10.00%
62	20.00%
63	10.00%
64	15.00%
65	70.00%
66	30.00%
67	30.00%
68	30.00%
69	30.00%
70	100.00%

Terminated vested participants are assumed to retire at age 60.

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, Part V – Statement of Actuarial Assumptions and Methods

Disability rates

Age	Rates
25	0.03%
30	0.03%
35	0.03%
40	0.04%
45	0.08%
50	0.21%
55	0.45%
60	1.01%
65	0.00%

Withdrawal rates¹

Age	Rates
25	8.36%
30	6.30%
35	4.77%
40	3.76%
45	3.00%
50	2.35%
55	2.03%
60	2.30%
65	0.00%

The rates shown are the ultimate withdrawal rates for participants with 3 or more years of service. For ages 45 or less, the rates for the first, second, and third year of employment are the above multiplied by 1.838 plus 0.0343, 1.393 plus 0.0056 and 1.240 minus 0.0046, respectively.

Asset valuation method

The Actuarial Value of Assets is Market Value as of the valuation date, including discounted receivable contributions, reduced by 2/3 and 1/3 of the of the gain/(loss) in the prior 2 years, respectively. The gain/(loss) for each period is determined as the actual return on Market Value during the period less the expected return on Market Value based on an assumed earnings rate chosen by the actuary but required by PPA to be not greater than the applicable third segment rate. The resulting value is constrained to be within a corridor of 90% to 110% of Market Value, including discounted receivable contributions.

The expected return on plan assets is 9.00% per annum, limited by PPA to the applicable Third Segment Rate as follows:

2010 measurement period:	6.76%
2009 measurement period:	6.69%

¹ For active participants not eligible for retirement.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, Part V - Summary of Plan Provisions

Effective date

October 1, 1973.

Last amended

October 1, 2009.

Eligibility for participation

All regular hourly employees of ITT Avionics or ITT Aerospace/Communications Division who are represented by Locals #447 or #1703 of the of the International Union of Electrical, Radio, and Machine Workers, AFL-CIO.

Continuous service

The total number of years and months of uninterrupted employment measured from the date employment commences to the date employment terminates. Notwithstanding this, any plan year in which an employee completes at least 1,000 hours, shall count as a full year of continuous service.

Credited service

1/10th of a year of credited service will accrue for each 160 hours completed, up to a maximum of one year of credited service in any calendar year.

Actuarial equivalent

The determination of actuarially equivalent annuity benefits is based on the mortality table 1974 GBB and interest at 8.0% per annum.

Compensation

Base rate of pay received for service rendered to the Company determined as of the first day of each Plan Year, or as of his date of employment in such Plan Year, by multiplying his basic hourly rate by 2,080 Hours.

Normal retirement pension

Eligibility

Age 65.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, Part V - Summary of Plan Provisions

Basic Monthly Benefit

Monthly benefit for each year of Credited Service:

Last Day of Employment	Annual Rate of Compensation	Benefit Unit Per Year of Service
On or after October 1, 2008 but before October 1, 2009	Less than \$51,602.72 At least \$51,602.72	\$ 39.00 \$ 41.00
On or after October 1, 2009 but before October 1, 2010	Less than \$52,892.32 At least \$52,892.32	\$ 44.00 \$ 46.00
On or after October 1, 2010 but before October 1, 2011	Less than \$53,951.04 At least \$53,951.04	\$ 44.00 \$ 46.00
On or after October 1, 2011 but before October 1, 2012	Less than \$55,030.56 At least \$55,030.56	\$ 44.00 \$ 46.00
On or after October 1, 2012 but before October 1, 2013	Less than \$56,405.44 At least \$56,405.44	\$ 44.00 \$ 46.00
On or after October 1, 2013	Less than \$58,098.56 At least \$58,098.56	\$ 44.00 \$ 46.00

Early retirement pension

Eligibility

Age 55 and 10 years of Credited Service.

Benefit

Accrued pension, reduced 4% for each year commencement date precedes normal retirement date. If participant retires after age 55 with 15 years of Credited Service, accrued pension is reduced by 4% for each year commencement date precedes member's 62nd birthday.

Disability retirement pension

Eligibility

Total and permanent disability as after 10 years of Credited Service.

Benefit

Accrued pension payable immediately. Minimum Credited Service is lesser of 22 years or years a participant would have had at age 65.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, Part V - Summary of Plan Provisions

Deferred vested pension

Eligibility

5 years of Continuous Service.

Benefit

Accrued pension deferred to age 65, or reduced pension after age 55 with reduction equal to 1/15th for each of first 5 years and 1/30th for each of next 5 years by which commencement date precedes normal retirement date.

Spouse's benefit

Eligibility

Death of participant after becoming eligible for a vested benefit. Benefit commences no earlier than earliest retirement date which could have been elected by deceased participant.

Benefit

Accrued benefit at time of death, adjusted as if participant had retired on date payments to spouse commences under joint and 50% survivor option, and then died. For a terminated vested participant there is a charge for each year coverage is in effect after termination date. Coverage for which a charge is made may be waived with consent of the spouse.

Normal form of benefit

Single

Life annuity.

Married

Reduced joint at 50% survivor annuity.

Optional forms of benefit

- (1) Life annuity.
- (2) Joint and 50% survivor annuity.
- (3) Joint and 75% survivor annuity.
- (4) Joint and 100% survivor annuity (N/A for terminations).

Contributions

Noncontributory.

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, line 24 – Change in Actuarial Assumptions

- The expected plan related expenses added to the Target Normal Cost were updated from \$153,672 to \$197,743.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN**

EIN / PN: 45-2083813 / 006

Schedule SB, line 25 – Change in Method

- The interest rate basis was changed to the three segment rate with a four month lookback prior to the valuation date.

ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan
EIN / PN: 45-2083813 / 006

Schedule SB, Line 26 - Schedule of Active Participant Data

AGE	CREDITED SERVICE										Total
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
< 25	1	3	0	0	0	0	0	0	0	0	4
25 - 29	1	3	2	0	0	0	0	0	0	0	6
30 - 34	1	2	5	1	0	0	0	0	0	0	9
35 - 39	1	2	10	4	0	0	0	0	0	0	17
40 - 44	1	3	8	6	2	3	0	0	0	0	23
45 - 49	2	1	17	13	4	25	24	0	0	0	86
50 - 54	1	7	13	7	5	17	40	6	0	0	96
55 - 59	1	2	16	1	2	10	18	0	1	0	51
60 - 64	1	4	12	1	4	4	11	3	1	2	43
65 - 69	0	3	5	1	3	4	5	1	1	0	23
70+	0	0	1	0	2	2	3	1	0	2	11
Total	10	30	89	34	22	65	101	11	3	4	369

Includes transferred participants.

SCHEDULE SB (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <hr/> <small>Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</small>	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2011 This Form is Open to Public Inspection
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For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

► Round off amounts to nearest dollar.

► **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan ITT Avionics Division and ITT Aerospace/Communications Division	B Three-digit plan number (PN) ►	<u>006</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF Exelis Inc.	D Employer Identification Number (EIN) 45-2083813	
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		
F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500		

Part I Basic Information			
1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2011</u>			
2 Assets:			
a Market value	2a		44,318,385
b Actuarial value	2b		40,137,832
3 Funding target/participant count breakdown:		(1) Number of participants	(2) Funding Target
a For retired participants and beneficiaries receiving payment.....	3a	711	17,634,044
b For terminated vested participants.....	3b	373	5,118,911
c For active participants:			
(1) Non-vested benefits.....	3c(1)		1,144,741
(2) Vested benefits.....	3c(2)		11,253,742
(3) Total active.....	3c(3)	369	12,398,483
d Total.....	3d	1,453	35,151,438
4 If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐ .			
a Funding target disregarding prescribed at-risk assumptions	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b		
5 Effective interest rate	5	6.21 %	
6 Target normal cost	6	701,257	

Statement by Enrolled Actuary
To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	 Signature of actuary	<u>09/27/2012</u> Date <u>11-04686</u> Most recent enrollment number <u>(201) 902-2300</u> Telephone number (including area code)
<u>Barbara H. Vaughan</u> Type or print name of actuary <u>Buck Consultants, LLC</u> Firm name <u>500 Plaza Drive</u> Secaucus NJ 07096-1533 Address of the firm		

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

Part II	Beginning of year carryover and prefunding balances	(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year).....	16,436,220	0
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	632,476	0
9	Amount remaining (line 7 minus line 8).....	15,803,744	0
10	Interest on line 9 using prior year's actual return of <u>13.97</u> %.....	2,207,783	0
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38 from prior year)		0
b	Interest on (a) using prior year's effective rate of <u>6.52</u> % except as otherwise provided (see instructions).....		0
c	Total available at beginning of current plan year to add to prefunding balance.....		0
d	Portion of (c) to be added to prefunding balance.....		0
12	Other reductions in balances due to elections or deemed elections.....	5,994,846	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12).....	12,016,681	0

Part III	Funding percentages		
14	Funding target attainment percentage	14	80.00 %
15	Adjusted funding target attainment percentage	15	114.18 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement.....	16	127.87 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.	17	%

Part IV	Contributions and liquidity shortfalls																																																								
18	Contributions made to the plan for the plan year by employer(s) and employees:																																																								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 20%;">(a) Date (MM-DD-YYYY)</th> <th style="text-align: center; width: 20%;">(b) Amount paid by employer(s)</th> <th style="text-align: center; width: 20%;">(c) Amount paid by employees</th> <th style="text-align: center; width: 20%;">(a) Date (MM-DD-YYYY)</th> <th style="text-align: center; width: 20%;">(b) Amount paid by employer(s)</th> <th style="text-align: center; width: 20%;">(c) Amount paid by employees</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr> <td colspan="3" style="text-align: right;">Totals •</td> <td style="text-align: center;">18(b)</td> <td style="text-align: right;">0</td> <td style="text-align: center;">18(c)</td> </tr> <tr> <td colspan="3"></td> <td></td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> </tbody> </table>	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees																																					Totals •			18(b)	0	18(c)					0	0		
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				0	0																																																				

19	Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a	Contributions allocated toward unpaid minimum required contributions from prior years.	0
b	Contributions made to avoid restrictions adjusted to valuation date.....	0
c	Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	0
20	Quarterly contributions and liquidity shortfalls:	
a	Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b	If 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c	If 20a is "Yes," see instructions and complete the following table as applicable:	

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:				
a Segment rates:	1st segment: 3.78 %	2nd segment: 6.31 %	3rd segment: 6.57 %	☐ N/A, full yield curve used
b Applicable month (enter code).....				21b 4
22 Weighted average retirement age				22 63
23 Mortality table(s) (see instructions) ☐ Prescribed - combined ☒ Prescribed - separate ☐ Substitute				

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	27

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a).....	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29).....	30	0

Part VIII Minimum required contribution for current year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	701,257	
b Excess assets, if applicable, but not greater than 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment.....	0	0	
b Waiver amortization installment.....	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...	34	701,257	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	701,257	0	701,257
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	0	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years.....	40	0	

Part IX Pension funding relief under Pension Relief Act of 2010 (see instructions)

41 If a shortfall amortization base is being amortized pursuant to an alternative amortization schedule:			
a Schedule elected	☐ 2 plus 7 years ☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008 ☐ 2009 ☐ 2010 ☐ 2011		
42 Amount of acceleration adjustment	42		
43 Excess installment acceleration amount to be carried over to future plan years	43		

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, line 22 – Description of Weighted-Average Retirement Age

This age is derived by applying, for an employee with the characteristics of an average new entrant to the plan, the following formula, modified so that the “½” is not used for t = FRA-ERA.

$$\sum_{t=0}^{FRA-ERA} ({}_t p_{ERA}) * (q^r_{ERA+t}) * (ERA + t + \frac{1}{2})$$

$$\sum_{t=0}^{FRA-ERA} ({}_t p_{ERA}) * (q^r_{ERA+t})$$

where

FRA = age by which everyone is assumed to retire
 ERA = age before which nobody is assumed to retire
 ${}_t p_{ERA}$ = probability of surviving at work to age ERA + t
 q^r_{ERA+t} = probability of retiring at age ERA + t

Probability of

<u>Age</u>	<u>Normal Retirement</u>	<u>Early Retirement</u>
55		5.00%
56		5.00
57		5.00
58		5.00
59		6.00
60		7.00
61		10.0
62		20.0
63		10.0
64		15.0
65	70.0%	
66	30.0	
67	30.0	
68	30.0	
69	30.0	
70	100.0	

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006

Schedule SB, Part V – Statement of Actuarial Assumptions and Methods

Prescribed Funding Assumptions and Methods

Funding interest rates

Current Year:	Segment Rates with four month lookback:	
	First Segment Rate	3.78%
	Second Segment Rate	6.31%
	Third Segment Rate	6.57%
	Effective Interest Rate	6.21%
Prior Year:	Segment Rates with no lookback:	
	First Segment Rate	4.60%
	Second Segment Rate	6.65%
	Third Segment Rate	6.76%
	Effective Interest Rate	6.52%

Mortality

Mortality tables mandated by PPA as specified in IRS Regulation 1.430(h)(3)-1, applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants.

Actuarial cost method

The Funding Target is the present value of accrued benefits and based on compensation and service to date. The Target Normal Cost is the present value of benefits expected to be accrued during the current plan year, reflecting the effect of expected compensation increases during the year and including expected plan related expenses to be paid from plan assets during the year.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, Part V – Statement of Actuarial Assumptions and Methods

Non-Prescribed Funding Assumptions and Methods

Expenses

Expected plan related expenses of \$197,743 were added to Target Normal Cost.

Frequency of optional payment forms

70% of future retirees and terminations are assumed to take a life annuity. Those future retirees who are assumed not to take a life annuity are assumed to take a Joint and Survivor 50%, 75%, or 100% Option with equal probability. Those terminations who are assumed not to take a life annuity are assumed to take a Joint and Survivor 50% or 75% Option with equal probability.

Marital percentage

85% of participants are assumed to be married at death. Husbands are assumed to be 3 years older than their wives.

Mortality table

The mortality table is applied on a static basis. Separate annuitant and non-annuitant tables were used.

Retirement rates

Age	Assumption
55	5.00%
56	5.00%
57	5.00%
58	5.00%
59	6.00%
60	7.00%
61	10.00%
62	20.00%
63	10.00%
64	15.00%
65	70.00%
66	30.00%
67	30.00%
68	30.00%
69	30.00%
70	100.00%

Terminated vested participants are assumed to retire at age 60.

ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION PLAN
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Schedule SB, Part V – Statement of Actuarial Assumptions and Methods

Disability rates

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25	0.03%
30	0.03%
35	0.03%
40	0.04%
45	0.08%
50	0.21%
55	0.45%
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Withdrawal rates¹

Age	Rates
25	8.36%
30	6.30%
35	4.77%
40	3.76%
45	3.00%
50	2.35%
55	2.03%
60	2.30%
65	0.00%

The rates shown are the ultimate withdrawal rates for participants with 3 or more years of service. For ages 45 or less, the rates for the first, second, and third year of employment are the above multiplied by 1.838 plus 0.0343, 1.393 plus 0.0056 and 1.240 minus 0.0046, respectively.

Asset valuation method

The Actuarial Value of Assets is Market Value as of the valuation date, including discounted receivable contributions, reduced by 2/3 and 1/3 of the of the gain/(loss) in the prior 2 years, respectively. The gain/(loss) for each period is determined as the actual return on Market Value during the period less the expected return on Market Value based on an assumed earnings rate chosen by the actuary but required by PPA to be not greater than the applicable third segment rate. The resulting value is constrained to be within a corridor of 90% to 110% of Market Value, including discounted receivable contributions.

The expected return on plan assets is 9.00% per annum, limited by PPA to the applicable Third Segment Rate as follows:

2010 measurement period:	6.76%
2009 measurement period:	6.69%

¹ For active participants not eligible for retirement.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
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Schedule SB, Part V - Summary of Plan Provisions

Effective date

October 1, 1973.

Last amended

October 1, 2009.

Eligibility for participation

All regular hourly employees of ITT Avionics or ITT Aerospace/Communications Division who are represented by Locals #447 or #1703 of the of the International Union of Electrical, Radio, and Machine Workers, AFL-CIO.

Continuous service

The total number of years and months of uninterrupted employment measured from the date employment commences to the date employment terminates. Notwithstanding this, any plan year in which an employee completes at least 1,000 hours, shall count as a full year of continuous service.

Credited service

1/10th of a year of credited service will accrue for each 160 hours completed, up to a maximum of one year of credited service in any calendar year.

Actuarial equivalent

The determination of actuarially equivalent annuity benefits is based on the mortality table 1974 GBB and interest at 8.0% per annum.

Compensation

Base rate of pay received for service rendered to the Company determined as of the first day of each Plan Year, or as of his date of employment in such Plan Year, by multiplying his basic hourly rate by 2,080 Hours.

Normal retirement pension

Eligibility

Age 65.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, Part V - Summary of Plan Provisions

Basic Monthly Benefit

Monthly benefit for each year of Credited Service:

Last Day of Employment	Annual Rate of Compensation	Benefit Unit Per Year of Service
On or after October 1, 2008 but before October 1, 2009	Less than \$51,602.72 At least \$51,602.72	\$ 39.00 \$ 41.00
On or after October 1, 2009 but before October 1, 2010	Less than \$52,892.32 At least \$52,892.32	\$ 44.00 \$ 46.00
On or after October 1, 2010 but before October 1, 2011	Less than \$53,951.04 At least \$53,951.04	\$ 44.00 \$ 46.00
On or after October 1, 2011 but before October 1, 2012	Less than \$55,030.56 At least \$55,030.56	\$ 44.00 \$ 46.00
On or after October 1, 2012 but before October 1, 2013	Less than \$56,405.44 At least \$56,405.44	\$ 44.00 \$ 46.00
On or after October 1, 2013	Less than \$58,098.56 At least \$58,098.56	\$ 44.00 \$ 46.00

Early retirement pension

Eligibility

Age 55 and 10 years of Credited Service.

Benefit

Accrued pension, reduced 4% for each year commencement date precedes normal retirement date. If participant retires after age 55 with 15 years of Credited Service, accrued pension is reduced by 4% for each year commencement date precedes member's 62nd birthday.

Disability retirement pension

Eligibility

Total and permanent disability as after 10 years of Credited Service.

Benefit

Accrued pension payable immediately. Minimum Credited Service is lesser of 22 years or years a participant would have had at age 65.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, Part V - Summary of Plan Provisions

Deferred vested pension

Eligibility

5 years of Continuous Service.

Benefit

Accrued pension deferred to age 65, or reduced pension after age 55 with reduction equal to 1/15th for each of first 5 years and 1/30th for each of next 5 years by which commencement date precedes normal retirement date.

Spouse's benefit

Eligibility

Death of participant after becoming eligible for a vested benefit. Benefit commences no earlier than earliest retirement date which could have been elected by deceased participant.

Benefit

Accrued benefit at time of death, adjusted as if participant had retired on date payments to spouse commences under joint and 50% survivor option, and then died. For a terminated vested participant there is a charge for each year coverage is in effect after termination date. Coverage for which a charge is made may be waived with consent of the spouse.

Normal form of benefit

Single

Life annuity.

Married

Reduced joint at 50% survivor annuity.

Optional forms of benefit

- (1) Life annuity.
- (2) Joint and 50% survivor annuity.
- (3) Joint and 75% survivor annuity.
- (4) Joint and 100% survivor annuity (N/A for terminations).

Contributions

Noncontributory.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN
EIN / PN: 45-2083813 / 006**

Schedule SB, line 24 – Change in Actuarial Assumptions

- The expected plan related expenses added to the Target Normal Cost were updated from \$153,672 to \$197,743.

**ITT AVIONICS DIVISION AND ITT AEROSPACE/COMMUNICATIONS DIVISION PENSION
PLAN**

EIN / PN: 45-2083813 / 006

Schedule SB, line 25 – Change in Method

- The interest rate basis was changed to the three segment rate with a four month lookback prior to the valuation date.

ITT Avionics Division & ITT Aerospace/Communications Division Pension Plan
EIN / PN: 45-2083813 / 006

Schedule SB, Line 26 - Schedule of Active Participant Data

AGE	CREDITED SERVICE										Total
	< 1	1 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
< 25	1	3	0	0	0	0	0	0	0	0	4
25 - 29	1	3	2	0	0	0	0	0	0	0	6
30 - 34	1	2	5	1	0	0	0	0	0	0	9
35 - 39	1	2	10	4	0	0	0	0	0	0	17
40 - 44	1	3	8	6	2	3	0	0	0	0	23
45 - 49	2	1	17	13	4	25	24	0	0	0	86
50 - 54	1	7	13	7	5	17	40	6	0	0	96
55 - 59	1	2	16	1	2	10	18	0	1	0	51
60 - 64	1	4	12	1	4	4	11	3	1	2	43
65 - 69	0	3	5	1	3	4	5	1	1	0	23
70+	0	0	1	0	2	2	3	1	0	2	11
Total	10	30	89	34	22	65	101	11	3	4	369

Includes transferred participants.

Plan Name	ITT Avionics Division & ITT Aerospace /Communications Division Pension Plan
Plan Sponsor EIN	45-2083813
ERISA Plan #	006
Plan Year Ending	12 / 31 / 2011

The required attachment marked with an “X” in the Attachment column is included within the Accountant’s Opinion attachment to Sch. H, Part III, Line 3, which consists of the entire audit report issued by the plan’s Independent Qualified Public Accountant (IQPA).

Form / Schedule	Line #	Description	Attachment
5500 Sch. H	Line 3	Financial statements used in formulating the IQPA's opinion	X
5500 Sch. H	Line 4i	Schedule of Assets (Held at End of Year)	
5500 Sch. H	Line 4i	Schedule of Assets (Acquired and Disposed of Within Year)	
5500 Sch. H	Line 4j	Schedule of Reportable Transactions	
5500 Sch. H	Line 4a	Schedule of Delinquent Participant Contributions	

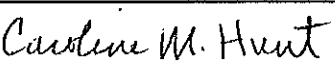
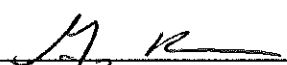
Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2011 This Form is Open to Public Inspection
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Part I Annual Report Identification Information	
For calendar plan year 2011 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here:	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description) _____

Part II Basic Plan Information—enter all requested information	
1a Name of plan <u>ITT Avionics Division and ITT Aerospace/Communications Division Pension Plan</u>	1b Three-digit plan number (PN) <u>006</u> <u>10/01/1973</u>
2a Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan) <u>Exelis Inc.</u> <u>1650 Tysons Blvd.</u> <u>McLean VA 22102</u>	2b Employer Identification Number (EIN) <u>45-2083813</u> 2c Sponsor's telephone number <u>(703) 790-6300</u> 2d Business code (see instructions) <u>333200</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	 Signature of plan administrator	<u>10/11/12</u> Date	Caroline M. Hunt Enter name of individual signing as plan administrator
SIGN HERE	 Signature of employer/plan sponsor	<u>10/15/12</u> Date	Greg Kudla Enter name of individual signing as employer or plan sponsor
SIGN HERE	 Signature of DFE	 Date	 Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2011)
v.012611