



**Contracting with the
United States Government**

Supplement to the Code of Conduct

October 31, 2011

Our Commitment

ITT Exelis is committed to conducting business in accordance with our Vision and Values. We have a responsibility to know, to respect and to comply with all the laws and regulations that apply to all of our business as well as our own high ethical standards.

We are inspired people who **ACT** in support of customers' critical missions. The United States Government (Government) is our customer and when we accept a contract with the Government or a contract with another customer directly or indirectly in support of the Government as the end-user customer, we have an obligation to the public and to the nation to perform those contracts in full compliance with the laws and regulations that apply to this business and according to our ITT Exelis Vision and Values.

Our Responsibility

ITT Exelis has established a comprehensive Ethics & Compliance program that provides the framework for ensuring that ITT Exelis is a responsible company, qualified to conduct business with the U.S. Government. The Ethics & Compliance program includes the ITT Exelis Code of Conduct (Code), corporate policies, as well as the specific policies included in this Supplement to the Code. All business units including value centers, subsidiaries and business areas participating in contracts with the Government, including direct contracts as well as contracts in which our goods and services are procured indirectly by others for the Government as the end user customer, are required to comply with our Vision & Values and Ethics & Compliance program.

Each ITT Exelis business unit that participates in the U.S Government contracting process at any level is required to have and maintain current written procedures and ongoing communications and training to ensure compliance with our Ethics & Compliance program and all applicable laws and regulations.

The head of each business unit that contracts directly or indirectly with the U.S. Government is responsible for designating a person in the unit who has primary staff responsibility for government contract compliance matters.

The U.S. Government imposes strict legal requirements on people and businesses who participate in the contracting process with the government. A violation of the laws and regulations applicable to contracting with the government can result in criminal, civil and administrative penalties being imposed on ITT Exelis as well as the responsible individual. We are expected to strictly comply with our Ethics & Compliance program including this Code Supplement on Contracting with the U.S. Government. If we engage in activities that violate this policy, we will face disciplinary action, which may include termination.

We are required to immediately report suspected violations of our Vision & Values, Ethics & Compliance program, or applicable laws and regulations to a supervisor, compliance manager, legal counsel, HR manager or Ombudsperson. All such complaints will be investigated and corrective action will be taken as appropriate, including, voluntarily reporting to the Government

Our Policies

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| Procurement Integrity | We must not disclose or receive confidential contractor bid or proposal information or source selection information to or from unauthorized parties before contract award. Source selection information is information which includes prices, technical evaluation plans, competitive range determinations or ranking of proposals. |
| Organizational Conflicts of Interest | Business units are required to recognize and avoid organizational conflicts of interest (OCI) in connection with contracts directly or indirectly with the U.S. Government. An OCI can occur where activities of one business unit could impair the ability of another to render impartial services pursuant to a contract directly or indirectly with the government or could give an unfair advantage in competing for a contract because of access to information obtained as a result of certain contractual relationships with the government. |
| Accurate Statements | <p>At each step of the procurement process we are required to complete and sign prescribed Government forms. Each time these forms are executed, we are making a representation to the Government. Errors, whether deliberate or unintentional, may have serious legal consequences to us.</p> <p>We must be truthful and accurate in dealing with Government officials and agencies. All business units involved in bidding, negotiating or performing a contract directly or indirectly with the Government are required to adopt processes that will ensure that certifications, representations, reports, data and other statements are accurate, current and complete.</p> |
| Cost Accounting | <p>Business units must determine whether the award of the particular Government contract will subject it to the Cost Accounting Standards and, if so, to carefully follow all the applicable rules.</p> <p>Business units subject to the Cost Accounting Standards are required to maintain a cost estimating system designed to ensure that cost estimates included in proposals submitted to the Government are reliable and verifiable and will be an acceptable basis for negotiation of fair and reasonable prices. Cost incurred on a contract subject to the Cost Accounting Standards must be consistently reported in accordance with the applicable business unit Disclosure Statement.</p> |
| Cost or Pricing Data | Based on the contract value and the nature of the product or services |

offered, we may be required to submit cost or pricing data to the Government when negotiating contracts, subcontracts, or modifications to contracts and to certify that this data is current, accurate and complete up to the date of agreement on price. This certification must be based on full and accurate disclosure to the Government of all facts that are current at the time of reaching price agreement. The slightest defect or omission in the submitted costs or pricing data, however insignificant or unintentional, may lead serious legal consequences including a reduction in the contract price or criminal investigation.

Charging Costs

When we work on Government contracts or subcontracts we must carefully record our time and correctly indicate hours worked and the projects to which time is charged. We must charge all labor and material costs to the proper contract and charge indirect costs properly. Only costs properly chargeable to a Government contract may be billed to the Government.

All costs allocated to a particular Government contract as direct or indirect costs must be reasonable, allocable, and allowable under applicable procurement cost principles, and, in unites subject to the Cost Accounting Standards, in accordance with the applicable Disclosure Statement. We must avoid charging any expenses to a government contract that are not allowable, paying special attention to such categories as business meals, alcohol, and entertainment.

Classified Information

We are required to properly safeguard and control access to Government information that is classified as national security information in accordance with the security guidelines prescribed by Federal agencies and the terms of applicable contracts. We must immediately report any known or suspected security infraction or violation to our local Facility Security Officer (FSO).

Quality Assurance and Material Sourcing

The Government has the right to insist on strict compliance with contract requirements. We must provide to the Government only those products and services that conform to contract requirements and we must ensure that suppliers of raw materials, parts and components used in our products have an acceptable quality control system.

We must not supply a product to the government or certify its origin unless we are sure that the product's country of origin complies with all applicable domestic sourcing and trade agreement laws and regulations.

Government Property We may only use Government property as authorized by the Government under the terms of a specific contract or subcontract. Each business unit who which receives government owned property must maintain a Government-approved property management system to ensure that all Government property in its possession is controlled and maintained in accordance with applicable regulations and the terms of applicable contracts.

Gifts and Business
Courtesies to
Government Persons The Government has strict laws and rules prohibiting its employees or elected representatives from accepting any item of value including personal favors, discounts, entertainment, hospitality, training, transportation, local travel, lodging and meals.

We may not offer or give any item of value to any government employee, military official, political official or political party for any purpose except for infrequent common hospitality of very low value, such as soft drinks, coffee and light snacks at business meetings, or advertising or promotional items of very low value such as calendars, pens and coffee cups, without the prior written approval from the Legal Department.

Gifts and Business
Courtesies to or from
Non-Government
Persons We may not solicit or accept any item of value from representatives or employees of subcontractors or higher tier contractors and we may not offer or give any item of value to representatives or employees of subcontractors or higher tier contractors other than customary business courtesies that are reasonable in value and frequency such as light refreshments during business meetings.

Offering or giving any payment, fee, gift or compensation of any kind to an employee or representative of a higher tier Government contractor for the purpose of obtaining favorable treatment in connection with a Government contract is illegal. We are required by law to report and we will report suspected violations of this rule to the appropriate Government authority and will assist the Government in any investigation.

Hiring Former
Government
Employees and
Military Personnel Special restrictions apply to the recruitment and retention of present and former government employees and military personnel as employees, consultants or representatives. These restrictions include limitations on the type of employment-related discussions that certain current government employees and military personnel may have with

ITT Exelis. We must never solicit or engage in discussions with Government employees or military personnel about potential employment opportunities at ITT Exelis unless it has been approved in advance by the ITT human resources Department and legal counsel.

Prior to employment with ITT Exelis, former Government employees and military personnel who are subject to post-employment restrictions must obtain a letter from the applicable Government ethics office outlining any restrictions that the individual will have upon commencing employment with ITT Exelis. The individual must also submit information in a form prescribed by Human Resources and approved by the Legal Department, describing all former Government employment and military service and any post employment restrictions imposed by the applicable government ethics office.

All former government employees and military personnel who are hired by ITT are responsible for ensuring that they do not undertake an activity or perform any job function that is prohibited by law or regulation during the applicable limitation periods.

Subcontractor Code of Ethics

Subcontractors under Government contracts whose subcontracts are above a specified value are required by law to have and maintain a code of conduct and an ethics and compliance program that includes training, an internal reporting mechanism, and discipline for code violations. ITT Exelis business units are required to include in applicable subcontracts a provision requiring the subcontractor to have and maintain a code of conduct, provide it to every employee, and have an ethics and compliance program.

Export Restrictions

The Government has complex and significant restrictions on trade in military and related goods, technology, and services, and trade with certain countries. Under these regulations, exports include transfers to citizens of countries other than the U.S. even if they occur entirely within the U.S. or between countries outside of the U.S. if the export contains certain goods or technology that originated in the U.S.

We are responsible for complying with all export laws, and we must obtain licenses or other government approvals prior to exporting products and technology controlled by the Government. The ITT Exelis trade compliance program is administered by the Office of International Trade and Compliance. We must immediately report any known or suspected trade control violation to our local trade compliance office or the Office of International Trade and Compliance.

Trafficking in Persons
and Forced Labor

There are strict laws prohibiting trafficking in persons, procurement of commercial sex acts, and use of forced labor in connection with Government contracts. Such activities are illegal, incompatible with basic human rights, a violation of our Code and directly contrary to ITT Exelis values established for all of its representatives, agents, and employees.

Consultants

Consultants to business units that perform Government contracts or subcontracts are required to comply with this Government Contractor Responsibility Supplement to the Code of Corporate Conduct and business units are required to include this Supplement in agreements with consultants.

Frequently Asked Questions

Q. I would like to get to know a Government contracting officer better because we are developing a system his agency might be interested in sometime in the future. Can I invite him to play golf if we are not currently competing for a contract with his agency?

A. No. Regardless of whether the contracting officer is in a position to give the company favorable treatment now, we may not give anything of value to a government official because of his or her position, even if the company will not immediately benefit from the gift.

Q. I have a friend who works in the bids and proposals department of one of our competitors. When we had lunch recently, she told me about her company's pricing strategy in an upcoming Army procurement that is extremely important to ITT Exelis. Can I share the pricing information with our proposal team?

A. No. We cannot share this information with anyone and we should immediately report this to the business unit counsel or compliance manager. We should always decline to discuss ITT's proposal strategy or pricing with anyone outside our company, and should never solicit this information from competitors.

Q. We recently learned that an Air Force General with whom we have done business is going to retire, and we would like to hire her. She supervised some activities in the Air Force organization we worked with, but contracting activities were supervised by a related command located at another base. Can we hire her?

A. Yes, but she may be subject to post-employment restrictions and we may not have any discussion with her about employment without advising the HR and legal department contacts. If the retired general did not act or advise her agency regarding a federal procurement and did not have access to source selection or bid or proposal information, she will likely not have any post-employment restrictions. She must provide information in a form prescribed by HR concerning her activities while in Government service and she will need to obtain and provide to ITT a letter from the applicable Government ethics office stating whether there are any applicable post-employment restrictions.

Q. During the negotiations for a contract with the Navy, we provided cost information to the Government on a type of resin we were going to use in the product. Before price negotiations were completed, one of our engineers found a less expensive resin that met the Government's performance standards and we have decided to use it. Are we required to disclose the price of the new resin to the government even though the negotiating team was not aware of it during price negotiations?

A. Yes. The cost information we disclose to the government during negotiations must be current at the time of the final agreement on price. Even though the negotiators were not aware of the decision to use the less expensive resin, the company's negotiating team was responsible for being aware of any proposed changes in the manufacturing process that would affect the company's costs.

Q. I am going to work at home this weekend on final revisions to a proposal that we will be submitting to the Government. I will need to bring a laptop computer home and several classified documents that were attached to the solicitation. Can I do this?

A. No. We are responsible for safeguarding classified information in a secure facility. We are not permitted to remove such items from company premises, even if we are only taking them home for the weekend and intend to return them.

Q. I am responsible for finding a supplier to produce parts specifically designed for a new defense article that we are manufacturing for the Government. I am having difficulty finding a U.S. supplier, and may have to look abroad. Will I need to obtain an export license to send the specifications to a supplier in a foreign country?

A. Yes. We will need an export license to send the specifications for a defense article to a foreign supplier. We must check the export regulations for each country of export and for the particular commodities we intend to export to identify the specific license requirements.

Q. I am currently working on two Government contracts related to the same Navy project. One is a fixed-price contract to supply equipment, and the other is a cost reimbursable contract to provide training on the use of the equipment. To maintain our profit margin on the fixed-price contract, my supervisor directed me to charge the time I am spending on product development to the cost-reimbursable contract. Should I do this?

A. No. We must be careful to accurately charge our time to the contract we are actually working on. Mischarging time can result in liability for fraud for the individual and the company.

Q. I am negotiating a contract with a government representative at an off-site facility. To complete negotiations before the end of the fiscal year, we are working into the evening, and take time out for dinner. Can I buy the Government negotiator dinner at a local restaurant and charge these expenses to the company?

A. No. We may not provide meals to a Government official, except for incidental items such as coffee and doughnuts at a business meeting.

Q. I am testing some products that we will deliver to the government under a Government contract. We make a similar product for the commercial market that works just as well as the one that is specially designed for the Government. Can I provide the commercial product if we run out of the specially made products?

A. No. We are obligated to provide exactly what the contract specifies. We can inform the Government that we have a similar product at a lower cost that will meet these requirements, but we cannot provide the commercial product unless the government agrees to modify the contract before we provide the commercial product.

Q. I am responsible for signing the certification forms including the Trade Agreements Act certification in our proposal to the Navy for a new navigation project. I have recently learned that some items we

will deliver to the Government are being made by a manufacturer in China. How can I be sure of the country of origin of the items we are proposing?

A. We must take particular care before completing any contract certifications that we have made a good faith effort to discern an offered end product's country of origin. We should detail all end products that will be delivered and where they originated before signing the certificate.

Q. We recently bought some new imaging equipment with Government funds to do work under one of our new Government contracts. Can we also use the new equipment to perform work for one of our commercial customers?

A. No, unless we obtain permission from the Government under the contract that funded the purchase of the equipment. Items bought with Government funds under a Government contract are the property of the Government and cannot be used for non-Government work unless approved by the Government in writing.

Q. My supervisor has asked me to prepare two claims related to a project for the Air Force that we have recently completed. On reviewing our records, I found no support for one of the claims, but the other is well documented in our records. Can I submit both claims with the goal of using the unsupported claims as a bargaining chip in negotiating a favorable settlement of the well supported claim?

A. No. We must never submit an unsupported or improper claim to the Government regardless of our purpose. Submitting a false claim to the government may result in civil and criminal liability for the individual and for the company.

Questions

We are encouraged to ask questions and raise any concerns we may have about complying with U.S. government contracting laws and regulations. Questions about accounting and cost or pricing should be directed to the business unit controller. Questions about trade controls should be directed to the business unit trade compliance manager or the Office of International Trade and Compliance office. Questions concerning the terms and conditions of a contract should be directed to the contracts department.

As with any ethics or compliance concern, we may also contact the business unit compliance manager, lawyer or ombudsperson or the group or corporate ethics and compliance office. If we do not know how to contact any of these resources, we may direct inquiries to HQ.Ombudsman@exelisinc.com.