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1776 K STREET, N. W.  
WASHINGTON, D. C. 20006  
(202) 429-7000

JAN WITOLD BARAN  
(202) 429-7330

May 17, 1996

FACSIMILE  
(202) 429-7049

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OFFICE OF GENERAL  
COUNSEL  
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Lawrence M. Noble, Esq.  
General Counsel  
Federal Election Commission  
999 E Street, N.W.  
Washington, D.C. 20463

Re: Advisory Opinion Request

Dear Mr. Noble:

This office represents ITT Corporation and its separate segregated fund, ITT Corporation Political Action Council. This letter constitutes a request for an Advisory Opinion from the Federal Election Commission ("FEC" or "Commission") pursuant to 2 U.S.C. § 437f of the Federal Election Campaign Act of 1971, as amended.

QUESTION PRESENTED

Is the ITT Corporation Political Action Council ("New ITT PAC") disaffiliated with the ITT Industries Corporate Citizenship Committee and the ITT Hartford Advocates Fund after the December 19, 1995, breakup of the former ITT Corporation?

FACTS

On December 19, 1995, the former ITT Corporation completed a corporate breakup which resulted in three

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 2

independent, publicly-traded companies. The three companies are: (1) ITT Corporation, which is also known as New ITT ("New ITT"), a Nevada corporation; (2) ITT Industries, Inc. ("ITT Industries"), an Indiana corporation; and (3) ITT Hartford Group, Inc. ("ITT Hartford"), a Delaware corporation.<sup>1</sup> Despite the commonality of the term "ITT" in the names of the three corporations, they are now three distinct public companies each separately traded on the New York Stock Exchange.

The three companies specialize in different, non-overlapping business areas. Specifically, New ITT focuses on the hospitality, gaming, and entertainment businesses, as well as on the information services business. It operates through six entities: ITT Sheraton Corporation; CIGA S.p.A; Caesars World, Inc.; Madison Square Garden, L.P.; ITT World Directories, Inc.; and ITT Educational Services, Inc. ITT Industries consists of three manufacturing businesses: ITT Automotive; ITT Defense & Electronics; and ITT Fluid Technology. Finally, ITT Hartford (and its subsidiaries) continues as a provider of property, casualty and life insurance.

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<sup>1</sup> See Attachment A, ITT Corporation Notice of Special Meeting and Proxy Statement filed August 11, 1995 ("Proxy Statement") at 3-6.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 3

New ITT owns no percentage of either ITT Industries or ITT Hartford. Likewise, ITT Industries has no direct ownership interest in either New ITT or ITT Hartford, and ITT Hartford has no direct ownership interest in either New ITT or ITT Industries.<sup>2</sup> In short, New ITT is not a subsidiary, branch, division, department, or local unit of either ITT Industries or ITT Hartford. The same is true for ITT Industries with respect to New ITT and ITT Hartford as well as for ITT Hartford with respect to New ITT and ITT Industries.<sup>3</sup>

The breakup of the former ITT Corporation was accomplished through a stock distribution. On December 19, 1995, approximately 56,000 ITT Corporation shareholders received three separate certificates representing shares of New ITT, ITT Industries and ITT Hartford.<sup>4</sup> Although on the first day of the stock distribution there was common ownership of the three companies, natural market forces rapidly changed that fact. For example, between December 20,

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<sup>2</sup> Proxy Statement at 46.

<sup>3</sup> Although New ITT owns no percentage of either ITT Industries or ITT Hartford, employees who participate in the New ITT 401(k) plan have funds invested in the common stock of ITT Industries and ITT Hartford.

<sup>4</sup> See, e.g., Proxy Statement at 21.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 4

1995, and March 29, 1996, slightly more than three months after the breakup, 40,504,200 out of 118.4 million shares of New ITT stock were traded. During the same time frame, 50,145,000 shares out of 117.7 million shares of ITT Industries stock were traded, and 52,411,700 of 117.1 million shares of ITT Hartford stock were traded. These trading volumes indicate that approximately 34.2% of New ITT stock, 42.6% of ITT Industries stock, and 44.8% of ITT Hartford stock were publicly traded in the first few weeks after the three companies separated. Thus, at this point, five months after the breakup, the ownership of the three companies is quite diverse and rapidly changing.

There are no overlapping officers among the three companies. Furthermore, there is no joint management, control or operation of the three companies. Rather, the only vestige of overlap between the three companies relates to the former Chairman, President and Chief Executive of the former ITT Corporation, Rand Araskog. Mr. Araskog is now the Chairman and Chief Executive of New ITT. He is not, however, the Chairman or Chief Executive of either ITT Industries or ITT Hartford. Rather, he is one of several Board members of the other two companies. With respect to the other companies, the former Chairman and Chief Executive of

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 5

Hartford Fire Insurance Company has become the Chairman and Chief Executive of ITT Hartford. One of the two former Executive Vice Presidents of the former ITT Corporation is now the Chairman and Chief Executive of ITT Industries. Thus, there was no mixing and matching of management among the corporations.<sup>5</sup>

Only one other member of the former ITT Corporation Board has remained on all three boards -- Mr. Robert A. Burnett. Beyond this minor overlap, the prior board members of the former ITT Corporation have dispersed among the three publicly traded companies. As a result, the boards of the three corporations are not mirror images of the former ITT Corporation Board. The New ITT Board consists of eleven members, three of whom were not on the Board of the former ITT Corporation.<sup>6</sup> Of the eight individuals who were on the Board of the former ITT Corporation (and who are now on the Board of the New ITT), three members have also become members of the ITT Industries Board. That Board consists of seven members in total, two of whom were never members of the Board of the former ITT Corporation. In addition, ITT Hartford's

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<sup>5</sup> See Proxy Statement at 156-158, 162-163, 175-178, 182-183, 197-199, 203-204.

<sup>6</sup> Directors Bowman and Weber previously and currently serve as directors of the subsidiary, ITT Educational Services.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 6

new Board consists of ten individuals, only four of whom are also on the Board of the New ITT, thus leaving six members of the ITT Hartford Board who were not on the Board of the former ITT Corporation.<sup>7</sup>

Moreover, there are no provisions in either the Certificates of Incorporation, the Bylaws, or the Proxy Statement that permit the former parent to retain control over the Boards of the New ITT or ITT Hartford, or protect current Board members. Rather, the independence of each Company has been safeguarded through these corporate documents. See Proxy Statement at 222-224, 233-236, and 242-243.

Finally, since the breakup, the three corporations have operated as separate entities. This separation of operations has extended to the separate segregated funds ("PACs") which are connected with each of these three corporations. Prior to the breakup, three PACs existed. First, the former ITT Corporation sponsored a PAC called the ITT Corporate

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<sup>7</sup> Overall, of the eight Members of the New ITT Board who were also on the former ITT Corporation Board, three are Members only of the New ITT Board. Two other former ITT Corporation Board Members are Members only of the ITT Industries Board. As described above, only five Members in total serve on more than one Board, two of whom are Mr. Araskog and Mr. Burnett who serve on all three Boards. See Attachments B, C, and D for the membership of the three boards, before and after the breakup.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 7

Citizenship Committee. That PAC has become connected with ITT Industries and is now called the ITT Industries Corporate Citizenship Committee. Second, Caesars World, Inc., which has become one of the six businesses of the New ITT, previously sponsored a PAC.<sup>8</sup> Immediately after the breakup and in recognition of its status as the only political action committee associated with the New ITT, the Caesars World PAC was designated as the separate segregated fund of the New ITT and is now known as the ITT Corporation Political Action Council. Finally, both before and after the breakup, ITT Hartford supported its own PAC, the ITT Hartford Advocates Fund, which solicited only ITT Hartford employees.

Since the breakup there have been no transfers of funds among the PACs nor has any PAC made contributions to another. Before the breakup, the resources of the former ITT Corporate Citizenship Committee were divided between itself and the Caesars World PAC so that after the breakup both the New ITT PAC and the ITT Industries Corporate Citizenship Committee would reflect the approximate funds attributable to the employees that would be associated with each post-breakup company. The ITT Hartford PAC was not included in this

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<sup>8</sup> Caesars World formed a separate segregated fund before it was acquired by the former ITT Corporation.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 8

distribution because, as discussed above, its funds represented only the contributions of ITT Hartford employees, and the ITT Corporate Citizenship Committee had not solicited the employees of ITT Hartford. Thus, at the time of the breakup, each PAC was in a position to and did move forward, as an unaffiliated entity, carrying the funds associated with its respective employees. Accordingly, the New ITT PAC filed an amended Statement of Organization with the Commission within ten days of the breakup of the former ITT Corporation to reflect the changes in the relationship between New ITT, ITT Industries, ITT Hartford, and their respective PACs.

DISCUSSION

Under these circumstances, and based on recent Commission precedent, it appears that the New ITT PAC is not affiliated with the PAC of either ITT Hartford or ITT Industries. In reviewing the issue of affiliation, and conversely disaffiliation, the Commission has stated that "[i]n deciding whether an entity is affiliated with a corporation for solicitation purposes, the Commission has applied the criteria for determining whether the corporation's and the other entity's separate segregated funds (presuming each entity had one) would be affiliated for contribution limitation purposes." FEC Advisory Opinion



**WILEY, REIN & FIELDING**

**Lawrence M. Noble, Esq.  
May 17, 1996  
Page 9**

**1984-33, Fed. Election Camp. Fin. Guide (CCH) ¶ 5781 (1984).**

**In this case, there would be no circumstances under which the New ITT PAC could solicit the employees of either ITT Industries or ITT Hartford.**

**Where the sponsoring corporation is not wholly-owned by the other entity, or, as in this case, is in no part owned by another entity, the Commission generally examines several indicia of affiliation as it most recently did in Advisory Opinion 1995-36, Fed. Election Camp. Fin. Guide (CCH) ¶ 6172 (1995). The factors are as follows:**

- (A) The ownership by one sponsoring organization of a controlling interest in the voting stock or securities of another sponsoring organization;**
- (B) The authority or ability of one sponsoring organization to participate in the governance of another sponsoring organization through provisions of constitutions, bylaws, contracts or other rules, or through formal or informal practices or procedures;**
- (C) The authority or ability to hire, demote or otherwise control the decisionmakers of another sponsoring organization; [...]**
- (E) Common or overlapping officers or employees, indicating a formal or ongoing relationship between the sponsoring organizations;**
- (F) Members, officers, or employees of one sponsoring organization who were members, officers, or employees of another organization which indicates a formal or ongoing relationship or the creation of a successor entity; [...] and**

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 10

- (I) An active or significant role by one sponsoring organization in the formation of another.

11 C.F.R. § 110.3(a)(3)(ii).

As can be seen from the facts of this breakup, factors A, B, and C above have no application to New ITT or its PAC. Neither ITT Industries nor ITT Hartford directly owns any shares of ITT Corporation or vice versa. Neither ITT Industries nor ITT Hartford may participate in the governance of ITT Corporation through provisions of constitutions, bylaws, contracts or other rules, or through formal or informal practices or procedures, or vice versa. And, neither ITT Industries nor ITT Hartford has the authority or ability to hire, demote or otherwise control the decisionmakers of ITT Corporation, or vice versa.

In addition, there are no common or overlapping officers or employees between New ITT and ITT Industries or ITT Hartford. The Commission has utilized this criteria to examine the Boards of Directors of the companies resulting from a corporate breakup. Even when there are some common or overlapping members of the Board, however, the Commission has found disaffiliation as it recently did in Advisory Opinion 1995-36.

In fact, in that case, the Commission found two PACs to be disaffiliated under circumstances very similar to those at

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 11

hand. First, the Commission recognized that the companies at issue were separate, publicly-traded corporations as are the three corporations here. Second, the Commission commented that the requester was not a subsidiary, branch, division, department, or local unit of any other corporation, as is true of New ITT. Further, the Commission recognized that there was a minor overlap on the Boards of the companies, but did not find this factor to be determinative of the outcome.<sup>9</sup> The Commission also relied on the requester's representation that there was nothing in its governing documents, nor its formal or informal practices and procedures which allowed any other company the ability to direct or participate in its governance. This is also true in this case. Moreover, as was true in that opinion, the two other companies that resulted from the corporate breakup have no ability to hire, appoint, demote, or otherwise control the officers or other decision-making employees of the third company or its PAC. Furthermore, the Commission identified the fact that the former parent had divested itself of all remaining stock of the former subsidiary as foremost in its opinion to treat the companies as disaffiliated.

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<sup>9</sup> In AO 1995-36, the CEO of one of the partners of a joint venture partnership remained on the Board of the resulting separately-traded public company.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 12

On this ground alone, the factual circumstances of New ITT are most compelling. As indicated above, at no time since the breakup has any company directly owned any shares of common stock of any other company that resulted from the breakup. To the contrary, the stock was distributed among the shareholders of the former ITT Corporation who have been extremely active since that time in buying and selling stock of the three resulting companies. Thus, there is now a substantial divergence of ownership of the three companies.

Furthermore, as was true in the case of AO 1995-36, the composition of the New ITT Board has changed since the time of the breakup such that three new members have been added. On May 14, 1996, at the annual shareholders meeting of New ITT Corporation in Bal Harbor, Florida, the entire board, including the three new members, were reelected.<sup>10</sup> In AO 1995-36, the Commission also found significant that there was a separation of operations between the companies. Here, the separation of New ITT, ITT Industries and ITT Hartford was immediate and distinct in that each company deals with a completely different set of businesses: entertainment (New ITT), manufacturing (ITT Industries) and insurance (ITT

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<sup>10</sup> In AO 1995-36, the size of the Board went from seven to ten after the election of three new members to the Board. The entire Board was then reelected at a shareholder's meeting.

WILEY, REIN & FIELDING

Lawrence M. Noble, Esq.  
May 17, 1996  
Page 13

Hartford). Thus, there is no basis for coordination among the companies concerning on-going operations, except as to limited transition matters such as the need to prepare and file a consolidated federal income tax return for periods prior to the breakup.

Under these circumstances, the ITT Corporation Political Action Council respectfully requests that the Commission determine it is disaffiliated with the ITT Industries Corporate Citizenship Committee and the ITT Hartford Advocates Fund.

Please contact the undersigned for any additional information.

Respectfully submitted,



Jan Witold Baran

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**PROXY STATEMENT SUMMARY**

The following is a summary of certain information contained in this Proxy Statement. This summary is included for convenience only and should not be considered complete. This summary is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Proxy Statement. Throughout this Proxy Statement (i) the term "ITT Industries" refers to ITT Corporation (or its successor) after the Distribution, renamed ITT Industries, Inc., (ii) the term "New ITT" refers to ITT Destinations, Inc. after the Distribution, renamed ITT Corporation, and (iii) the term "ITT Industries Common Stock" refers to ITT Common Stock after the Distribution and ITT Industries Common Stock after the Reincorporation, in each case unless the context otherwise requires. Certain capitalized terms used in this summary are defined elsewhere in this Proxy Statement.

**THE SPECIAL MEETING**

**Date, Time and Place of Special Meeting**

A Special Meeting of the Shareholders of ITT Corporation ("ITT") will be held in the New York Ballroom of the Sheraton New York Hotel & Towers, 811 Seventh Avenue at 52nd Street, New York, New York, at 10:00 A.M., local time, on Thursday, September 21, 1995. This Proxy Statement and the accompanying form of proxy are first being mailed to shareholders of ITT on or about August 31, 1995.

**Purpose of the Special Meeting**

At the Special Meeting, shareholders of ITT will be asked to consider and vote upon seven separate but related proposals (collectively, the "Distribution Proposals") providing for:

*Proposal One:* Approval of the distribution by ITT of all the outstanding shares of common stock of ITT Destinations, Inc., a wholly owned subsidiary of ITT and a Nevada corporation ("ITT Destinations" or "New ITT"), and of all the outstanding shares of common stock of ITT Hartford Group, Inc., a wholly owned subsidiary of ITT and a Delaware corporation ("ITT Hartford"), on the basis described herein (collectively, the "Distribution");

*Proposal Two:* Approval and adoption of an Agreement and Plan of Merger between ITT and ITT Indiana, Inc. ("ITT Indiana"), a newly formed Indiana corporation and a wholly owned subsidiary of ITT in the form of Annex A hereto (the "Merger Agreement"), providing for the reincorporation of ITT in Indiana pursuant to a statutory merger of ITT into ITT Indiana (the "Reincorporation"), to be effective only if the Distribution occurs;

*Proposal Three:* Approval of amendments to the ITT 1977 Stock Option Incentive Plan and ITT 1986 Incentive Stock Plan;

*Proposal Four:* Approval of the adoption by New ITT of the New ITT 1995 Incentive Stock Plan, to be effective only following the Distribution;

*Proposal Five:* Approval of the adoption by ITT Hartford of the ITT Hartford 1995 Incentive Stock Plan, to be effective only following the Distribution;

*Proposal Six:* Approval of the adoption by ITT of the ITT 1996 Restricted Stock Plan for Non-Employee Directors (to be renamed the ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors), to be effective only following the Distribution; and

*Proposal Seven:* Approval of the amendments of the Restated Certificate of Incorporation of ITT to change the name of ITT to ITT Industries, Inc. and remove the article of the Restated Certificate of Incorporation in respect of ITT's gaming licenses, in each case only if the Distribution occurs.

The effectiveness of each of the Distribution Proposals is conditioned upon the approval of all the Distribution Proposals. If any of the Distribution Proposals is not approved, the Board of Directors of ITT will reevaluate its intention to effect the Distribution. After such review, the Board could determine to revise the terms of the Distribution, effect the Distribution essentially as proposed or as revised despite such lack of approval or abandon the Distribution.

The Board has further retained discretion, even if shareholder approval of the Distribution Proposals is obtained and the other conditions to the Distribution are satisfied, to abandon, defer or modify the Distribution or any other element contained in the Distribution Proposals.

\*\*\* OGC is circulating only the Proxy Summary and those pages cited in AOK letters. The entire document is 426 pages and is available perked

Although ITT believes that shareholder approval of the Distribution is not required under Delaware law since the Distribution is a dividend for purposes of DGCL §170(a), the Board of Directors of ITT has made shareholder approval of the Distribution (along with shareholder approval of each of the other Distribution Proposals) a condition to the Distribution because of the importance of the Distribution to ITT and its shareholders. In addition, approval of Proposal Two and Proposal Seven is being sought because the provisions of applicable state corporate law require such approval. Accordingly, if Proposal Two is not approved by shareholders, the proposed Reincorporation could not occur. Similarly, if Proposal Seven is not approved by shareholders, the proposed amendment to the Restated Certificate of Incorporation could not occur. Approval of Proposal Three is being sought to preserve ITT's ability to deduct, for Federal income tax purposes, compensation paid pursuant to the exercise of stock options and in respect of other stock awards. Under Section 162(m) of the Internal Revenue Code, shareholder approval of performance-based compensation plans (including material amendments thereto) is necessary to qualify for the performance-based compensation exception to the limitation on ITT's ability to deduct compensation paid to certain specified individuals in excess of \$1 million. Such approval is also being sought because of Rule 16b-3 under the Exchange Act, which requires shareholder approval under certain circumstances of material amendments to stock option plans. Although ITT does not believe the contemplated amendments to the ITT 1977 Stock Option Incentive Plan and ITT 1986 Incentive Stock Plan (see "EMPLOYEE BENEFITS AND COMPENSATION MATTERS — ITT STOCK OPTIONS AND OTHER AWARDS — ADJUSTMENTS TO AWARDS HELD BY EMPLOYEES OF ITT INDUSTRIES AND CERTAIN OTHERS") are material, it is seeking shareholder approval to avoid any potential uncertainty that arguably might exist if such approval were not obtained. Approval of Proposal Four and Proposal Five is being sought to establish New ITT's and ITT Hartford's ability, as applicable, to deduct, for Federal income tax purposes, compensation paid pursuant to the exercise of stock options and in respect of other stock awards. As noted above, under Section 162(m) of the Internal Revenue Code, shareholder approval of performance-based compensation plans is necessary to qualify for the performance-based compensation exception to the limitation on a company's ability to deduct compensation paid to certain specified individuals in excess of \$1 million. Approval of Proposal Six is being sought because of Rule 16b-3 under the Exchange Act which provides an exemption from Section 16(b) of the Exchange Act for certain transactions by an officer or director of a registrant pursuant to an employee benefit plan satisfying certain specified conditions, including shareholder approval.

See "INTRODUCTION — PURPOSE OF THE SPECIAL MEETING".

#### **Voting**

Only holders of record of ITT Common Stock at the close of business on August 31, 1995 (the "Special Meeting Record Date"), are entitled to notice of, and to vote at, the Special Meeting. Each of the shares of ITT Common Stock outstanding at the close of business on the Special Meeting Record Date is entitled to one vote at the Special Meeting. All such shares entitled to vote at the Special Meeting are referred to herein as "Record Shares". The presence in person or by proxy of shareholders holding Record Shares which are entitled to vote a majority of the votes of all holders of Record Shares will constitute a quorum for the transaction of business at the Special Meeting.

The Board of Directors of ITT unanimously recommends that shareholders vote FOR all of the Distribution Proposals.

Approval of Proposals One, Two, Three and Seven at the Special Meeting will require the affirmative vote of outstanding Record Shares which are entitled to vote a majority of the votes of all holders of Record Shares. Approval of Proposals Four, Five and Six at the Special Meeting will require the affirmative vote of outstanding Record Shares which are entitled to vote a majority of the votes of all holders of Record Shares, present in person or represented by proxy, at the Special Meeting.

SEE "INTRODUCTION — VOTING".

#### **No Appraisal Rights**

Shareholders of ITT will not be entitled to appraisal rights in connection with the Distribution Proposals.

## **BUSINESS OF ITT INDUSTRIES, NEW ITT AND ITT HARTFORD AFTER THE DISTRIBUTION**

As part of the Distribution, the name of ITT Corporation will be changed to ITT Industries, Inc. In addition, the name of ITT Destinations will be changed to ITT Corporation.

### **ITT Industries**

After the Distribution, ITT Industries will be engaged, directly and through its subsidiaries, in the design and manufacture of a wide range of high technology products, focused on the three principal business segments of automotive, defense and electronics, and fluid technology. ITT Industries is a substantial worldwide enterprise with 1994 sales of \$7.8 billion, of which approximately half is produced or sold outside the United States, and which would rank ITT Industries among the top 200 of companies in the "Fortune 500". With 58,000 employees based in over 40 countries, ITT Industries companies sell products in over 100 countries under a variety of highly regarded brand names coupled with the ITT trademark. Each of its three principal business units is recognized internationally as a leader in its chosen field and competes based on the skills of its people in technical leadership, customer relations and manufacturing proficiency. Following the Distribution, ITT Industries will continue to pursue opportunities for growth, with particular focus on strengthening its position in areas of existing product leadership and expanding international sales.

ITT Automotive is one of the largest independent suppliers of systems and components to vehicle manufacturers worldwide with 1994 sales of \$4.8 billion. Through operations located in Europe, North and South America and joint ventures and licensees in Asia, ITT Automotive designs, engineers and manufactures a broad range of automotive systems and components under two major worldwide product groupings. The Brake and Chassis Systems group, with annual sales approaching \$3 billion, represents the world's largest array of expertise in braking and chassis system capabilities, including anti-lock brake ("ABS") and traction control ("TCS") systems, chassis systems, foundation brake components, fluid handling products and Koni shock absorbers. In 1994, ITT Automotive maintained its position as a leading global supplier of four-wheel ABS and TCS, sales of which exceeded \$1 billion for the second consecutive year. The Body and Electrical Systems group, with sales approaching \$2 billion annually, produces automotive products, such as door and window assemblies, wiper module assemblies, seat systems, air management systems, switches and fractional horsepower DC motors. During 1994, ITT Automotive substantially increased its previously established position as a leading producer of electric motors and wiper systems, through the acquisition from General Motors of its motors and actuators business unit, now renamed ITT Automotive Electrical Systems, Inc.

ITT Defense & Electronics companies, with 1994 sales of \$1.5 billion, develop, manufacture and support high technology electronic systems and components for defense and commercial markets on a worldwide basis with operations in North America, Europe and Asia. Defense market products include tactical communications equipment, electronic warfare systems, night vision devices, radar, space payloads and operations and management services. Commercial products include interconnect products such as connectors, switches and cable assemblies and night vision devices. ITT Defense & Electronics enjoys a leadership position in certain products that are expected to be critical to the armed forces in the 21st century, particularly products that facilitate communications in the forward area battlefield, night vision devices that enable soldiers to conduct night combat operations and electronic systems that protect allied forces from enemy radar controlled missiles. In addition, through its international field engineering business, ITT Defense & Electronics is well positioned to gain from trends to commercialize and outsource military support operations. In the interconnect products market, ITT Cannon maintains a position as one of the world's top ten connector companies based on revenue and is a leading supplier to the military/aerospace and industrial sectors.

ITT Fluid Technology, with 1994 sales of \$1.1 billion, is a worldwide leader in the design, development, production and sale of products, systems and services used to move, handle, transfer, control and contain fluids of all kinds. Operating in more than 100 countries, ITT Fluid Technology is a leading supplier of pumps, valves, heat exchangers, mixers, instruments and controls for the management of fluids. Its major unit is ITT Flygt, which is headquartered in Sweden and is a pioneer in submersible technology and the world leader in submersible pumping and mixing products. Other units hold market leadership positions in a number of



product/market segments under long-established, strong brand names such as AC Pump, Barton, Bell & Gossett, Cam-tite and Dia-Flo valves, McDonnell & Miller, Jabsco, Marlow and others. In 1994, ITT acquired Richter Chemie-Technik GmbH, a leading German producer of specialized pumps and valves to handle the flow of high temperature corrosive liquid and gaseous media.

D. Travis Engen, who is currently Executive Vice President of ITT, will become Chairman, President and Chief Executive of ITT Industries, and certain persons who are currently directors of ITT will remain as directors of ITT Industries. See "ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS". In addition to Mr. Engen, most of the other executive officers of ITT Industries will be drawn from the current management of ITT or subsidiaries of ITT. See "ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES EXECUTIVE OFFICERS".

#### New ITT

After the Distribution, New ITT will be engaged, directly and through subsidiaries, in the hospitality and entertainment business and the information services business. New ITT will conduct its hospitality and entertainment business through ITT Sheraton Corporation ("ITT Sheraton"), Ciga S.p.A. ("Ciga"), Caesars World, Inc. ("CWI") and Madison Square Garden, L.P. ("MSG") and conduct its information services business through ITT World Directories, Inc. ("ITT World Directories") and ITT Educational Services, Inc. ("ITT Educational").

New ITT will combine the world's largest hotel and gaming company with a premier sports and entertainment company and information services businesses to create a dynamic and rapidly growing enterprise. Management of ITT projects that New ITT will generate pro forma (*i.e.*, assuming all acquisitions during 1994 and 1995 had been consummated on January 1, 1994) revenues of approximately \$6.5 billion in 1995 and pro forma EBITDA of approximately \$875 million in 1995. The projected pro forma EBITDA for 1995 would represent a 36% increase over EBITDA in 1994 also determined on a pro forma basis (*i.e.*, assuming all acquisitions during 1994 and 1995 had been consummated on January 1, 1994). For a discussion of certain important limitations and related assumptions concerning this projected and other pro forma financial data and ITT management's beliefs as to future results, see "NEW ITT UNAUDITED PRO FORMA COMBINED INCOME STATEMENTS — LIMITATIONS ON PROJECTIONS, FORECASTS AND PRO FORMA FINANCIAL INFORMATION".

ITT completed the acquisition of one of the world's most recognized gaming companies, CWI, in January 1995. In March 1995, ITT also acquired the well-known New York Knickerbockers and New York Rangers sports franchises and Madison Square Garden arena through its investment in MSG. For a discussion of the current ownership interest of ITT in MSG, see "BUSINESS OF NEW ITT AFTER THE DISTRIBUTION — GENERAL — HOSPITALITY & ENTERTAINMENT". In addition, the acquisition in 1994 of 70.3% of Ciga and other key hotel properties enhanced ITT's geographic balance along with its image and profile. These acquisitions have helped to create a formidable hotel, gaming and entertainment company that is a leader in its served markets.

Furthermore, in August 1995, ITT, in partnership with Dow Jones & Co. ("Dow Jones") agreed to purchase television station WNYC-TV from New York City. The purchase, subject to approval by the Federal Communications Commission and other customary conditions, is expected to close in early 1996. Together, ITT and Dow Jones hope to transform the station into a nationally-broadcast business and sports television station based in New York City. The purchase price of \$207 million will be split evenly by the two companies and the partnership will be managed on a 50/50 basis.

Through the ITT Sheraton brand name, New ITT is represented in most major markets of the world. In 1994, over 45 million customers stayed at ITT Sheraton in 60 countries. When including visitors to CWI and Madison Square Garden and customers of the Information Services companies, New ITT will provide services to over 100 million people a year. ITT Sheraton, which has been a wholly owned subsidiary of ITT since 1968, is a worldwide hospitality network of approximately 420 owned, leased, managed and franchised properties, including hotels, casinos and inns. Gaming operations are marketed under the Caesars World and ITT Sheraton brand names and are represented in Las Vegas, Atlantic City, Halifax (Nova Scotia), Sydney

(Nova Scotia), Lake Tahoe, Tunica County (Mississippi), Lima (Peru), Cairo, Windsor (Ontario) and Townsville (Australia).

The acquisition of CWI greatly enhanced New ITT's profile in the rapidly growing gaming business. CWI's flagship property is the renowned Caesars Palace in Las Vegas, and it also owns and operates Caesars Atlantic City in Atlantic City and Caesars Tahoe in Stateline, Nevada, both leaders in their served markets. CWI also owns one-third of a management company that operates Casino Windsor, which was opened in May 1994 in Windsor, Ontario, and operates four non-gaming resorts in Pennsylvania's Pocono Mountains.

The MSG investment includes the famed Madison Square Garden arena, the Paramount special events theater, the New York Knickerbockers and New York Rangers basketball and hockey franchises, as well as the Madison Square Garden Network.

ITT World Directories, an 80%-owned subsidiary, engages in the publication of telephone directories, including classified directory services for telephone subscribers in numerous countries outside the United States, as well as in Puerto Rico and the United States Virgin Islands. ITT Educational, which will be owned 83% by New ITT and 17% by the public, operates technical colleges offering postsecondary career education.

See "BUSINESS OF NEW ITT AFTER THE DISTRIBUTION".

Rand V. Araskog, who is currently Chairman, President and Chief Executive of ITT, will become Chairman and Chief Executive of New ITT, and certain persons who are currently directors of ITT will become directors of New ITT. See "NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION — NEW ITT BOARD OF DIRECTORS". In addition to Mr. Araskog, the other executive officers of New ITT will be drawn from the current management of ITT or subsidiaries of ITT. See "NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION — NEW ITT EXECUTIVE OFFICERS".

#### **ITT Hartford**

After the Distribution, ITT Hartford will continue as one of the largest insurance companies in the United States, a diversified, international multi-line organization founded in 1810. In the United States, ITT Hartford is the eighth largest property and casualty insurer and the twelfth largest life insurer, with total assets exceeding \$86 billion and equity of \$4.8 billion at June 30, 1995.

The property and casualty operations, with premiums written of \$6.7 billion as of December 31, 1994, provide a wide range of personal, commercial, specialty and reinsurance coverages. In personal lines, ITT Hartford ranks among the 10 largest carriers and is the endorsed provider of automobile and homeowners coverages to members of the American Association of Retired Persons. Commercial insurance, the property and casualty company's largest line with \$2.7 billion in written premiums, offers an array of products to address customer needs, including commercial multi-peril, general liability and workers' compensation. Specialty lines provides the expertise necessary to meet the needs of customers with sophisticated insurance, service or risk financing requirements. ITT Hartford is also a major reinsurer, with subsidiaries and operations located in Hong Kong, Spain, the United States, the United Kingdom and Canada.

ITT Hartford maintains a dynamic presence in the European insurance market. The largest operations are London and Edinburgh, a market leader in the United Kingdom, and Zwolsche Algemeene, which has a strong presence in The Netherlands. Both operations provide multi-line property and casualty and life products.

ITT Hartford's life insurance operations have been among the fastest growing major life insurance companies in the United States for five years, with assets exceeding \$50 billion at December 31, 1994. The life operations provide individual and group life and disability insurance, asset accumulation products and financial services for individuals, corporations and government entities. ITT Hartford ranks among the top providers of retirement planning products and services for corporations and government entities, and, with \$7.1 billion in new fixed and variable annuity deposits in 1994, it continues to rank among industry leaders in the sale of these products.

See "BUSINESS OF ITT HARTFORD AFTER THE DISTRIBUTION."

Donald R. Frahm, who is currently Chairman and Chief Executive of Hartford Fire Insurance Company ("The Hartford"), will become Chairman and Chief Executive Officer of ITT Hartford. The directors of ITT Hartford will include certain persons who are currently directors of ITT and certain persons who are currently directors or members of senior management of The Hartford. See "ITT HARTFORD MANAGEMENT AND EXECUTIVE COMPENSATION — ITT HARTFORD BOARD OF DIRECTORS". In addition to Mr. Frahm, it is expected that the other executive officers of ITT Hartford will be drawn from the current management of The Hartford. See "ITT HARTFORD MANAGEMENT AND EXECUTIVE COMPENSATION — ITT HARTFORD EXECUTIVE OFFICERS".

## THE DISTRIBUTION

### Shares to be Distributed

The Distribution will be made to holders of record on the Distribution Record Date of issued and outstanding shares of ITT Common Stock. Based on the 115,597,874 shares of ITT Common Stock outstanding as of July 5, 1995 (and assuming conversion of the ITT Series N Preferred Stock which has been called for redemption on August 29, 1995 (see "THE DISTRIBUTION — REDEMPTION OF SERIES N PREFERRED STOCK")), the Distribution will consist of 116,208,496 shares of New ITT Common Stock and 116,208,496 shares of ITT Hartford Common Stock. Each holder of ITT Common Stock will receive as a dividend one share of New ITT Common Stock for every one share of ITT Common Stock held and one share of ITT Hartford Common Stock for every one share of ITT Common Stock held.

To avoid the confusion that would result if both ITT, whose name will be changed to ITT Industries, Inc., and New ITT, whose name will be changed to ITT Corporation as part of the Distribution, were to have stock certificates outstanding bearing the name "ITT Corporation" for an extended period of time, ITT will issue new stock certificates in connection with the Distribution. Accordingly, in order to receive their certificates for New ITT and ITT Hartford, shareholders must submit their certificates representing shares of ITT Common Stock to be exchanged for (i) certificates bearing the name "ITT Industries, Inc." representing their continuing ownership interest in ITT, (ii) certificates bearing the name "ITT Corporation" representing the shares of New ITT Common Stock to which they are entitled as a result of the Distribution and (iii) certificates bearing the name "ITT Hartford Group, Inc." representing the shares of ITT Hartford Common Stock to which they are entitled as a result of the Distribution. Certificates for New ITT and ITT Hartford will not be issued until such submission. If shareholders do not submit their certificates bearing the name "ITT Corporation", shareholders may be prevented from transferring their interests in ITT Industries, New ITT and ITT Hartford after the Distribution since they will not have separate certificates representing such interests.

On or about the first business day following the Distribution Date, ITT will instruct the Transfer Agent to mail to each shareholder of record on the Distribution Record Date a letter of transmittal and instructions for use in surrendering such shareholder's certificates representing shares of ITT Common Stock. Each shareholder should immediately complete and sign the letter of transmittal and return it, along with such shareholder's certificates representing shares of ITT Common Stock, to the Transfer Agent at the address set forth on the letter of transmittal. Upon receipt from each shareholder of a letter of transmittal, properly completed, and the shareholder's certificates representing shares of ITT Common Stock, the Transfer Agent will issue in accordance with the directions contained in the completed letter of transmittal, three separate certificates representing shares of ITT Industries, New ITT and ITT Hartford, respectively. ITT shareholders should not send in their certificates until they receive a transmittal form.

It is expected that the Board of Directors of New ITT will adopt a shareholder rights plan. Certificates evidencing shares of New ITT Common Stock issued in the Distribution will therefore represent the same number of New ITT Rights issued under the New ITT Rights Plan. It is also expected that the Board of Directors of ITT Hartford will adopt a shareholder rights plan. Certificates evidencing shares of ITT Hartford Common Stock issued in the Distribution will therefore represent the same number of ITT Hartford Rights issued under the ITT Hartford Rights Plan. Furthermore, it is expected that the Board of Directors of ITT will

approve a shareholder rights plan in respect of the ITT Industries Common Stock to be effective immediately following the Distribution. Accordingly, after the Distribution, certificates evidencing shares of ITT Industries Common Stock will represent the same number of ITT Industries Rights issued under the ITT Industries Rights Plan. See "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — ITT INDUSTRIES RIGHTS PLAN", "DESCRIPTION OF NEW ITT CAPITAL STOCK — NEW ITT RIGHTS PLAN" and "DESCRIPTION OF ITT HARTFORD CAPITAL STOCK — ITT HARTFORD RIGHTS PLAN".

ITT shareholders will not have to make any payment to receive their pro rata share of the Distribution, although any shareholder submitting certificates representing shares of ITT Common Stock for exchange who is not the record holder of the shares represented, or who requests that certificates for any of ITT Industries Common Stock, New ITT Common Stock or ITT Hartford Common Stock be issued to any other person, must provide evidence of payment of all applicable transfer taxes. See "THE DISTRIBUTION — MANNER OF EFFECTING THE DISTRIBUTION".

#### **Distribution Record Date**

The "Distribution Record Date" will be established by the Board of Directors of ITT shortly before the Distribution. The Distribution Record Date will be the same date as the Distribution Date.

#### **Distribution Date**

The "Distribution Date" will be established by the Board of Directors of ITT and is presently expected to be on or about December 31, 1995. On or about the first business day following the Distribution Date, ITT will effect the Distribution by providing for the delivery of replacement certificates for all outstanding shares of New ITT Common Stock and replacement certificates for all outstanding shares of ITT Hartford Common Stock to the Transfer Agent for the transfer and distribution to the holders of record on the Distribution Record Date of ITT Common Stock. At the same time, ITT will also provide for the delivery of replacement certificates for shares of ITT Industries Common Stock to the Transfer Agent. ITT will also instruct the Transfer Agent to mail letters of transmittal for the exchange of certificates to shareholders of ITT on or about the first business day following the Distribution Date. See "THE DISTRIBUTION — MANNER OF EFFECTING THE DISTRIBUTION".

#### **Transfer Agent and Registrar**

The ITT Corporate Stock Services Department will be the Transfer Agent (the "Transfer Agent") for the Distribution and Chemical Bank will be the Registrar (the "Registrar").

#### **Conditions to the Distribution**

The Distribution is subject to (i) approval of the Distribution Proposals by shareholders of ITT; (ii) receipt of favorable tax rulings from the Internal Revenue Service as to certain Federal income tax consequences of the Distribution; (iii) all necessary consents of any third parties having been obtained; (iv) all necessary consents of any governmental or regulatory bodies having been obtained; (v) the Registration Statement on Form 10 under the Exchange Act, to be filed by New ITT with the SEC in respect of the New ITT Common Stock, having become effective; (vi) the Registration Statement on Form 8-A under the Exchange Act, to be filed by ITT Hartford with the SEC in respect of the ITT Hartford Common Stock, having become effective; (vii) the shares of New ITT Common Stock and ITT Hartford Common Stock to be issued or initially reserved for issuance having been approved for listing on a national securities exchange or designated as a national market system security on the National Association of Securities Dealers Automated Quotation System, subject to official notice of issuance; (viii) consummation of the Reincorporation substantially simultaneous with the Distribution; and (ix) there not being in effect any statute, rule, regulation or order of any court, governmental or regulatory body which prohibits or makes illegal the transactions contemplated by the Distribution. The Board has retained discretion, even if shareholder approval of the Distribution Proposals is obtained and the other conditions to the Distribution are satisfied, to abandon, defer or modify the Distribution or any other matter contemplated by the Distribution Proposals. The terms of the

Distribution thus may be modified or conditions thereto may be waived by the Board of Directors of ITT. However, the Board will not waive the requirement of receipt of favorable tax rulings from the Internal Revenue Service unless, in the Board's judgment, based on the opinion of counsel, Section 355 of the Internal Revenue Code will apply to the Distribution.

See "THE DISTRIBUTION — CONDITIONS TO THE DISTRIBUTION".

#### **Reasons for the Distribution**

The Board of Directors believes that the Distribution should occur for the following reasons:

*Facilitate Growth of New ITT and ITT Industries.* Each of New ITT and ITT Industries intends to pursue acquisition and growth opportunities in its business areas. Such acquisitions and growth would be financed through the proceeds of indebtedness or through the issuance of capital stock of New ITT or ITT Industries, as applicable. It is expected that the Distribution will increase the availability and decrease the cost of raising capital for New ITT and ITT Industries and, at the same time, protect the insurance and credit rating of ITT Hartford from being eroded by those financings. Accordingly, the Distribution should facilitate the growth of New ITT and ITT Industries.

*Management Considerations.* At present, the insurance business of ITT, the automotive, defense and electronics, and fluid technology businesses of ITT and the hospitality, entertainment, and information services businesses of ITT are conducted as separate operating groups under the direction of ITT. The Distribution should be beneficial to each of ITT's three operating groups, because it will enable the management of each group to design and advance corporate policies and strategies that are based primarily on the business characteristics of the group and to concentrate its financial resources wholly on its own operations. Some companies that have been spun-off have experienced improved performance as independent companies. An example of this is ITT Rayonier, ITT's former forest products segment. Rayonier's net income in 1994, the first year of operations after the February 1994 spin-off, exceeded budgeted expectations by 30%. However, this is only one example and may not be indicative of post-Distribution operating results for any company. The Distribution will also permit each of ITT Industries, New ITT and ITT Hartford to design incentive compensation programs that relate more directly to its own business characteristics and performance.

*Cost Savings.* Each of ITT Industries, New ITT and ITT Hartford should be able to rationalize better its organizational structure after the Distribution. Accordingly, the administrative and organizational costs of ITT Industries, New ITT and ITT Hartford, taken together, should be reduced from the aggregate levels experienced by ITT prior to the Distribution.

*Investor Understanding.* Debt and equity investors should be able to evaluate better the financial performance of each of ITT Industries, New ITT and ITT Hartford and their respective strategies, thereby enhancing the likelihood that each will achieve appropriate market recognition.

See "THE DISTRIBUTION — REASONS FOR THE DISTRIBUTION".

#### **Federal Income Tax Consequences of the Distribution**

It is intended that the Distribution will be a tax-free spin-off under Section 355 of the Internal Revenue Code of 1986. Under Section 355 of the Internal Revenue Code, in general, no income, gain or loss will be recognized by holders of ITT Common Stock or by ITT Industries, New ITT or ITT Hartford on the Distribution. It is a condition to the Distribution that ITT receive a ruling from the Internal Revenue Service that Section 355 of the Internal Revenue Code will apply to the Distribution. The Board of Directors of ITT has reserved the right to waive the receipt of such ruling as a condition to consummation of the Distribution. The Board will not waive such condition unless, in the Board's judgment, based on opinion of counsel, Section 355 of the Internal Revenue Code will apply to the Distribution.

Such a ruling, while generally binding upon the Internal Revenue Service, is subject to certain factual representations and assumptions. If the Distribution were not to qualify under Section 355 of the Internal

Revenue Code, then, in general, a corporate tax (which, as noted below, would be very substantial) would be payable by the consolidated group, of which ITT is the common parent, based upon the difference between (x) the fair market value of the New ITT Common Stock and the ITT Hartford Common Stock and (y) the adjusted basis of such New ITT Common Stock and ITT Hartford Common Stock. In addition, under the consolidated return rules, each member of the consolidated group (including New ITT and ITT Hartford) would be jointly and severally liable for such tax liability. If the Distribution occurred and it were not to qualify under Section 355 of the Internal Revenue Code, the resulting tax liability would have a material adverse effect on the financial position, results of operation and cash flows of each of ITT Industries, New ITT and ITT Hartford. ITT estimates that the aggregate shared tax liability of ITT Industries, New ITT and ITT Hartford in this regard would be approximately \$1.75 billion.

Furthermore, if the Distribution were not to qualify as a tax-free spinoff, each ITT shareholder receiving shares of New ITT Common Stock and ITT Hartford Common Stock in the Distribution would be treated as if such shareholder had received a taxable distribution in an amount equal to the fair market value of New ITT Common Stock and ITT Hartford Common Stock received, which would result in (x) a dividend to the extent of such shareholder's pro rata share of ITT's current and accumulated earnings and profits, (y) a reduction in such shareholder's basis in ITT Common Stock to the extent the amount received exceeds such shareholder's share of earnings and profits and (z) a gain from the exchange of ITT Common Stock to the extent the amount received exceeds both such shareholder's share of earnings and profits and such shareholder's basis in ITT Common Stock. ITT estimates that the aggregate tax liability to ITT's shareholders (after considering the portion of tax-exempt shareholders) would be approximately \$2 billion.

See "THE DISTRIBUTION — FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION".

#### **Stock Exchange Listings**

There is not currently a public market for either the New ITT Common Stock or the ITT Hartford Common Stock. Application will be made to list the New ITT Common Stock and the ITT Hartford Common Stock on the NYSE under the symbols "ITT" and "HIG", respectively. Application will also be made to list the ITT Industries Common Stock on the NYSE and the PSE under the new symbol "IIN". It is presently anticipated that New ITT Common Stock and ITT Hartford Common Stock will be approved for listing on the NYSE prior to the Distribution Date, and trading may commence on a "when-issued" basis prior to the Distribution. It is also possible that ITT Industries Common Stock would be traded on a "when-distributed" basis prior to the Distribution. On the first NYSE trading day following the Distribution Date, "when-issued" or "when-distributed" trading, as applicable, in respect of each of the ITT Industries Common Stock, New ITT Common Stock and the ITT Hartford Common Stock would end and "regular-way" trading would begin. See "THE DISTRIBUTION — LISTING AND TRADING OF ITT INDUSTRIES COMMON STOCK, NEW ITT COMMON STOCK AND ITT HARTFORD COMMON STOCK".

#### **Treatment of Indebtedness**

ITT's practice has been to incur long-term debt at the parent company to a greater extent than at the operating company level. Accordingly, management of ITT intends to allocate the consolidated indebtedness of ITT between ITT Industries and New ITT. This allocation of indebtedness is expected to reflect, in part, the capitalization of certain competitors in the industries represented by such businesses. See "THE DISTRIBUTION — TREATMENT OF CERTAIN DEBT INSTRUMENTS".

#### **Limited Relationships Between the Companies After the Distribution**

After the Distribution, none of ITT Industries, New ITT or ITT Hartford will have any ownership interest in the others. Each of ITT Industries, New ITT and ITT Hartford will be an independent public company. ITT Industries, New ITT and ITT Hartford will enter into certain agreements governing their relationship subsequent to the Distribution and providing for certain employee benefits matters and for the allocation of tax and certain other liabilities and obligations arising from periods prior to the Distribution. There will be individuals on the Boards of Directors of ITT Industries, New ITT and ITT Hartford who will

also serve on the Board of Directors of one or both of the other companies. See "RELATIONSHIP BETWEEN ITT INDUSTRIES, NEW ITT AND ITT HARTFORD AFTER THE DISTRIBUTION".

### **Dividend Policies**

The payment and level of dividends by ITT Industries after the Distribution will be subject to the discretion of the ITT Industries Board of Directors. Although it is anticipated that ITT Industries will initially pay quarterly cash dividends of \$.15 per share, dividend decisions will be based on, and affected by, a number of factors, including the operating results and financial requirements of ITT Industries on a stand-alone basis.

New ITT does not intend to pay cash dividends on New ITT Common Stock for the foreseeable future after the Distribution.

In addition to being subject to regulatory approval thresholds, the payment and level of cash dividends by ITT Hartford after the Distribution will be subject to the discretion of the ITT Hartford Board of Directors. Although it is anticipated that ITT Hartford will initially pay quarterly cash dividends of \$.40 per share, dividend decisions will be based on, and affected by, a number of factors, including the operating results and financial requirements of ITT Hartford on a stand-alone basis and the impact of the regulatory restrictions discussed herein.

See "DIVIDEND POLICY".

### **Corporate Governance; Rights Plans**

Each of ITT Industries, New ITT and ITT Hartford intend to implement a shareholder rights plan. A shareholder rights plan is designed to protect shareholders in the event of an unsolicited offer and other takeover tactics which, in the opinion of the relevant board of directors, could impair its ability to represent shareholder interests. The provisions of a shareholder rights plan may render an unsolicited takeover of ITT Industries, New ITT or ITT Hartford, as applicable, more difficult or less likely to occur or might prevent such a takeover. See "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — ITT INDUSTRIES RIGHTS PLAN", "DESCRIPTION OF NEW ITT CAPITAL STOCK — NEW ITT RIGHTS PLAN" and "DESCRIPTION OF ITT HARTFORD CAPITAL STOCK — ITT HARTFORD RIGHTS PLAN".

Each of ITT Industries, New ITT and ITT Hartford will be subject to provisions of state corporate law which may prevent certain business combination transactions. In this regard, the corporate laws of Indiana (which would govern ITT Industries as a result of the Reincorporation) and of Nevada (which will govern New ITT) differ in some material respects from the corporate law of Delaware (which now governs ITT and will govern ITT Hartford). See "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — INDIANA BUSINESS CORPORATION LAW", "DESCRIPTION OF NEW ITT CAPITAL STOCK — NEVADA GENERAL CORPORATION LAW" and "DESCRIPTION OF ITT HARTFORD CAPITAL STOCK — DELAWARE GENERAL CORPORATION LAW". New ITT and ITT Hartford are also subject to regulations that may have an antitakeover effect. See "DESCRIPTION OF NEW ITT CAPITAL STOCK — RESTRICTIONS ON OWNERSHIP UNDER GAMING LAWS" and "DESCRIPTION OF ITT HARTFORD CAPITAL STOCK — RESTRICTIONS ON OWNERSHIP UNDER INSURANCE LAWS".

See also "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — PROVISIONS OF ITT INDUSTRIES ARTICLES OF INCORPORATION AND BY-LAWS AFFECTING CHANGE IN CONTROL", "DESCRIPTION OF NEW ITT CAPITAL STOCK — PROVISIONS OF NEW ITT AMENDED AND RESTATED ARTICLES OF INCORPORATION AND BY-LAWS AFFECTING CHANGE IN CONTROL", "DESCRIPTION OF NEW ITT CAPITAL STOCK — RESTRICTIONS ON ALIEN OWNERSHIP", "DESCRIPTION OF ITT HARTFORD CAPITAL STOCK — PROVISIONS OF ITT HARTFORD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AND BY-LAWS AFFECTING CHANGE IN CONTROL".

### **Different Jurisdiction of Incorporation**

As a result of the Reincorporation, ITT Industries would be incorporated under Indiana law. Accordingly, shareholders should note the difference between Indiana law and Delaware law, the law under which ITT is

incorporated. See "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — COMPARISON OF SHAREHOLDER RIGHTS UNDER DELAWARE AND INDIANA LAW".

Since New ITT will be incorporated under Nevada law, shareholders should note the difference between Nevada law and Delaware law, the law under which ITT is incorporated. See "DESCRIPTION OF NEW ITT CAPITAL STOCK — COMPARISON OF SHAREHOLDER RIGHTS UNDER DELAWARE AND NEVADA LAW".

### **THE REINCORPORATION OF ITT**

Subject to the conditions summarized below, ITT will be reincorporated in Indiana by merging ITT into ITT Indiana pursuant to the Merger Agreement and, in connection therewith, the name of ITT Indiana will be changed to ITT Industries, Inc. ITT Industries will succeed to all the business, properties, assets and liabilities of ITT, and the shareholders of ITT will automatically become shareholders of ITT Industries. Pursuant to the Reincorporation, each outstanding share of ITT Common Stock will automatically be converted into one share of ITT Industries Common Stock. The number of shares of outstanding capital stock of ITT Industries will be the same as that of ITT, although ITT Industries intends to implement a shareholder rights plan. See "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — ITT INDUSTRIES RIGHTS PLAN". After the Reincorporation, the rights of ITT Industries' shareholders will be governed by Indiana law and by ITT Industries' Articles of Incorporation and By-laws, rather than by Delaware law and ITT's existing Restated Certificate of Incorporation and By-laws. See "THE REINCORPORATION OF ITT — SIGNIFICANT CHANGES AFFECTING SHAREHOLDERS".

If Proposal Two is approved, it is expected that the Reincorporation will be consummated substantially simultaneously with or immediately following the Distribution.

#### **Reasons for the Reincorporation**

The Reincorporation is being proposed so that ITT Industries and its Board of Directors will have the benefit of certain features of the Indiana Business Corporation Law (the "IBCL") that are not included in the Delaware General Corporation Law (the "DGCL"). The most important of such features is Section 23-1-35-1 of the IBCL. This section provides that a board of directors, in discharging its duties, may consider, in its discretion, both the long-term and short-term best interests of the corporation, taking into account, and weighing as the directors deem appropriate, the effects of an action on the corporation's shareholders, employees, suppliers and customers and the communities in which offices or other facilities of the corporation are located and any other factors the directors consider pertinent. If a determination is made with the approval of a majority of the disinterested directors of the board, that determination is conclusively presumed to be valid unless it can be demonstrated that the determination was not made in good faith after reasonable investigation. Once the board has determined that the proposed action is not in the best interests of the corporation, it has no duty to remove any barriers to the success of the action, including a rights plan. Section 23-1-35-1 specifically provides that certain judicial decisions in Delaware and other jurisdictions, which might be looked upon for guidance in interpreting Indiana law, including decisions that propose a higher or different degree of scrutiny in response to a proposed acquisition of the corporation, are inconsistent with the proper application of that section.

As a result of this provision of the IBCL, the Board of Directors of ITT believes the Board of Directors of ITT Industries will have greater flexibility in responding to unsolicited proposals for ITT Industries since Indiana law authorizes directors to consider both the short-term and long-term interests of the corporation as well as interests of other constituencies and other relevant factors. This feature, and other provisions of the IBCL which in some cases have counterparts under Delaware law, may have the effect of discouraging or preventing certain types of transactions involving an actual or threatened change of control of ITT Industries (including unsolicited takeover attempts), even though such a transaction may offer ITT Industries' shareholders the opportunity to sell their stock at a price above the prevailing market rate, as is more fully discussed under "DESCRIPTION OF ITT INDUSTRIES CAPITAL STOCK — INDIANA BUSINESS CORPORATION LAW".



ITT Industries also has substantial manufacturing operations in Indiana. The existence of such operations in Indiana was only a secondary reason for the proposed Reincorporation. The Board of Directors of ITT believes that, if ITT Industries is to be incorporated in a jurisdiction other than Delaware, it should be a jurisdiction in which ITT Industries has a significant presence.

#### **Exchange of Stock Certificates**

To avoid the confusion that would result if the presently outstanding certificates representing shares of ITT Common Stock were to remain outstanding for an extended period of time after the name of ITT is changed to ITT Industries, Inc., it will be necessary for shareholders of ITT to exchange their existing stock certificates of ITT Common Stock for stock certificates of ITT Industries Common Stock.

On or about the first business day following the Reincorporation (which would be substantially simultaneous with the Distribution), ITT will instruct the Transfer Agent to mail to each shareholder of ITT a letter of transmittal and instructions for use in surrendering such shareholder's certificates representing shares of ITT Common Stock. Each shareholder should immediately complete and sign the letter of transmittal and return it, along with such shareholder's certificates representing shares of ITT Common Stock, to the Transfer Agent at the address set forth on the letter of transmittal. Upon receipt from each shareholder of a letter of transmittal, properly completed, and the shareholder's certificates representing shares of ITT Common Stock, the Transfer Agent will issue in accordance with the directions contained in the completed letter of transmittal three separate certificates representing shares of ITT Industries, New ITT and ITT Hartford, respectively. See "THE DISTRIBUTION — MANNER OF EFFECTING THE DISTRIBUTION". ITT shareholders should not send in their certificates until they receive a transmittal form.

ITT shareholders will not have to make any payment in connection with the exchange of stock certificates, although any shareholder submitting certificates representing shares of ITT Common Stock for exchange who is not the record holder of the shares represented, or who requests that certificates for any of ITT Industries Common Stock, New ITT Common Stock or ITT Hartford Common Stock be issued to any other person, must provide evidence of payment of all applicable transfer taxes.

#### **Conditions to the Reincorporation**

The Reincorporation is subject to (i) approval of Proposal Two by shareholders of ITT; (ii) the Distribution occurring; (iii) receipt of a favorable opinion of counsel as to the Federal income tax consequences of the Reincorporation; and (iv) the shares of ITT Industries Common Stock to be issued or initially reserved for issuance having been approved for listing on the NYSE, subject to official notice of issuance.

The Merger Agreement may be terminated by ITT's Board of Directors in its discretion, and the terms of the Merger Agreement may be amended prior to its effective date.

Approval of Proposal Two is being sought because provisions of state corporate law require such approval. Accordingly, if Proposal Two is not approved by shareholders the proposed Reincorporation could not occur.

See "THE REINCORPORATION OF ITT — MERGER AGREEMENT — CONDITIONS TO THE REINCORPORATION".

#### **Federal Income Tax Consequences of the Reincorporation**

No gain or loss will be recognized to ITT or its shareholders upon the Reincorporation. It is a condition to the Reincorporation that ITT receive an opinion of counsel to this effect. See "THE REINCORPORATION OF ITT — FEDERAL INCOME TAX CONSEQUENCES OF THE REINCORPORATION".

## THE DISTRIBUTION

### General

The Board of Directors of ITT has approved (subject to the satisfaction of the conditions to the Distribution discussed under “— CONDITIONS TO THE DISTRIBUTION” below and the actual declaration of the dividend in respect of the Distribution) a plan to distribute all the outstanding shares of common stock, without par value, of New ITT (“New ITT Common Stock”), and all the outstanding shares of common stock, without par value, of ITT Hartford (“ITT Hartford Common Stock”) to all holders of outstanding ITT Common Stock. In the Distribution, each holder of ITT Common Stock will receive as a dividend one share of New ITT Common Stock for every one share of ITT Common Stock held and one share of ITT Hartford Common Stock for every one share of ITT Common Stock held.

### Manner of Effecting the Distribution

On or about the first business day following the Distribution Date, ITT will effect the Distribution by providing for the delivery of replacement certificates for all outstanding shares of New ITT Common Stock and replacement certificates for all outstanding shares of ITT Hartford Common Stock to the Transfer Agent for the transfer and distribution to the holders of record on the Distribution Record Date of ITT Common Stock. At the same time, ITT will also provide for the delivery of replacement certificates for shares of ITT Industries Common Stock to the Transfer Agent.

As a result of the Distribution, holders of ITT Common Stock become the holder of one share of New ITT Common Stock for every one share of ITT Common Stock held of record on the Distribution Record Date and one share of ITT Hartford Common Stock for every one share of ITT Common Stock held of record on the Distribution Record Date. Holders of ITT Common Stock will also retain their continuing ownership interest in ITT (ITT Industries).

After the Distribution Date and until an outstanding certificate that represented shares of ITT Common Stock before the Distribution is exchanged pursuant to the procedures described below, such certificate will be deemed to represent that number of shares of ITT Industries Common Stock reflected on the face of such certificate, as well as an equal number of shares of New ITT Common Stock and an equal number of shares of ITT Hartford Common Stock. As in the case of the shares of ITT Common Stock (ITT Industries Common Stock after the Distribution), the shares of New ITT Common Stock and ITT Hartford Common Stock will be fully paid and nonassessable, and the holders thereof will not be entitled to preemptive rights. See “DESCRIPTION OF NEW ITT CAPITAL STOCK” and “DESCRIPTION OF ITT HARTFORD CAPITAL STOCK”.

To avoid the confusion that would result if both ITT, whose name will be changed to ITT Industries, Inc., and New ITT, whose name will be changed to ITT Corporation as part of the Distribution, were to have stock certificates outstanding bearing the name “ITT Corporation” for an extended period of time, ITT will issue new stock certificates in connection with the Distribution. Accordingly, in order to receive their certificates for New ITT and ITT Hartford, shareholders must submit their certificates representing shares of ITT Common Stock to be exchanged for (i) certificates bearing the name “ITT Industries, Inc.” representing their continuing ownership interest in ITT, (ii) certificates bearing the name “ITT Corporation” representing the shares of New ITT Common Stock to which they are entitled as a result of the Distribution and (iii) certificates bearing the name “ITT Hartford Group, Inc.” representing the shares of ITT Hartford Common Stock to which they are entitled as a result of the Distribution. Certificates for New ITT and ITT Hartford will not be issued until such submission. If shareholders do not submit their certificates bearing the name “ITT Corporation”, shareholders may be prevented from transferring their interests in ITT Industries, New ITT and ITT Hartford after the Distribution since they will not have separate certificates representing such interests.

On or about the first business day following the Distribution Date, ITT will instruct the Transfer Agent to mail to each shareholder of record on the Distribution Record Date a letter of transmittal and instructions for use in surrendering such shareholder's certificates representing shares of ITT Common Stock. Each shareholder should immediately complete and sign the letter of transmittal and return it, along with such

## **RELATIONSHIP BETWEEN ITT INDUSTRIES, NEW ITT AND ITT HARTFORD AFTER THE DISTRIBUTION**

New ITT is wholly owned by ITT, and the results of operations of its subsidiaries have been included in ITT's consolidated financial results. After the Distribution, ITT Industries will not have any ownership interest in New ITT, and New ITT will be an independent public company. Furthermore, except as described below, all contractual relationships existing prior to the Distribution between ITT and New ITT will be terminated except for commercial relationships in the ordinary course of business.

ITT Hartford is also wholly owned by ITT, and the results of operations of its subsidiaries have been included in ITT's consolidated financial results. After the Distribution, ITT Industries will not have any ownership interest in ITT Hartford, and ITT Hartford will be an independent public company. Furthermore, except as described below, all contractual relationships existing prior to the Distribution between ITT and ITT Hartford will be terminated except for commercial relationships in the ordinary course of business.

After the Distribution, neither New ITT nor ITT Hartford will have any ownership interest in the other. In addition, except as described below, all contractual relationships existing prior to the Distribution between New ITT and ITT Hartford will be terminated except for commercial relationships in the ordinary course of business.

Prior to the Distribution, ITT, New ITT and ITT Hartford will enter into certain agreements, described below, governing their relationship subsequent to the Distribution (at which time ITT will have been renamed ITT Industries) and providing for the allocation of tax and certain other liabilities and obligations arising from periods prior to the Distribution. Each of ITT, New ITT and ITT Hartford believes that the agreements are fair to the parties to the relevant agreements and contain terms which generally are comparable to those which would have been reached in arms-length negotiations with unaffiliated parties (although such comparisons are difficult with respect to certain agreements which relate to the specific circumstances of the Distribution and the transactions contemplated thereby). In some cases, portions of the agreements are based on agreements ITT has negotiated with third parties. In other cases, portions of the agreements are believed to be comparable to those used by others in similar transactions. In each case, the terms of these agreements will have been reviewed by individuals who will be included at a senior management level of ITT Industries, New ITT and ITT Hartford.

Copies of the forms of such agreements will be filed as exhibits to the Registration Statements of each of New ITT and ITT Hartford in respect of the registration of the New ITT Common Stock and the ITT Hartford Common Stock under the Exchange Act. In addition, ITT intends to file a Current Report on Form 8-K in connection with the Distribution, and the agreements either will be filed as exhibits to such Report or will be included in a later filing by ITT under the Exchange Act. See "AVAILABLE INFORMATION". The following description summarizes certain terms of such agreements, but is qualified by reference to the texts of such agreements, which are incorporated herein by reference.

### **Distribution Agreement**

ITT, New ITT and ITT Hartford will enter into the Distribution Agreement providing for, among other things, certain corporate transactions required to effect the Distribution and other arrangements between ITT Industries, New ITT and ITT Hartford subsequent to the Distribution.

The Distribution Agreement will provide for, among other things, assumptions of liabilities and cross-indemnities designed to allocate generally, effective as of the Distribution Date, financial responsibility for the liabilities arising out of or in connection with (i) the automotive, defense and electronics, and fluid technology businesses to ITT Industries and its subsidiaries, (ii) the hospitality, entertainment and information services businesses to New ITT and its subsidiaries and (iii) the insurance businesses to ITT Hartford and its subsidiaries. The Distribution Agreement will also provide for the allocation generally of the financial responsibility for the liabilities arising out of or in connection with former and present businesses not described in the immediately preceding sentence to or among ITT Industries, New ITT and ITT Hartford.

**ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION**

After the Distribution, it is intended that ITT Industries will operate the Automotive, Defense & Electronics and Fluid Technology businesses of ITT substantially in the manner in which they currently are operated. D. Travis Engen, who is currently Executive Vice President of ITT, will become Chairman, President and Chief Executive of ITT Industries, and certain persons who are currently directors of ITT will remain as directors of ITT Industries. See “— ITT INDUSTRIES BOARD OF DIRECTORS”. In addition to Mr. Engen, most of the other executive officers of ITT Industries will be drawn from the current management of ITT or subsidiaries of ITT. See “— ITT INDUSTRIES EXECUTIVE OFFICERS”.

**ITT Industries Board of Directors**

Immediately after the Distribution, ITT Industries expects to have a board of six directors.

Effective as of the Distribution Date, following the resignations from the Board of Directors of ITT of Bette B. Anderson, who will serve on the Boards of Directors of New ITT and ITT Hartford, Nolan D. Archibald, who will serve on the Board of Directors of New ITT, Paul G. Kirk, Jr., who will serve on the Boards of Directors of New ITT and ITT Hartford, Benjamin F. Payton, who will serve on the Board of Directors of New ITT, and Margita E. White, who will serve on the Board of Directors of New ITT, and the election by the remaining directors of D. Travis Engen, the Board of Directors of ITT Industries is expected to consist of the persons listed below. Mr. Araskog, who will become Chairman and Chief Executive of New ITT, will resign as Chairman, President and Chief Executive of ITT effective as of the Distribution Date, although he will continue as a director of ITT Industries. As noted above, Mr. Engen will become Chairman, President and Chief Executive of ITT Industries effective as of the Distribution Date. It is thus the intent of ITT Industries that a majority of the directors comprising ITT Industries’ Board of Directors will not be employees of ITT Industries.

The following table sets forth the names, in alphabetical order, and information as to the persons who are expected to serve as directors of ITT Industries following the Distribution.

<u>Name, Age and Current Principal Occupation</u>	<u>Information</u>
Rand V. Araskog, 63 ..... Chairman, President and Chief Executive of ITT	Mr. Araskog joined ITT in 1966 and has been chief executive of ITT since 1979 and chairman since 1980. In March 1991, he assumed the title of president. Mr. Araskog is currently a director of ITT and has been a director of ITT since 1977. He will be a director of New ITT and of ITT Hartford and will continue as well as a director of Alcatel Alsthom of France. He is also a director of Dow Jones & Company, Inc., Dayton-Hudson Corporation, Rayonier Inc., ITT Educational Services, Inc. and Shell Oil Company. He is a member of The Business Council, the Council on Foreign Relations and the Trilateral Commission. He is a trustee of the New York Zoological Society and Salk Institute. Mr. Araskog is a graduate of the U.S. Military Academy at West Point and attended Harvard Graduate School of Arts and Sciences.

**Name, Age and Current Principal Occupation**

**Information**

**Robert A. Burnett, 68** .....  
Chairman and Chief Executive  
Officer (Retired) of  
Meredith Corporation  
(diversified media company)

Mr. Burnett served as chairman of Meredith Corporation from 1988 until his retirement in 1992. He served as president and chief executive officer from 1977 and relinquished the latter office in 1989. Mr. Burnett is currently a director of ITT and has been a director of ITT since 1985, and he will be a director of New ITT and of ITT Hartford. Mr. Burnett is a director of Meredith Corporation, Whirlpool Corporation, and Midwest Resources Inc. Mr. Burnett is a member of the Board of Trustees of Grinnell College, Grinnell, Iowa. He also is a director of the Greater Des Moines Committee and the Des Moines Art Center. Mr. Burnett has a BA degree in economics from the University of Missouri.

**Michel David-Weill, 62** .....  
Chairman of Lazard Frères & Co. LLC  
(investment bankers)

Mr. David-Weill has been Chairman of Lazard Frères & Co. LLC since May 1995, when Lazard Frères & Co., of which he had been Senior Partner since 1977, was restructured and its name was changed. He became a partner in Lazard Frères & Co., New York, in 1961, where he served until 1965. In 1965 he became a partner of Lazard Frères & Cie., Paris, and a director of Lazard Brothers & Co. Limited, London. He is currently a director of ITT and has been a director of ITT since 1981. Mr. David-Weill is a director of a number of corporations, including Groupe Danone ad Publicis S.A. in France, Fiat S.p.A. in Italy, Pearson plc in England and The Dannon Company, Inc. and New York Stock Exchange, Inc. in the United States, as well as other companies of which Lazard Frères & Cie., Paris, or one of its affiliates, is the principal shareholder. He graduated from the Institut des Sciences Politiques, Paris, France.

**D. Travis Engen, 51** .....  
Executive Vice President of ITT

Mr. Engen has been Executive Vice President of ITT since January 1991, and he served as Senior Vice President of ITT and Chief Executive Officer of ITT Defense, Inc. from 1987 until January 1991. Mr. Engen joined ITT in April 1985. He is a director of Lyondell Petrochemical Company and a member of the Manufacturers Alliance Board of Trustees. Mr. Engen has a B.S. degree in Aeronautics and Astronautics from the Massachusetts Institute of Technology.

**S. Parker Gilbert, 61** .....  
Chairman, Morgan Stanley Advisory Board  
(international consultants)

Mr. Gilbert retired in 1990 from Morgan Stanley Group Inc., where he served as chairman from 1984 until he retired. He joined Morgan Stanley in 1960, was elected a partner in 1969, a managing director in 1970, and president in 1983. He is currently a director of ITT and has been a director of ITT since 1991. Mr. Gilbert is a director of Morgan Stanley Group Inc., Burlington Resources Inc. and Taubman Centers, Inc. He is president, Board of Trustees, the Pierpont Morgan Library; member, Board of Trustees, the Metropolitan Museum of Art, the Alfred P. Sloan Foundation and the John Simon Guggenheim Memorial Foundation; and director, Josiah H. Macy Foundation. Mr. Gilbert is a graduate of Yale University.

Name, Age and Current Principal Occupation

Information

Edward C. Meyer, 66 .....  
Chairman of GRC International  
(professional and technical  
services provider)

General Meyer retired in 1983 as chief of staff of the United States Army. He is currently a director of ITT and has been a director of ITT since 1989. He will also be a director of New ITT. General Meyer is a member of the supervisory board of Compagnie Financiere Alcatel. He is a director of FMC Corporation and its joint venture company in Turkey, Savunma Sanayii A.S., the United Defense Group, the Brown Group, and GRC International. He is a managing partner of Cilluffo Associates Limited Partnership, which owns approximately 20% of GRC International. General Meyer is a trustee of The Mitre Corporation and the George C. Marshall Foundation. He is president of the Army Emergency Relief Association, the Board of Overseers of the Hoover Institution and the Board of Advisors of the Center for Strategic and International Studies, and he is a board member of the Smith Richardson Foundation. General Meyer received a BS degree in engineering from the U.S. Military Academy at West Point and an MS degree in international affairs from George Washington University.

Mr. Harold S. Geneen will be designated Chairman Emeritus of ITT Industries as well as New ITT and ITT Hartford. Mr. Geneen was named President and Chief Executive of ITT in 1959 and Chairman in 1964. He relinquished the post of President in 1973, the post of Chief Executive in 1978 and the chairmanship on January 1, 1980, when he became Chairman Emeritus of ITT. Mr. Geneen continued to serve on the Board of Directors of ITT until 1983.

**Directors' Compensation; Certain Relationships**

ITT Industries will continue the policy of ITT that members of the ITT Industries Board of Directors who are employees of ITT Industries or its subsidiaries will not be compensated for service on the ITT Industries Board or any Committee of the ITT Industries Board. Compensation for non-employee directors will consist of an annual retainer fee of \$30,000 payable solely in restricted shares of ITT Industries Common Stock, a \$1,000 fee for each meeting of the ITT Industries Board attended and a \$750 fee for each Committee meeting attended. Directors will continue to be reimbursed for travel expenses incurred on behalf of ITT Industries.

Lazard Frères & Co. LLC, of which Mr. David-Weill is Chairman, performed various investment banking services for ITT and its subsidiaries in 1994. It is anticipated that such firm will perform similar services for ITT and its subsidiaries during 1995 and ITT Industries and its subsidiaries thereafter. In 1988, the ITT Master Retirement Trust, Hartford Accident and Indemnity Company and Hartford Life Insurance Company (the "ITT Investment Vehicles") committed to invest an aggregate of \$35 million in, and became limited partners of, Corporate Partners, L.P., a fund organized by Lazard Frères & Co. With certain exceptions, such commitment expired in 1994. Under the terms of the limited partnership agreement, the ITT Investment Vehicles have agreed to pay Corporate Advisors, L.P., the general partner of Corporate Partners, L.P., certain amounts in connection with their investment. During 1994, the ITT Investment Vehicles paid Corporate Advisors, L.P. fees aggregating \$204,377. Lazard is advising the Board of Directors of ITT in connection with the Distribution and will receive compensation for its services.

**Directors' Retirement Policy**

The ITT Industries Board of Directors will continue the retirement policy adopted by the ITT Board of Directors which provides that (i) no person may be nominated for election or reelection as a non-employee director after reaching age 72 and (ii) no employee of ITT Industries or of any of its subsidiaries (other than

**Corporate Responsibility Committee**

The Corporate Responsibility Committee will review and define social responsibilities and will review and consider major claims and litigation and legal, regulatory, intellectual property and related governmental policy matters affecting ITT Industries and its subsidiaries. The Corporate Responsibility Committee will review and approve management policies and programs relating to compliance with legal and regulatory requirements and business ethics.

**Nominating Committee**

The Nominating Committee makes recommendations concerning the organization, size and composition of the Board of Directors and its Committees, proposes nominees for election to the Board of Directors and its Committees and considers the qualifications, compensation, and retirement of directors.

**ITT Industries Executive Officers**

Listed below is certain information as to the executive officers who have been selected to serve after the Distribution.

<u>Name, Position with ITT Industries and Age</u>	<u>Biographical Data</u>
D. Travis Engen, 51 ..... Chairman, President and Chief Executive	See information under "ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS".
Louis J. Giuliano, 48 ..... Senior Vice President and President of ITT Defense & Electronics, Inc.	Mr. Giuliano has been Senior Vice President of ITT since 1991 and Chief Executive Officer of ITT Defense & Electronics, Inc. from September 1992 to the present. Prior to that time, Mr. Giuliano served as Vice President of ITT and Vice President/Director — Defense Operations of ITT Defense, Inc. from 1988 until June 1991.
Richard J.M. Hamilton, 45 ..... Senior Vice President and Controller	Mr. Hamilton has been Director of Corporate Analysis from October 1993 to the present and also Vice President of ITT from February 1992 to the present. He served as Assistant Controller and General Auditor of ITT between 1991 and October 1993. After joining ITT in September 1971, Mr. Hamilton held various financial positions in ITT companies located in Europe and the United States.
Martin Kamber, 47 ..... Senior Vice President, Corporate Development	Mr. Kamber has been Vice President, Corporate Development of ITT Automotive from 1993 to the present. He served as Executive Assistant to the President, Chief Operating Officer and Executive Vice President at ITT Headquarters from 1984 to January 1993. Prior to joining ITT in July 1977, Mr. Kamber held various positions in companies located in Europe and the United States.
Timothy D. Leuliette, 45 ..... Senior Vice President and President of ITT Automotive, Inc.	Mr. Leuliette has been Senior Vice President of ITT and President and Chief Executive Officer of ITT Automotive, Inc. since September 1991. Prior to that time, Mr. Leuliette served as President and Chief Executive of Siemens Automotive and Vice President of Siemens A.G. from 1988 to September 1991.

**Name, Position with ITT Industries and Age**

**Biographical Data**

**Vincent A. Maffeo, 44** .....  
**Senior Vice President and  
General Counsel**

Mr. Maffeo joined ITT in July 1977. He has been Vice President and General Counsel of ITT Automotive, Inc. since January 1992. Prior to that time, Mr. Maffeo served as Vice President and General Counsel of ITT Defense, Inc. from January 1987 to December 1991.

**Bertil T. Nilsson, 63** .....  
**Senior Vice President and President,  
ITT Fluid Technology Corporation**

Mr. Nilsson has been Senior Vice President of ITT and President and Chief Executive Officer of ITT Fluid Technology Corporation from September 1992 to the present. He served as Vice President of ITT between 1987 and September 1992, and as President and Chief Operating Officer of ITT Fluid Technology Corporation from October 1991 to August 1992.

**James P. Smith, Jr., 52** .....  
**Senior Vice President, Human Resources**

Mr. Smith has been Executive Vice President and Director of Administration of ITT Sheraton from 1993 to the present. From 1990 to 1993 he was Senior Vice President and Director of Administration of ITT Sheraton. Mr. Smith served as Director of Executive Continuity and Headquarters Personnel of ITT from 1987 to 1990. Prior to joining ITT in June 1973, Mr. Smith held various positions in companies located in the United States.



## NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION

After the Distribution, it is intended that New ITT will operate the Hospitality & Entertainment and Information Services businesses of ITT substantially in the manner in which they currently are operated. Rand V. Araskog, who is currently Chairman, President and Chief Executive of ITT, will become Chairman and Chief Executive of New ITT, and certain persons who are currently directors of ITT will become directors of New ITT. See “— NEW ITT BOARD OF DIRECTORS”. In addition to Mr. Araskog, the other executive officers of New ITT will be drawn from the current management of ITT or subsidiaries of ITT. See “— NEW ITT EXECUTIVE OFFICERS”.

### New ITT Board of Directors

Immediately after the Distribution, New ITT expects to have a board of nine directors.

Prior to the Distribution Date, ITT, as sole shareholder of New ITT, plans to elect, as necessary, the following directors of ITT to the Board of Directors of New ITT: Bette B. Anderson, Rand V. Araskog, Nolan D. Archibald, Robert A. Burnett, Paul G. Kirk, Edward C. Meyer, Benjamin F. Payton and Margita E. White. In addition, Robert A. Bowman will be so elected to the Board of Directors of New ITT. As noted above, Mr. Araskog will become Chairman and Chief Executive of New ITT effective as of the Distribution Date. It is thus the intent of New ITT that a majority of the directors comprising New ITT's Board of Directors will not be employees of New ITT.

The following table sets forth the names, in alphabetical order, and information as to the persons who are expected to serve as directors of New ITT following the Distribution.

<u>Name, Age and Current Principal Occupation</u>	<u>Information</u>
Bette B. Anderson, 66 ..... President, Kelly, Anderson, Pethick & Associates, Inc. (consultants)	Mrs. Anderson joined Kelly, Anderson, Pethick & Associates, Inc., a Washington-based management firm, in 1990 and was elected president effective January 1, 1991. She had previously been executive vice president of the firm. Mrs. Anderson was formerly a partner in the public affairs company of Anderson, Benjamin, Read & Haney. She was Undersecretary of the Treasury from 1977 to 1981. Mrs. Anderson was affiliated for 27 years with the Citizens and Southern National Bank of Savannah, having served as a vice president until she assumed the Treasury post. Mrs. Anderson is currently a director of ITT and has been a director of ITT since 1981. She will also be a director of ITT Hartford. Mrs. Anderson is a director of ITT Educational Services, Inc., the Miller Foundation and the University of Virginia and a member of the Advisory Council of Girl Scouts of America. She attended Georgia Southern and Armstrong State Colleges and is a graduate of the Stonier Graduate School of Banking at Rutgers University.
Rand V. Araskog, 63 ..... Chairman, President and Chief Executive of ITT	See information under “ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS”.

**Name, Age and Current  
Principal Occupation**

**Information**

**Nolan D. Archibald, 52** .....  
Chairman, President and Chief Executive  
Officer of The Black & Decker Corporation  
(consumer and commercial products  
company)

Mr. Archibald joined Black & Decker in 1985 as president and chief operating officer and since that time has been elected chief executive officer and chairman. Prior to joining Black & Decker, he was senior vice president and president of the Consumer and Commercial Products Group of the Beatrice Companies, Inc. and held various executive and marketing positions with Beatrice Companies, Inc. during the period 1977 to 1985. Mr. Archibald is currently a director of ITT and has been a director of ITT since 1991. He previously served as a director of ITT from September 1986 to March 1988. Mr. Archibald serves as a member of the Board of Trustees for The Johns Hopkins University and is a member of The Business Roundtable. Mr. Archibald received a BS degree from Weber State University and an MBA degree from The Harvard Business School.

**Robert A. Bowman, 40** .....  
Executive Vice President and Chief  
Financial Officer of ITT

Mr. Bowman has been Executive Vice President and Chief Financial Officer since September 1992. From July to September 1992, Mr. Bowman served as Executive Vice President and Chief Financial Officer of ITT Sheraton Corporation. From April 1991 to July 1992, Mr. Bowman served as Senior Vice President and Chief Financial Officer of ITT Sheraton. From January to April 1991, Mr. Bowman was an economics commentator on an American Broadcasting Company affiliated television station in Detroit. Mr. Bowman was Treasurer of the State of Michigan from 1983 until December 1990. He is also a director of ITT Educational Services, Inc. Mr. Bowman is a member of The Wharton Graduate Executive Board. Mr. Bowman has an AB degree in Economics from Harvard College and an MBA degree from The Wharton School.

**Robert A. Burnett, 68** .....  
Chairman and Chief Executive Officer  
(Retired) of Meredith Corporation  
(diversified media company)

See information under "ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS".

**Name, Age and Current  
Principal Occupation**

**Information**

**Paul G. Kirk, Jr., 57 .....  
Of Counsel to Sullivan & Worcester  
(law firm)**

Mr. Kirk became a partner in the law firm of Sullivan & Worcester in 1977 and is presently of counsel to the firm. He served as chairman of the Democratic National Committee from 1985 to 1989 and as treasurer from 1983 to 1985. Following his resignation in 1989 as chairman of the Democratic National Committee, he returned to Sullivan & Worcester as a partner in general corporate practice at the firm's Boston and Washington offices. He is currently a director of ITT and has been a director of ITT since 1989. Mr. Kirk is a director of Kirk-Sheppard & Co., Inc., of which he also is chairman and treasurer. He is a director of the Bradley Real Estate Corporation and Rayonier Inc., and he will be a director of ITT Hartford. Mr. Kirk is co-chairman of the Commission on Presidential Debates, chairman of the John F. Kennedy Library Foundation Board of Directors, Chairman of the Board of Directors of the National Democratic Institute for International Affairs and a trustee of Stonehill College. He is a graduate of Harvard College and Harvard Law School.

**Edward C. Meyer, 66 .....  
Chairman of GRC International  
(professional and technical services  
provider)**

See information under "ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS".

**Benjamin F. Payton, 62 .....  
President of Tuskegee University**

Dr. Payton has been president of Tuskegee University in Alabama since 1981. Previously he had served as president of Benedict College and as program officer, education and public policy, of the Ford Foundation. He is currently a director of ITT and has been a director of ITT since 1987. He is also a director of Amsouth Bancorporation, Amsouth Bank, the Liberty Corporation, Praxair Corporation, SONAT Inc., Morrisons, Inc., the Southern Regional Council and the Alabama Shakespeare Festival. He is a member of the Business-Higher Education Forum and of the Visiting Committee of the Board of Overseers of Harvard College. Dr. Payton has been awarded honorary degrees from Eastern Michigan University, Lehigh University, Morris Brown College, Morgan State University, Benedict College and the University of Maryland. He is a graduate of South Carolina State College and received a Bachelor of Divinity degree from Harvard University, an MA degree from Columbia University and a PhD from Yale University.

**Name, Age and Current  
Principal Occupation**

**Information**

Margita E. White, 58.....  
President of the Association for Maximum  
Service Television, Inc. (television trade  
association)

Mrs. White joined the Association for Maximum Service Television, Inc. as president in 1987 after serving as an independent consultant and coordinator of the Television Operations Caucus, Inc. She was a member of the Federal Communications Commission between 1976 and 1979. Previously she served in the Federal government as director of the White House office of communications, assistant press secretary to President Ford and assistant director of the U.S. Information Agency. Mrs. White is currently a director of ITT and has been a director of ITT since 1980. She is a director of ITT Educational Services, Inc., The Growth Fund of Washington, Leitch Technology Corp. and Washington Mutual Investors Fund. Mrs. White received BA and LLD degrees from the University of Redlands and an MA degree from Rutgers University.

Mr. Harold S. Geneen will be designated Chairman Emeritus of New ITT as well as ITT Industries and ITT Hartford. Mr. Geneen was named President and Chief Executive of ITT in 1959, and Chairman in 1964. He relinquished the post of President in 1973, the post of Chief Executive in 1978 and the chairmanship on January 1, 1980, when he became Chairman Emeritus of ITT. Mr. Geneen continued to serve on the Board of Directors of ITT until 1983.

Messrs. Thomas W. Keesee, Jr. and Richard S. Perkins will each be designated a Director Emeritus of New ITT. Mr. Perkins served on the Board of Directors of ITT from 1953 until 1986. Mr. Keesee served on the ITT Board of Directors from 1976 until 1991. Each is now a Director Emeritus of ITT.

**Directors' Compensation**

Members of the New ITT Board of Directors who are employees of New ITT or its subsidiaries will not be compensated for service on the New ITT Board or any Committee of the New ITT Board. Compensation for non-employee directors will consist of a \$1,000 fee for each meeting of the New ITT Board of Directors attended and a \$1,000 fee for each Committee meeting attended. Members of the Executive and Policy Committee, except for Mr. Araskog, will receive an annual retainer fee of \$48,000 payable solely in restricted shares of New ITT Common Stock. Directors will be reimbursed for travel expenses incurred on behalf of New ITT. The non-employee directors of New ITT who serve on the Board of Directors of ITT Educational Services, Inc. will continue to receive an annual retainer fee of \$18,000 and a fee of \$750 for each meeting of the Board of Directors of ITT Educational Services, Inc. and a fee of \$500 for each Committee meeting attended.

**Directors' Retirement Policy**

New ITT's Board of Directors will adopt a retirement policy which provides that (i) no person may be nominated for election or reelection as a non-employee director after reaching age 72 and (ii) no employee of New ITT or of any of its subsidiaries (other than an employee who has served as chief executive of New ITT) may be nominated for election or reelection as a director after reaching age 65, unless there has been a specific waiver by the New ITT Board of Directors of these age requirements.

**Directors' Benefits**

The directors of New ITT who are currently non-employee directors of ITT have been participants in the 1995 ITT Deferred Compensation Plan, the ITT Directors Retirement Plan, a group life insurance program and the ITT Group Accident Program for Officers and Directors. At or prior to the Distribution Date, the New ITT Board of Directors will adopt identical "mirror image" plans and programs (the "1995 New ITT

### *Nominating Committee*

The Nominating Committee will make recommendations concerning the organization, size and composition of the Board of Directors and its Committees, propose nominees for election to the Board of Directors and its Committees and will consider the qualifications, compensation, and retirement of directors.

### *Public Affairs Committee*

The Public Affairs Committee will review and define New ITT's social responsibilities, including issues of significance to New ITT and its shareholders and employees.

### **New ITT Executive Officers**

Listed below is certain information as to the executive officers who have been selected to serve after the Distribution.

<u>Name, Position with New ITT and Age</u>	<u>Biographical Data</u>
Rand V. Araskog, 63 ..... Chairman and Chief Executive	See information under "— NEW ITT BOARD OF DIRECTORS".
Robert A. Bowman, 40 ..... President and Chief Operating Officer	See information under "— NEW ITT BOARD OF DIRECTORS".
Peter G. Boynton, 52 ..... Senior Vice President; President and Chief Operating Officer Of CWI	Mr. Boynton has been Senior Vice President of ITT since July 1995 and President and Chief Operating Officer of Caesars World, Inc. since February 1995. After joining Caesars World, Inc. in 1975, Mr. Boynton held various positions, including President and Chief Operating Officer of Caesars Atlantic City Hotel/Casino from 1982 to February 1995.
Juan C. Cappello, 57 ..... Senior Vice President, Corporate Relations	Mr. Cappello has been Senior Vice President and Director of Corporate Relations since 1984 and a corporate officer since 1981. He has occupied executive positions with ITT, both in Latin America and the United States, since joining ITT in 1968. Mr. Cappello is a director of ITT Educational Services, Inc., Ciga S.p.A. and Ciga Immobiliaria Sardegna, a 51% owned subsidiary of Ciga S.p.A.
Gerald C. Crotty, 43 ..... Senior Vice President; Chairman, President and Chief Executive Officer of ITT Information Services	Mr. Crotty has been Senior Vice President of ITT since October 1994 and Chairman, President and Chief Executive Officer of ITT Information Services, Inc. from October 1993 to the present. He served as Vice President of ITT from August 1991 until September 1994 and also served as President and Chief Operating Officer of ITT Consumer Financial Corporation from February 1992 until September 1993. Mr. Crotty served for several years as Secretary to the Governor of the State of New York ending in July 1991.
Jon F. Danski, 42 ..... Senior Vice President and Controller	Mr. Danski has been Senior Vice President and Controller of ITT since October 1993. Prior to that time, Mr. Danski served as Vice President and General Auditor of RJR Nabisco Corporation from August 1989 until October 1993.

Name, Position with New ITT and Age

Biographical Data

John Kapioltas, 68 ..... Chairman and Chief Executive Officer of ITT Sheraton and Chairman of CWI	Mr. Kapioltas has been Chairman of the Board and Chief Executive Officer of ITT Sheraton since 1985 and was also President of ITT Sheraton between 1985 and 1993. He was named Chairman of Caesars World, Inc. as of July 31, 1995.
Ralph W. Pausig, 60 ..... Senior Vice President, Human Resources	Mr. Pausig has been Senior Vice President and Director of Human Resources of ITT since 1987. He is a director of ITT Educational Services, Inc.
Ann N. Reese, 42 ..... Executive Vice President and Chief Financial Officer (subject to requisite licensing by relevant Gaming Authorities)	Ms. Reese has been Senior Vice President and Treasurer of ITT since September 1992. Ms. Reese served as Vice President and Assistant Treasurer of ITT from January 1989 to August 1992.
Richard S. Ward, 54 ..... Executive Vice President, General Counsel and Corporate Secretary	Mr. Ward has been Executive Vice President and General Counsel of ITT since May 1994. Prior to that time, he served as Senior Vice President and General Counsel of ITT from September 1992 to May 1994 and as Vice President and Associate General Counsel of ITT from 1984 to August 1992. Mr. Ward also serves on the Board of Directors of ITT Educational Services, Inc.
Daniel P. Weadock, 56 ..... Senior Vice President; President and Chief Operating Officer of ITT Sheraton	Mr. Weadock has been Senior Vice President of ITT since July 1995 and President and Chief Operating Officer of ITT Sheraton Corporation since November 1993 to present. He served as Chairman, President and Chief Executive Officer of ITT Communications and Information Services, Inc. from May 1988 until October 1993. Since joining ITT in 1961, he has served in various other positions.

**Employment Agreement**

Prior to the Distribution, New ITT is expected to enter into an employment contract with Mr. Araskog (the "Araskog Employment Agreement") which will provide for, among other things: (i) a base salary of \$2,000,000 per year, entitlement to receive bonus and additional incentive compensation each year as may be awarded in the discretion of the Compensation and Personnel Committee of the New ITT Board, participation in New ITT's benefit plans (other than pre-retirement and post-retirement life insurance benefits), contractual disability and death benefits, his employment as chairman and chief executive of New ITT until October 31, 2000 (when he will have reached age 69); (ii) his service as consultant to his successor as chief executive of New ITT from November 1, 2000 through October 31, 2003 for a fee of not less than \$400,000 per year; (iii) his nomination as director of New ITT at each annual meeting of New ITT shareholders commencing with the annual meeting for 2001 and including the annual meeting to be held in 2003 and, upon election, payment to him of the usual director's fees for service in such capacity; (iv) the provision of office space and certain staff and transportation assistance in connection with his service as a director and consultant subsequent to October 31, 2000; (v) certain payments in the event that (A) at any time prior to October 31, 2000, Mr. Araskog is not re-elected as chairman and employed as chief executive, which payments would be made (I) in monthly installments over the term of the contract remaining through October 31, 2000 in amounts equal per annum to the salary received by Mr. Araskog for the calendar year immediately preceding such event plus a percentage of the average bonus received by Mr. Araskog with respect to the three calendar years immediately preceding such event and (II) in the form of a discounted lump sum payment on or about October 31, 2000 equal to the then present value of the consulting fee and the director's fees referred to above, or (B) after completion of services through October 31, 2000 in accordance with the terms of the contract, Mr. Araskog at any time prior to October 31, 2003 is not nominated as a director of New ITT, which payment

## ITT HARTFORD MANAGEMENT AND EXECUTIVE COMPENSATION

After the Distribution, it is intended that ITT Hartford will operate the Insurance businesses of ITT substantially in the manner in which they currently are operated. Donald R. Frahm, who is currently Chairman and Chief Executive Officer of The Hartford will become Chairman and Chief Executive Officer of ITT Hartford. The directors of ITT Hartford will include certain persons who are currently directors of ITT, and certain persons who are currently directors or members of senior management of The Hartford. See “— ITT HARTFORD BOARD OF DIRECTORS”. In addition to Mr. Frahm, it is expected that the other executive officers of ITT Hartford will be drawn from the current management of The Hartford. See “— ITT HARTFORD EXECUTIVE OFFICERS”.

### ITT Hartford Board of Directors

Immediately after the Distribution, ITT Hartford expects to have a board of ten directors.

Prior to the Distribution Date, ITT, as sole shareholder of ITT Hartford, plans to elect, as necessary, the following directors of ITT to the Board of Directors of ITT Hartford: Bette B. Anderson, Rand V. Araskog, Robert A. Burnett and Paul G. Kirk, Jr. In addition, Ramani Ayer, Donald R. Frahm, Arthur A. Hartman, Lowndes A. Smith, DeRoy C. Thomas and Gordon I. Ulmer, who are currently directors of Hartford Fire Insurance Company, will be so elected to the Board of Directors of ITT Hartford. As noted above, Mr. Frahm will become Chairman and Chief Executive Officer of ITT Hartford effective as of the Distribution Date. It is thus the intent of ITT Hartford that a majority of the directors comprising ITT Hartford’s Board of Directors will not be employees of ITT Hartford.

The following table sets forth the names, in alphabetical order, and information as to the persons who are expected to serve as directors of ITT Hartford following the Distribution.

<u>Name, Age and Current Principal Occupation</u>	<u>Information</u>
Bette B. Anderson, 66 ..... President, Kelly, Anderson, Pethick & Associates, Inc. (consultants)	See information under “NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION — NEW ITT BOARD OF DIRECTORS”.
Rand V. Araskog, 63 ..... Chairman, President and Chief Executive of ITT	See information under “ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS”.
Ramani Ayer, 48 ..... President and Chief Operating Officer of The Hartford	Mr. Ayer has been President and Chief Operating Officer of The Hartford since 1991. Prior to that time, he served as Executive Vice President of The Hartford from 1990 to April 1991. Mr. Ayer joined The Hartford in 1973 as a member of the operations research department. In 1981 he was appointed the secretary and director of corporate reinsurance. In 1983 he was named Vice President of HartRe, The Hartford’s reinsurance subsidiary, and in 1984 he joined the Hartford Specialty Company, of which he was appointed President in 1986. Mr. Ayer was elected Senior Vice President of The Hartford in 1989 and named Executive Vice President in 1990.
Robert A. Burnett, 68 ..... Chairman and Chief Executive Officer (Retired) of Meredith Corporation (diversified media company)	See information under “ITT INDUSTRIES MANAGEMENT AND EXECUTIVE COMPENSATION — ITT INDUSTRIES BOARD OF DIRECTORS”.

Name, Age and Current Principal Occupation

Information

Donald R. Frahm, 63 .....  
Chairman and Chief Executive Officer of  
The Hartford

Mr. Frahm has been Chairman and Chief Executive Officer of The Hartford since April 1988. He is a member of the Board of Directors of the Insurance Information Institute and a member of the Board of Trustees and the Executive Committee of the American Institute for Property and Liability Underwriters, the Insurance Institute of America and the American Insurance Association. Mr. Frahm is a director of the Hartford Hospital and Junior Achievement North Central Connecticut Inc. and the Greater Hartford Chamber of Commerce. He is also a corporator of Newington Children's Hospital and Co-chairman of the Advocates for Highway and Auto Safety.

Arthur A. Hartman, 69 .....  
Senior Consultant to APCO Associates  
(consulting firm)

Mr. Hartman has been Senior Consultant to APCO Associates, Washington, D.C., since 1989. Previously, he was the U.S. Ambassador to the former Union of Soviet Socialist Republics and France. He is a director of the Dreyfus Fund, Lawter International Inc. and Ford Meter Box Co., Inc. He is also Chairman of the First NIS Regional Fund — Barings/ING.

Paul G. Kirk, Jr., 57 .....  
Of Counsel to Sullivan &  
Worcester (law firm)

See information under "NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION — NEW ITT BOARD OF DIRECTORS".

Lowndes A. Smith, 55 .....  
President and Chief Operating Officer of  
Hartford Life Insurance Companies

Mr. Smith has been President and Chief Operating Officer of Hartford Life Insurance Companies since 1989. Prior to that time, he served as Senior Vice President and Group Controller for all companies owned or operated by The Hartford. Mr. Smith joined The Hartford in 1968 as a member of the corporate accounting department. In 1972 he was appointed the secretary and director of corporate accounting. He was elected Assistant Vice President in 1974, and he was named Controller in 1977. He is a director of the Newington Children's Hospital and the American Council of Life Insurance.

DeRoy C. Thomas, 69 .....  
Retired Partner, LeBoeuf, Lamb,  
Greene & MacRae (law firm)

Mr. Thomas was a partner of LeBoeuf, Lamb, Greene & MacRae, a law firm in New York, New York, from 1991 through December 31, 1994. He was President, Chief Operating Officer and Director of ITT from 1988 to 1991, and from 1983 to 1988 he was Vice Chairman and Chief Operating Officer, ITT Diversified Services, and Chairman and Chief Executive Officer of The Hartford. He is a director of Houghton-Mifflin, Connecticut National Gas and Connecticut Health Services. He is also a director of Fordham University, Wheelock College, University of Hartford, Hartford Hospital, CT Health System, Goodspeed Opera House and the Old State House Association.



Name, Age and Current Principal Occupation

Information

Gordon I. Ulmer, 62 .....  
Former Chairman and Chief Executive Of-  
ficer of the Connecticut Bank and Trust  
Company and Retired President of the Bank  
of New England Corporation

Mr. Ulmer joined Connecticut Bank and Trust Company ("CBT") in 1957 and held numerous positions before being elected President and Director in 1980 and Chairman and Chief Executive Officer in 1985. In 1988 he was elected President of the Bank of New England Corporation ("BNEC"), the holding company of CBT. He retired as President in December 1990. In January 1991, BNEC filed a petition under Chapter 7 of the Bankruptcy Code and CBT commenced insolvency proceedings. The Chapter 7 filing by BNEC occurred shortly after Federal regulators declared insolvent, and took over, three of BNEC's subsidiary banks, CBT, Bank of New England and Maine National Bank. The regulators seized the subsidiary banks after BNEC announced a greater than expected loss in the fourth quarter of 1990, and depositors began rapidly withdrawing funds from the banks. The loss was mainly attributed to bad real estate loans. Mr. Ulmer also serves as a director of Rayonier, Inc. and the Old State House Association. He is a graduate of Middlebury College, the American Institute of Banking and Harvard Business School Advanced Management Program and attended New York University's Graduate School of Engineering.

Mr. Harold S. Geneen will be designated Chairman Emeritus of ITT Hartford as well as ITT Industries and New ITT. Mr. Geneen was named President and Chief Executive of ITT in 1959, and Chairman in 1964. He relinquished the post of President in 1973, the post of Chief Executive in 1978 and the chairmanship on January 1, 1980, when he became Chairman Emeritus of ITT. Mr. Geneen continued to serve on the Board of Directors of ITT until 1983.

Senator Abraham A. Ribicoff will be designated a Director Emeritus of ITT Hartford. Senator Ribicoff currently serves on the Board of Directors of Hartford Fire Insurance Company and has been a director of The Hartford since 1981.

Mr. Isaac B. Grainger will also be designated a Director Emeritus of ITT Hartford. Mr. Grainger currently serves as Director Emeritus of The Hartford and was a member of the Board of Directors of The Hartford from January 10, 1956 to January 31, 1987.

**Directors' Compensation**

Members of the ITT Hartford Board of Directors who are employees of ITT Hartford or its subsidiaries will not be compensated for service on the ITT Hartford Board or any Committee of the ITT Hartford Board. Compensation for non-employee directors will consist of an annual retainer fee of \$30,000 payable solely in restricted shares of ITT Hartford Common Stock, a \$1,000 fee for each meeting of the ITT Hartford Board attended and a \$1,000 fee for each Committee meeting attended. Directors will be reimbursed for travel expenses incurred on behalf of ITT Hartford.

**Directors' Retirement Policy**

The ITT Hartford Board of Directors will adopt a retirement policy which provides that (i) no person may be nominated for election or reelection as a non-employee director after reaching age 72 and (ii) no employee of ITT Hartford or of any of its subsidiaries (other than an employee who has served as chief executive of ITT Hartford) may be nominated for election or reelection as a director after reaching age 65, unless there has been a specific waiver by the ITT Hartford Board of Directors of these age requirements.

matters. The Legal and Public Affairs Committee will also review and define ITT Hartford's social responsibilities, including issues of significance to ITT Hartford and its shareholders and employees.

***Nominating Committee***

The Nominating Committee will make recommendations concerning the organization, size and composition of the Board of Directors and its Committees, propose nominees for election to the Board of Directors and its Committees and will consider the qualifications, compensation, and retirement of directors.

**ITT Hartford Executive Officers**

Listed below is certain information as to the executive officers who have been selected to serve after the Distribution.

<u>Name, Position with ITT Hartford and Age</u>	<u>Biographical Data</u>
Donald R. Frahm, 63 . . . . . Chairman and Chief Executive Officer	See information under "ITT HARTFORD BOARD OF DIRECTORS".
Ramani Ayer, 48 . . . . . President and Chief Operating Officer of The Hartford	See information under "ITT HARTFORD BOARD OF DIRECTORS."
John F. Donahue, 59 . . . . . Senior Vice President, Business Development	Mr. Donahue has been Senior Vice President of The Hartford since 1989. In addition, he is the Senior Underwriting Officer and Director of Business Development and Corporate Services for The Hartford. Mr. Donahue holds the designation of Chartered Property Casualty Underwriter. He was elected Vice President of The Hartford in 1980 and named Director of the commercial lines of business for The Hartford in 1987.
Joseph H. Gareau, 48 . . . . . Executive Vice President and Chief Investment Officer	Mr. Gareau has been Executive Vice President and Chief Investment Officer of The Hartford since 1993. Prior to that time, he served as Senior Vice President and Chief Investment Officer for the domestic property-casualty operations of The Hartford. Mr. Gareau was elected Vice President of The Hartford in 1987.
Helen G. Goodman, 54 . . . . . Senior Vice President, Human Resources	Ms. Goodman has been Senior Vice President, Human Resources of The Hartford since 1994. Prior to that time, she held the position of Senior Vice President, Human Resources for Tambrands Inc.
Edward L. Morgan, 52 . . . . . Senior Vice President, Corporate Relations and Government Affairs	Mr. Morgan has been Senior Vice President, Corporate Relations and Government Affairs of The Hartford since 1993. From 1991 to 1993, he served as Vice President and Director of Corporate Relations of The Hartford. Prior to that time, Mr. Morgan held the position of Vice President of Corporate Relations at Allstate Insurance Company.
Lowndes A. Smith, 55 . . . . . President and Chief Operating Officer of Hartford Life Insurance Companies	See information under "— ITT HARTFORD BOARD OF DIRECTORS".
James J. Westervelt, 49 . . . . . Senior Vice President, Group Controller	Mr. Westervelt has been Senior Vice President and Group Controller of The Hartford since 1994. He was elected Vice President and became Group Controller in 1989.

Name, Position with ITT Hartford and Age

Biographical Data

Michael S. Wilder, 53 .....  
Senior Vice President, General Counsel and  
Secretary

Mr. Wilder has been Senior Vice President of The Hartford since 1987 and General Counsel and Corporate Secretary of The Hartford since 1975.

David K. Zwiener, 41 .....  
Executive Vice President and Chief  
Financial Officer

Mr. Zwiener has been Executive Vice President and Chief Financial Officer of ITT Hartford since August 1995. He previously served as Executive Vice President and Chief Financial Officer of ITT Financial Corporation from March 1993. From 1987 to February 1993, Mr. Zwiener served as Senior Vice President and Treasurer, and Executive Vice President—Capital Markets Division, of Heller International Corporation.

**Employment Agreements**

Prior to the Distribution, ITT Hartford is expected to enter into employment agreements with Messrs. Ayer and Smith (the "Employment Agreements") which will provide for, among other things: (i) a base salary in an amount not less than \$425,000 per annum, participation in ITT Hartford's benefits plans and possible awards under ITT Hartford's executive incentive bonus program; (ii) Mr. Ayer's and Mr. Smith's employment as president and chief operating officer of, respectively, The Hartford and The Hartford Life Insurance Companies, from the Distribution Date through December 31, 1999 and (iii) certain payments and benefits in the event of termination, without cause, by ITT Hartford such that the executive will (A) (I) receive (x) salary, on a monthly basis, equivalent in the aggregate to the amounts of salary remaining unpaid until the expiration of the Employment Agreement or (y) at ITT Hartford's discretion, the balance remaining of such aggregate amount in a lump sum payment if the executive accepts other full-time employment and (II) as long as salary under clause (A) above continues to be paid, be eligible (x) for participation in certain ITT Hartford benefit plans and (y) to exercise outstanding stock options or (B) receive in lieu of such payments and benefits described in clause (A) above, if the executive is entitled to receive a termination allowance under any ITT Hartford severance plan or termination allowance plan which exceeds the salary described in clause (A) (I) above, such termination allowance amount.

interested shareholder's date of acquiring shares is approved by the board of directors of the resident domestic corporation before that date. If the combination was not previously approved, the interested shareholder may effect a combination after the five-year period only if such shareholder receives approval from a majority of the disinterested shares or the offer meets certain fair price criteria. For purposes of the above provisions, "resident domestic corporation" means an Indiana corporation that has 100 or more shareholders. "Interested shareholder" means any person, other than the resident domestic corporation or its subsidiaries, who is (a) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the resident domestic corporation or (b) an affiliate or associate of the resident domestic corporation and at any time within the five-year period immediately before the date in question was the beneficial owner of 10% or more of the voting power of the then outstanding shares of the resident domestic corporation. The above provisions do not apply to corporations that so elect in a charter amendment approved by a majority of the disinterested shares. Such a charter amendment, however, would not become effective for 18 months after its passage and would apply only to stock acquisitions occurring after its effective date. As noted above, ITT Industries' Articles of Incorporation do not exclude ITT Industries from the restrictions imposed by such provisions.

#### ***Rights, Options or Warrants***

Section 23-1-26-5 of the IBCL provides that a corporation, acting through its board of directors, may create or issue rights, options or warrants for the purchase of shares or other securities of the corporation or any successor in interest of the corporation. The board of directors may determine the terms upon which the rights, options or warrants are issued, their form and content and the consideration for which the shares or other securities are to be issued. The rights, options or warrants may be issued with or without consideration, and may, but need not, be issued pro rata.

#### ***Directors' Duties***

Section 23-1-35-1 of the IBCL provides that a board of directors, in discharging its duties, may consider, in its discretion, both the long-term and short-term best interests of the corporation, taking into account, and weighing as the directors deem appropriate, the effects of an action on the corporation's shareholders, employees, suppliers and customers and the communities in which offices or other facilities of the corporation are located and any other factors the directors consider pertinent. If a determination is made with the approval of a majority of the disinterested directors of the board, that determination is conclusively presumed to be valid unless it can be demonstrated that the determination was not made in good faith after reasonable investigation. Once the board has determined that the proposed action is not in the best interests of the corporation, it has no duty to remove any barriers to the success of the action, including a rights plan. Section 23-1-35-1 specifically provides that certain judicial decisions in Delaware and other jurisdictions, which might be looked upon for guidance in interpreting Indiana law, including decisions that propose a higher or different degree of scrutiny in response to a proposed acquisition of the corporation, are inconsistent with the proper application of that section.

#### **Provisions of ITT Industries Articles of Incorporation and By-laws Affecting Change in Control**

Certain provisions of the ITT Industries Articles of Incorporation and By-laws may delay or make more difficult unsolicited acquisitions or changes of control of ITT Industries. It is believed that such provisions will enable ITT Industries to develop its business in a manner that will foster its long-term growth without disruption caused by the threat of a takeover not deemed by its Board of Directors to be in the best interests of ITT Industries and its shareholders. Such provisions could have the effect of discouraging third parties from making proposals involving an unsolicited acquisition or change of control of ITT Industries, although such proposals, if made, might be considered desirable by a majority of ITT Industries' shareholders. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of the current management of ITT Industries without the concurrence of the Board of Directors. These provisions include (i) the availability of capital stock for issuance from time to time at the discretion of the Board of

Directors (see “— AUTHORIZED BUT UNISSUED CAPITAL STOCK”), (ii) prohibitions against shareholders calling a special meeting of shareholders, (iii) requirements for advance notice for raising business or making nominations at shareholders’ meetings and (iv) the ability of the Board of Directors to increase the size of the board and to appoint directors to fill newly created directorships. These four provisions are present in the Restated Certificate of Incorporation or By-laws of ITT.

### ***Special Meetings***

The ITT Industries Articles of Incorporation and By-laws provide that special meetings of the shareholders can be called only by the Chairman of the Board of Directors or by a vote of the majority of the entire Board of Directors. Furthermore, the By-laws of ITT Industries provide that only such business as is specified in the notice of any such special meeting of the shareholders may come before such meeting.

### ***Advance Notice for Raising Business or Making Nominations at Meetings***

The By-laws of ITT Industries establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of shareholders and for nominations by shareholders of candidates for election as directors at an annual or special meeting at which directors are to be elected. Only such business may be conducted at an annual meeting of shareholders as has been brought before the meeting by, or at the direction of, the Board of Directors, or by a shareholder who has given to the Secretary of ITT Industries timely written notice, in proper form, of the shareholder’s intention to bring that business before the meeting. The chairman of such meeting has the authority to make such determinations. Only persons who are nominated by, or at the direction of, the Board of Directors, or who are nominated by a shareholder who has given timely written notice, in proper form, to the Secretary prior to a meeting at which directors are to be elected will be eligible for election as directors of ITT Industries.

To be timely, notice of business to be brought before an annual meeting or nominations of candidates for election as directors at an annual meeting must be received by the Secretary of ITT Industries not later than 90 days in advance of the anniversary date of the immediately preceding annual meeting (or not more than 10 days after the first public disclosure of the date of such annual meeting, whichever is earlier). Similarly, notice of nominations to be brought before a special meeting must be delivered to the Secretary no later than the close of business on the seventh day following the day on which notice of the date of the special meeting of shareholders was given.

The notice of any nomination for election as a director must set forth the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; a representation that the shareholder is a holder of record of stock of ITT Industries entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and the consent of each nominee to serve as a director if so elected.

### ***Number of Directors; Filling of Vacancies***

The ITT Industries Articles of Incorporation and By-laws provide that newly created directorships resulting from any increase in the authorized number of directors (or any vacancy) may be filled by a vote of a majority of directors then in office, subject to the requirement provided in the By-laws that the majority of directors holding office immediately after such election must be “independent directors” (as defined). Accordingly, the Board of Directors of ITT Industries may be able to prevent any shareholder from obtaining majority representation on the Board of Directors by increasing the size of the board and filling the newly created directorships with its own nominees.

## **Comparison of Shareholder Rights Under Delaware and Indiana Law**

ITT is incorporated in Delaware. However, because of the reasons set forth above under "THE REINCORPORATION OF ITT — REASONS FOR THE REINCORPORATION", ITT Industries, following the Distribution and the Reincorporation, is to be incorporated in Indiana. The IBCL differs from the Delaware General Corporation Law (the "DGCL") in many respects. The following summary sets forth certain differences that should be considered by shareholders. The following summary does not purport to be a complete statement of the differences between the IBCL and the DGCL, which are too numerous to list in their entirety.

### ***Size and Classification of the Board of Directors***

Section 141(b) of the DGCL provides that the board of directors shall consist of one or more members. The number of directors shall be fixed by, or in the manner provided in, the by-laws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate. Pursuant to Section 141(d) of the DGCL, the directors of any Delaware corporation may, by the certificate of incorporation, by an initial by-law or by a by-law adopted by a vote of the shareholders, be divided into one, two or three classes.

Section 23-1-33-3 of the IBCL provides that a board of directors must consist of one or more individuals, with the number specified in or fixed in accordance with the articles of incorporation or by-laws. Section 23-1-33-6 of the IBCL provides that the articles of incorporation, or, if the articles of incorporation so authorize, the by-laws, may provide for staggering the terms of directors by dividing the total number of directors into either two or three classes, with each class containing as closely as possible the same number of directors. The ITT Industries Board of Directors will not be classified.

### ***Duties of Directors***

Section 23-1-35-1 of the IBCL allows directors of a corporation to consider a variety of nonshareholder interests in discharging their duties to the corporation. See "— INDIANA BUSINESS CORPORATION LAW". There is no corresponding provision in the DGCL.

### ***Removal of Directors***

Section 141(k) of the DGCL provides that any director or the entire board of directors may generally be removed with or without cause by a majority shareholder vote. However, a director of a corporation with a classified board of directors may be removed only for cause unless the certificate of incorporation otherwise provides.

Under Section 23-1-33-8 of the IBCL, directors may be removed in any manner provided in the articles of incorporation. In addition, unless the articles of incorporation provide otherwise, the shareholders or directors may remove one or more directors with or without cause. A director may be removed by the shareholders, if they are otherwise authorized to do so, only at a meeting called for that purpose, and such purpose must be stated in the notice of the meeting. A director elected by a voting group of shareholders may be removed only by that voting group.

### ***Newly Created Directorships and Vacancies***

Under Section 223 of the DGCL, unless the certificate of incorporation or the by-laws of a corporation provide otherwise, a majority vote of the directors then in office may fill vacancies and newly created directorships, even if the number of current directors is less than a quorum or only one director remains. If the directors filling an open slot on the board constitute less than a majority of the whole board (as measured before an increase in the size of the board), the Delaware Court of Chancery may, upon application of shareholders holding at least 10% of the outstanding voting shares, summarily order an election to fill the open slot or replace directors chosen by the directors then in office. Unless otherwise provided in the certificate of

## **Provisions of New ITT Amended and Restated Articles of Incorporation and By-laws Affecting Change in Control**

Certain provisions of the New ITT Amended and Restated Articles of Incorporation and By-laws may delay or make more difficult unsolicited acquisitions or changes of control of New ITT. It is believed that such provisions will enable New ITT to develop its business in a manner that will foster its long-term growth without disruption caused by the threat of a takeover not deemed by its Board of Directors to be in the best interests of New ITT and its shareholders. Such provisions could have the effect of discouraging third parties from making proposals involving an unsolicited acquisition or change of control of New ITT, although such proposals, if made, might be considered desirable by a majority of New ITT's shareholders. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of the current management of New ITT without the concurrence of the Board of Directors. These provisions include (i) the availability of capital stock for issuance from time to time at the discretion of the Board of Directors (see "— AUTHORIZED BUT UNISSUED CAPITAL STOCK"), (ii) prohibitions against shareholders calling a special meeting of shareholders or acting by written consent in lieu of a meeting, (iii) requirements for advance notice for raising business or making nominations at shareholders' meetings and (iv) the ability of the board of directors to increase the size of the board and to appoint directors to fill newly created directorships. These four provisions are present in the Restated Certificate of Incorporation or By-laws of ITT. It is also currently expected that a restriction on ownership of New ITT shares by "aliens" (to the United States), such as that contained in the ITT By-laws, would apply to New ITT after the Distribution. See "— RESTRICTION ON ALIEN OWNERSHIP."

### ***No Shareholder Action by Written Consent; Special Meetings***

The New ITT Amended and Restated Articles of Incorporation and By-laws provide that shareholder action can be taken only at an annual or special meeting and cannot be taken by written consent in lieu of a meeting. The New ITT Amended and Restated Articles of Incorporation and By-laws also provide that special meetings of the shareholders can be called only by the Chairman of the Board or by a vote of the majority of the entire Board of Directors. Furthermore, the By-laws provide that only such business as is specified in the notice of any such special meeting of the shareholders may come before such meeting.

### ***Advance Notice for Raising Business or Making Nominations at Meetings***

The By-laws of New ITT establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of shareholders and for nominations by shareholders of candidates for election as directors at an annual or special meeting at which directors are to be elected. Only such business may be conducted at an annual meeting of shareholders as has been brought before the meeting by, or at the direction of, the Board of Directors, or by a shareholder who has given to the Secretary of New ITT timely written notice, in proper form, of the shareholder's intention to bring that business before the meeting. The chairman of such meeting has the authority to make such determinations. Only persons who are nominated by, or at the direction of, the Board of Directors, or who are nominated by a shareholder who has given timely written notice, in proper form, to the Secretary prior to a meeting at which directors are to be elected will be eligible for election as directors of New ITT.

To be timely, notice of business to be brought before an annual meeting or nominations of candidates for election as directors at an annual meeting must be received by the Secretary of New ITT not later than 90 days in advance of the anniversary date for the immediately preceding annual meeting (or not more than 10 days after the first public disclosure of the date of such annual meeting, whichever is earlier). Similarly, notice of nominations to be brought before a special meeting must be delivered to the Secretary no later than the close of business on the seventh day following the day on which notice of the date of the special meeting of shareholders is given.

The notice of any nomination for election as a director must set forth the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; a representation that the shareholder is a holder of record of stock of New ITT entitled to vote at such meeting

and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and the consent of each nominee to serve as a director if so elected.

#### ***Number of Directors; Filling of Vacancies***

The New ITT Amended and Restated Articles of Incorporation and By-laws provide that newly created directorships resulting from any increase in the authorized number of directors (or any vacancy) may be filled by a vote of a majority of directors then in office, subject to the requirement provided in the By-laws that the majority of directors holding office immediately after such election must be "independent directors" (as defined). Accordingly, the Board of Directors of New ITT may be able to prevent any shareholder from obtaining majority representation on the Board of Directors by increasing the size of the board and filling the newly created directorships with its own nominees.

#### **Restrictions on Ownership Under Gaming Laws**

New ITT's Amended and Restated Articles of Incorporation provide that (i) all securities of New ITT are subject to redemption by New ITT to the extent necessary to prevent the loss or to secure the reinstatement of any casino gaming license held by New ITT or any of its subsidiaries in any jurisdiction within or without the United States of America, (ii) all securities of New ITT are held subject to the condition that if a holder thereof is found by a gaming authority in any such jurisdiction to be disqualified or unsuitable pursuant to any gaming law, such holder will be required to dispose of all New ITT securities held by such holder and (iii) it will be unlawful for any such disqualified person to (a) receive payments of interest or dividends on any New ITT securities, (b) exercise, directly or indirectly, any rights conferred by any New ITT securities or (c) receive any remuneration in any form, for services rendered or otherwise, from the subsidiary that holds the gaming license in such jurisdiction.

#### **Restrictions on Alien Ownership**

It is currently expected that a restriction on ownership of New ITT shares by "aliens" (to the United States), such as that contained in the ITT By-laws, would apply to New ITT after the Distribution. Such a provision would be included in the By-laws of New ITT as a result of the requirements of certain United States statutes that would be applicable to New ITT if it successfully concludes its previously announced agreement to acquire through a partnership television station WNYC-TV. In this provision of the By-laws New ITT would limit stock ownership by "aliens" (as used herein, the term "alien" includes the following and their representatives: individuals who are not nationals of the United States, partnerships unless a majority of the partners are such nationals and share in a majority of those profits, foreign governments, entities created under the laws of foreign governments and entities controlled directly or indirectly by one or more of such individuals, partnerships, governments or entities). The New ITT By-laws would provide that under no circumstances shall the amount of New ITT stock owned of record by aliens exceed 25% of the total outstanding. If and so long as the stock records of New ITT shall at any time disclose 25% alien ownership (i) no transfers of shares of domestic record to aliens may be made and (ii) if it shall be found that stock of domestic record is in fact held by or for the account of an alien, the holder of such stock shall not be entitled to vote, to receive dividends, or to have any other rights except the right to transfer the stock to a citizen of the United States.

#### **Comparison of Shareholder Rights Under Delaware and Nevada Law**

ITT is incorporated in Delaware. However, because a large portion of its operations are conducted in Nevada and because Nevada corporations enjoy greater statutory protection against changes in control (see "— NEVADA GENERAL CORPORATION LAW"), New ITT, following the Distribution, will be incorporated in Nevada. The NGCL differs from the DGCL in many respects. The following summary sets forth certain



differences that should be considered by shareholders. The following summary does not purport to be a complete statement of the differences between the NGCL and the DGCL, which are too numerous to list in their entirety.

### ***Size and Classification of the Board of Directors***

Section 141(b) of the DGCL provides that the board of directors shall consist of one or more members. The number of directors shall be fixed by, or in the manner provided in, the by-laws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate. Pursuant to Section 141(d) of the DGCL, the directors of any Delaware corporation may, by the certificate of incorporation, by an initial by-law or by a by-law adopted by a vote of the shareholders, be divided into one, two or three classes.

Section 78.115 of the NGCL provides that a corporation must have at least one director and may provide in its articles of incorporation or its by-laws for a fixed number of directors or a variable number of directors within a fixed maximum and minimum and for the manner in which the number of directors may be increased or decreased. Section 78.330 of the NGCL provides that the articles of incorporation or the by-laws may provide for a classified board of directors, but at least one-fourth of the directors must be elected annually. The New ITT Board of Directors will not be classified.

### ***Duties of Directors***

Section 78.138 of the NGCL allows directors and officers of a corporation to consider a variety of nonshareholder interests in discharging their duties to the corporation. See "— NEVADA GENERAL CORPORATION LAW". There is no corresponding provision in the DGCL.

### ***Removal of Directors***

Section 141(k) of the DGCL provides that any director or the entire board of directors may generally be removed with or without cause by a majority shareholder vote. However, a director of a corporation with a classified board of directors may be removed only for cause unless the certificate of incorporation otherwise provides.

Under Section 78.335 of the NGCL, directors may be removed from office by a two-thirds shareholder vote, or by the vote of such larger percentage of shares as may be provided in the articles of incorporation. A director elected by a voting group, unless otherwise provided in the articles of incorporation, may only be removed by a vote of two-thirds of the members of the group or by the vote of such larger percentage of the group as may be provided in the articles of incorporation for the removal of directors.

### ***Newly Created Directorships and Vacancies***

Under Section 223 of the DGCL, unless the certificate of incorporation or the by-laws of a corporation provide otherwise, a majority vote of the directors then in office may fill vacancies and newly created directorships, even if the number of current directors is less than a quorum or only one director remains. If the directors filling an open slot on the board constitute less than a majority of the whole board (as measured before an increase in the size of the board), the Delaware Court of Chancery may, upon application of shareholders holding at least 10% of the outstanding voting shares, summarily order an election to fill the open slots or replace directors chosen by the directors then in office. Unless otherwise provided in the certificate of incorporation or by-laws, when one or more directors resign effective at a future date, a majority of directors then in office, including those who have so resigned, may vote to fill the vacancy.

Similarly, under Section 78.335 of the NGCL, all vacancies, including those caused by an increase in the number of directors, may be filled by a majority of the remaining directors, though less than a quorum, unless the articles of incorporation provide otherwise. The New ITT Articles of Incorporation do not provide otherwise. If a director gives notice of his or her resignation to the board of directors, to become effective at a

future date, the board may fill the vacancy to take effect when the resignation becomes effective, with the director so appointed to hold office during the remainder of the term of office of the resigning director.

#### ***Limitation on Directors' Liability***

Section 102(b)(7) of the DGCL allows a corporation, through its certificate of incorporation, to limit or eliminate the personal liability of directors to the corporation and its shareholders for monetary damages for breach of fiduciary duty. However, this provision excludes any limitation on liability for (i) any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) wilful or negligent violation of the laws governing the payment of dividends or the purchase or redemption of stock or (iv) any transaction from which the director derives an improper personal benefit.

Section 78.037 of the NGCL allows a corporation, through its articles of incorporation, to limit or eliminate the personal liability of directors to the corporation and its shareholders for damages for breach of fiduciary duty. However, this provision excludes any limitation on liability for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (ii) the payment of distributions in violation of Section 78.300 of the NGCL. The New ITT Amended and Restated Articles of Incorporation limit the liability of directors in the above manner. See "NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION — LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS".

#### ***Indemnification of Directors and Officers***

Section 145 of the DGCL and Section 78.751 of the NGCL both provide that a corporation may indemnify any person made a party or threatened to be made a party to any type of proceeding (other than certain actions by or in right of the corporation) because he or she is or was a director, officer, employee or agent of the corporation or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation; or in a criminal proceeding, if he or she had no reasonable cause to believe his or her conduct was unlawful. Expenses incurred by an officer or director (or other employees or agents as deemed appropriate by the board of directors) in defending civil or criminal proceedings may be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it is ultimately determined that such person is not entitled to be indemnified by the corporation. To indemnify a party, the corporation must determine that the party met the applicable standards of conduct. The New ITT By-laws provide for the above indemnification of directors and officers. See "NEW ITT MANAGEMENT AND EXECUTIVE COMPENSATION — LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS".

#### ***Loans to Directors***

Section 143 of the DGCL allows a corporation to lend money to or guarantee an obligation of an officer or employee, including one who acts as a director, if the assistance is reasonably expected to benefit the corporation. Such assistance may be provided without shareholder approval. The NGCL contains no corresponding provision.

#### ***Dividends***

Subject to additional restrictions in a corporation's certificate of incorporation, Section 170 of the DGCL allows the board of directors of a Delaware corporation to pay dividends out of surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year.

Section 78.288 of the NGCL allows a board of directors to make distributions to shareholders, unless otherwise provided in the articles of incorporation. However, no distribution may be made if it would cause (i) the corporation to be unable to pay its debts as they become due or (ii) except as otherwise specifically allowed by the articles of incorporation, the corporation's assets to be less than the sum of its liabilities plus the

although the shareholders may elect to exclude a corporation from the restrictions imposed thereunder. The provisions of Section 203 may encourage companies interested in acquiring ITT Hartford to negotiate in advance with ITT Hartford's Board of Directors, because the shareholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction which results in the shareholder becoming an interested shareholder. Such provisions also may have the effect of preventing changes in the management of ITT Hartford. It is further possible that such provisions could make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interests.

#### **Provisions of ITT Hartford Amended and Restated Certificate of Incorporation and By-laws Affecting Change in Control**

Certain provisions of the ITT Hartford Amended and Restated Certificate of Incorporation and By-laws may delay or make more difficult unsolicited acquisitions or changes of control of ITT Hartford. It is believed that such provisions will enable ITT Hartford to develop its business in a manner that will foster its long-term growth without disruption caused by the threat of a takeover not deemed by its Board of Directors to be in the best interests of ITT Hartford and its shareholders. Such provisions could have the effect of discouraging third parties from making proposals involving an unsolicited acquisition or change of control of ITT Hartford, although such proposals, if made, might be considered desirable by a majority of ITT Hartford's shareholders. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of the current management of ITT Hartford without the concurrence of the Board of Directors. These provisions include (i) the availability of capital stock for issuance from time to time at the discretion of the Board of Directors (see "**AUTHORIZED BUT UNISSUED CAPITAL STOCK**"), (ii) prohibitions against shareholders calling a special meeting of shareholders or acting by written consent in lieu of a meeting (iii) requirements for advance notice for raising business or making nominations at shareholders' meetings and (iv) the ability of the board of directors to increase the size of the board and to appoint directors to fill newly created directorships. These four provisions are present in the Restated Certificate of Incorporation or By-laws of ITT.

#### ***No Shareholder Action by Written Consent; Special Meetings***

The ITT Hartford Amended and Restated Certificate of Incorporation and By-laws provide that shareholder action can be taken only at an annual or special meeting and cannot be taken by written consent in lieu of a meeting. The ITT Hartford Amended and Restated Certificate of Incorporation and By-laws also provide that special meetings of the shareholders can be called only by the Chairman of the Board of Directors or by a vote of the majority of the entire Board of Directors. Furthermore, the By-laws of ITT Hartford provide that only such business as is specified in the notice of any such special meeting of shareholders may come before such meeting.

#### ***Advance Notice for Raising Business or Making Nominations at Meetings***

The By-laws of ITT Hartford establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of shareholders and for nominations by shareholders of candidates for election as directors at an annual or special meeting at which directors are to be elected. Only such business may be conducted at an annual meeting of shareholders as has been brought before the meeting by, or at the direction of, the Board of Directors, or by a shareholder who has given to the Secretary of ITT Hartford timely written notice, in proper form, of the shareholder's intention to bring that business before the meeting. The chairman of such meeting has the authority to make such determinations. Only persons who are nominated by, or at the direction of, the Board of Directors, or who are nominated by a shareholder who has given timely written notice, in proper form, to the Secretary prior to a meeting at which directors are to be elected will be eligible for election as directors of ITT Hartford.

To be timely, notice of business to be brought before an annual meeting or nominations of candidates for election as directors at an annual meeting must be received by the Secretary of ITT Hartford not later than 90 days in advance of the anniversary date for the immediately preceding annual meeting (or not more than

10 days after the first public disclosure of the date of such annual meeting, whichever is earlier). Similarly, notice of nominations to be brought before a special meeting must be delivered to the Secretary no later than the close of business on the seventh day following the day on which notice of the date of the special meeting of shareholders is given.

The notice of any nomination for election as a director must set forth the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; a representation that the shareholder is a holder of record of stock of ITT Hartford entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and the consent of each nominee to serve as a director if so elected.

#### ***Number of Directors; Filling of Vacancies***

The ITT Hartford Amended and Restated Certificate of Incorporation and By-laws provide that newly created directorships resulting from any increase in the authorized number of directors (or any vacancy) may be filled by a vote of a majority of directors then in office, subject to the requirement provided in the By-laws that the majority of directors holding office immediately after such election must be "independent directors" (as defined). Accordingly, the Board of Directors of ITT Hartford may be able to prevent any shareholder from obtaining majority representation on the Board of Directors by increasing the size of the board and filling the newly created directorships with its own nominees.

#### **Restrictions on Ownership Under Gaming Laws**

A restriction on ownership of ITT shares in respect of the gaming laws such as that contained in the ITT Restated Certificate of Incorporation would not apply to ITT Hartford after the Distribution. Such a restriction would apply, however, to ownership of New ITT Shares. See "DESCRIPTION OF NEW ITT CAPITAL STOCK — RESTRICTIONS ON OWNERSHIP UNDER GAMING LAWS".

#### **Restrictions on Alien Ownership**

It is currently expected that a restriction on ownership of ITT Hartford shares by "aliens" (to the United States), such as that contained in the ITT By-laws, would not apply to ITT Hartford after the Distribution. Such a restriction may apply, however, to ownership of New ITT shares. See "DESCRIPTION OF NEW ITT CAPITAL STOCK — RESTRICTIONS ON ALIEN OWNERSHIP".

#### **Restrictions on Ownership Under Insurance Laws**

Although the Amended and Restated Certificate of Incorporation and By-laws of ITT Hartford will not contain any provision restricting ownership as a result of the application of various state insurance laws, such laws will be a significant deterrent to any person interested in acquiring control of ITT Hartford. See "BUSINESS OF ITT HARTFORD AFTER THE DISTRIBUTION — REGULATION".

### **INDEPENDENT ACCOUNTANTS**

Arthur Andersen LLP, independent accountants, are acting as ITT's auditors for the current fiscal year and will be auditors for each of ITT Industries, New ITT and ITT Hartford after the Distribution. Representatives of Arthur Andersen LLP will be present at the Special Meeting, with the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from shareholders.

Attachment B

***ITT Corporation***

**1995 ITT Board Members (11)**

**Bette B. Anderson  
Rand V. Araskog  
Nolan D. Archibald  
Robert A. Burnett  
Michel David-Weil  
S. Parker Gilbert  
Henry Gluck  
Paul G. Kirk, Jr.  
Edward C. Meyer  
Benjamin F. Payton  
Margita E. White**

**1996 ITT Board Members (11)**

**Bette B. Anderson  
Rand V. Araskog  
Nolan D. Archibald  
Robert A. Bowman  
Robert A. Burnett  
Paul G. Kirk, Jr.  
Edward C. Meyer  
Benjamin F. Payton  
Vin Weber  
Margita E. White  
Kendrick R. Wilson**

Attachment C

***ITT Industries***

**1995 ITT Industries Board Members**

**1996 ITT Industries Board Members (7)**

**Rand V. Araskog  
Robert A. Burnett  
Curtis Crawford  
Michel David Weil  
D. Travis Engen  
S. Parker Gilbert  
Edward C. Meyer**

Attachment D

*ITT Hartford*

1995 ITT Hartford Board Members (14)

Ramani Ayer  
Rand V. Araskog  
Donald R. Frahm  
Arthur A. Hartman  
Paul G. Kirk, Jr.  
Abraham A. Ribicoff  
Lowndes A. Smith  
DeRoy C. Thomas  
Gordon I. Ulmer  
D. Travis Engen  
Robert A. Burnett  
Robert A. Bowman  
Joseph H. Gareau  
Bette B. Anderson

1996 ITT Hartford Board Members (10)

Bette B. Anderson  
Rand V. Araskog  
Ramani Ayer  
Robert A. Burnett  
Donald R. Frahm  
Arthur A. Hartman  
Paul G. Kirk, Jr.  
Lowndes A. Smith  
DeRoy C. Thomas  
Gordon I Ulmer