

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8974

HONEYWELL INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE

22-2640650

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

101 Columbia Road  
P.O. Box 4000  
Morristown, New Jersey

07962-2497

-----  
(Address of principal executive  
offices)

-----  
(Zip Code)

Registrant's telephone number, including area code (973)455-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
----- Common Stock, par value \$1 per share*	----- New York Stock Exchange Chicago Stock Exchange Pacific Exchange
Money Multiplier Notes due 2000	New York Stock Exchange
9 7/8% Debentures due June 1, 2002	New York Stock Exchange
9.20% Debentures due February 15, 2003	New York Stock Exchange
Zero Coupon Serial Bonds due 2000-2009	New York Stock Exchange
9 1/2% Debentures due June 1, 2016	New York Stock Exchange

\* The common stock is also listed for trading on the London stock exchange.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No \_

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [x]

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately \$45.9 billion at December 31, 1999.

There were 795,133,694 shares of Common Stock outstanding at December 31, 1999.

Documents Incorporated by Reference

Part I and II: Annual Report to Shareowners for the Year Ended December 31, 1999.

Part III: Proxy Statement for Annual Meeting of Shareowners to be held May 1, 2000.



HONEYWELL INTERNATIONAL INC.

CROSS REFERENCE SHEET

Form 10-K Item No. -----	Heading(s) in Annual Report to Shareowners for Year Ended December 31, 1999 -----	Page(s) in Annual Report -----
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	Heading(s) in Proxy Statement for Annual Meeting of Shareowners to be held May 1, 2000 -----	Page(s) in Proxy Statement -----
10. Directors and Executive Officers of the Registrant	Election of Directors; Voting Securities.....	*
11. Executive Compensation	Election of Directors -- Compensation of Directors; Executive Compensation.....	*
12. Security Ownership of Certain Beneficial Owners and Management	Voting Securities.....	*

\* To be included in a definitive Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 1999.

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(a) These items are omitted since the Registrant will file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A involving the election of directors not later than 120 days after December 31, 1999. Certain other information relating to the Executive Officers of the Registrant appears at pages 15 and 16 of this Report.

## PART I.

## ITEM 1. BUSINESS

On December 1, 1999, AlliedSignal Inc. (AlliedSignal) and Honeywell Inc. (former Honeywell) completed a merger under an Agreement and Plan of Merger (Merger Agreement) dated as of June 4, 1999. Under the Merger Agreement, a wholly-owned subsidiary of AlliedSignal merged with and into the former Honeywell. As a result of the merger, the former Honeywell has become a wholly-owned subsidiary of AlliedSignal. At the effective time of the merger, AlliedSignal was renamed Honeywell International Inc. (Honeywell).

## MAJOR BUSINESSES

Honeywell is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control technologies for buildings, homes and industry, automotive products, power generation systems, specialty chemicals, fibers, plastics and electronic and advanced materials. Our operations are conducted by strategic business units, which have been aggregated under four reportable segments: Aerospace Solutions, Automation & Asset Management, Performance Materials and Power & Transportation Products. Financial information related to our reportable segments is included in Note 23 (Segment Financial Data) of Notes to Financial Statements in our 1999 Annual Report to Shareowners which is incorporated by reference.

Following is a description of our strategic business units:

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
<b>AEROSPACE SOLUTIONS</b>				
Engines & Systems	Turbine propulsion engines	TFE731 turbofan TPE331 turboprop TFE1042 turbofan F124 turbofan LF502 turbofan LF507 turbofan CFE738 turbofan AS907 turbofan T53, T55 turboshaft LT101 turboshaft T800 turboshaft TF40 turboshaft TF50 turboshaft AGT1500 turboshaft Repair, overhaul and spare parts	Business, regional and military trainer aircraft Commercial and military helicopters Military vehicles Commercial and military marine craft	Pratt & Whitney Canada Rolls Royce/Allison Turbomeca
	Auxiliary power units (APUs)	Airborne auxiliary power units Jet fuel starters Secondary power systems Ground power units Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Ground power	Pratt & Whitney Canada Sundstrand Power Systems
	Industrial power	ASE 8 turboshaft ASE 40/50 turboshaft ASE 120 turboshaft	Ground based utilities, industrial or mechanical drives	European Gas Turbines Rolls Royce/Allison Solar
	Environmental control systems	Air management systems: Air conditioning Bleed air systems Cabin pressure control systems Air purification and treatment De-icing systems Electrical power systems: Power distribution and control Emergency power generation Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Ground vehicles Spacecraft	Barber Colman Hamilton Sundstrand Liebherr Lucas Parker Hannifin Smiths TAT

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
	Engine systems and accessories	Electronic and hydromechanical fuel controls Engine start systems Electronic engine controls Sensors Electric, hydraulic and pneumatic power generation systems Pumps, starters, converters, controls, electrical actuation for flight surfaces	Commercial air transport, regional and general aviation Military aircraft	Auxilec B.F. Goodrich Chandler-Evans Hamilton Sundstrand Lockheed Martin Lucas Parker Hannifin
Aerospace Electronic Systems	Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems Flight data and cockpit voice recorders Communication, navigation and surveillance systems: Air-to-ground telephones Global positioning systems Automatic flight control systems Surveillance systems Integrated systems Flight management systems Cockpit display systems Data management and aircraft performance monitoring systems Vehicle management systems Inertial sensor systems for guidance, stabilization, navigation and control	Commercial, business and general aviation aircraft Government aviation	Century Garmin B.F. Goodrich Kaiser Litton Lockheed Martin Narco Rockwell Collins Sextant Smiths S-tec Trimble/Terra Universal
	Automatic test systems	Computer-controlled automatic test systems Functional testers and ancillaries Portable test and diagnostic systems Advanced battery analyzer/charger	U.S. Government and international logistics centers Military aviation	GDE Systems Litton Lockheed Martin Northrop Grumman
	Inertial sensor	Gyroscopes, accelerometers, inertial measurement units and thermal switches	Military and commercial vehicles Commercial spacecraft and launch vehicles Energy utility boring Transportation Missiles Munitions	Astronautics-Kearfott Ball BEI GEC Litton Rockwell Collins
	Radar systems	Aircraft precision landing Ground surveillance Target detection devices	Global and U.S. airspace agencies Military aviation Military missiles	Hughes Motorola Raytheon Rockwell Collins Thomson-CSF

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Aerospace Services	Management and technical services	Maintenance/operation and provision of space systems, services and facilities Systems engineering and integration Information technology services Logistics and sustainment	U.S. and foreign government space communications, logistics and information services Commercial space ground segment systems and services	Computer Sciences Dyncorp Lockheed Martin Raytheon SAIC ITT
	Aircraft hardware distribution	Consumable hardware, including fasteners, bearings, bolts and o-rings Adhesives, sealants, lubricants, cleaners and paints Electrical connectors, switches, relays and circuit breakers Value-added services, repair and overhaul kitting and point-of-use replenishment	Commercial and military aviation and space programs	Arrow Pemco Avnet Dixie EV Roberts Jamaica Bearings M&M Aerospace National Precision Pentacon Wesco Aircraft W.S. Wilson
Aircraft Landing Systems	Landing systems	Wheels and brakes Friction products Brake control systems Wheel and brake overhaul services Aircraft landing systems integration	Commercial and military aircraft	Aircraft Braking Systems Dunlop B.F. Goodrich Messier-Bugatti Messier-Dowty
Federal Manufacturing & Technologies	Management services	Maintenance/operation of facilities	U.S. government	Lockheed Martin Westinghouse Day and Zimmerman
AUTOMATION & ASSET MANAGEMENT Home and Building Control	Products	Heating, ventilating and air conditioning controls and components for homes and buildings Indoor air quality products including zoning, air cleaners, humidification, heat recovery and energy recovery ventilators Controls plus integrated electronic systems for burner, boiler and furnaces Security products and systems Consumer household products including heaters, fans, humidifiers, air cleaners and thermostats Water controls	Original equipment manufacturers Distributors Contractors Retailers System integrators Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels	Danfoss Emerson Holmes Invensys Johnson Controls Siemens
	Solutions and services	HVAC and building control solutions and services Energy management solutions and services Security and asset management solutions and services Enterprise building integration solutions Building information services Critical environment control solutions and services	Building managers and owners Contractors, architects and developers Consulting engineers Security directors Plant managers Utilities Large, global corporations Public school systems Universities Local governments	Carrier GroupMac Invensys Johnson Controls Local contractors and utilities Siemens Simplex Trane

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Industrial Control	Industrial automation solutions	Advanced control software and industrial automation systems for control and monitoring of continuous, batch and hybrid operations Process control instrumentation Field instrumentation Web inspection Production management software Communications systems for Industrial Control equipment and systems Consulting, networking engineering and installation	Refining and petrochemical companies Chemical manufacturers Oil and gas producers Food and beverage processors Pharmaceutical companies Utilities Film and coated producers Pulp and paper industry Continuous web producers in the paper, plastics, metals, rubber, non-wovens and printing industries	Allen-Bradley Asea Brown Boveri Aspentech Banner Fisher-Rosemount Invensys Siemens Yokogawa
	Sensors, electromechanical switches, control components	Sensors, measurement, control and industrial components Analytical instrumentation Recorders Controllers Flame safeguard equipment	Package and materials handling operations Appliance manufacturers Automotive companies Aviation companies Food and beverage processors Medical equipment Heat treat processors Flame safeguard equipment Computer and business equipment manufacturers Data acquisition companies	Cherry Omron Phillips Optek Eaton Telemecanique Turck Yokogawa
PERFORMANCE MATERIALS				
Performance Polymers	Carpet fibers	Nylon filament and staple yarns Bulk continuous filament Nylon polymer	Commercial, residential and specialty carpet markets	BASF DuPont Solutia Rhodia
	Performance fibers	Industrial nylon and polyester yarns Extended-chain polyethylene composites Fine denier nylon yarns	Passenger car and truck tires Passenger car and light truck seatbelts and airbags Broad woven fabrics Ropes and mechanical rubber goods Luggage Sports gear Bullet resistant vests, helmets and heavy armor Cut-resistant industrial upholstery and workwear Sailcloth	Akra Akzo BASF DSM DuPont Hoechst Hyosung Kolon Nylstar Rhodia
	Engineering plastics	Thermoplastic nylon Thermoplastic alloys and blends Post-consumer recycled PET resins Recycled nylon resins	Food and pharmaceutical packaging Housings (e.g., electric hand tools, chain saws) Automotive components Office furniture Electrical and electronics	BASF Bayer DuPont Hoechst Monsanto
	Specialty films	Cast nylon Biaxially oriented nylon film Fluoropolymer film	Food Pharmaceuticals Packaging and industrial applications	DuPont of Canada Kolon Rexam Custom Toyobo
	Chemical intermediates	Caprolactam Ammonium sulfate Hydroxylamine Cyclohexanol Cyclohexanone	Nylon for fibers, engineered resins and film Fertilizer ingredients Specialty chemicals Vitamins	BASF DSM DuPont Enichem Solutia Rhodia Ube



STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Specialty Chemicals	Fluorocarbons	Genetron'r' refrigerants, aerosol and insulation foam blowing agents Genesolv'r' solvents Oxyfume sterilant gases	Refrigeration Air conditioning Polyurethane foam Precision cleaning Optical Metalworking Hospitals Medical equipment manufacturers	Atochem DuPont ICI
	Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Steel Oil refining Chemical intermediates	Ashland Atochem DuPont Hashimoto Merck Norfluor Quimaco Fluor
	Fluorine specialties	Sulfur hexafluoride (SF6) Iodine pentafluoride (IF5) Antimony pentafluoride (SbF5)	Electric utilities Magnesium Gear manufacturers	Air Products Asahi Glass Atochem Ausimont Kanto Denko Kogyo Solvay Fluor
	Nuclear services	UF6 conversion services	Nuclear fuel Electric utilities	British Nuclear Fuels Cameco Cogema Tennex
	Pharmaceutical and agricultural chemicals	Active pharmaceutical ingredients Oxime-based fine chemicals Fluoroaromatics Bromoaromatics	Agrichemicals Pharmaceuticals	Cambrex DSM Lonza Zeneca
	High purity chemicals	Ultra high purity HF Solvents Inorganic acids High purity solvents	Semiconductors	LaPorte Merck Olin
	Industrial specialties Imaging Luminescence and plastic additives Chemical processing Materials and surface treatment Sealants	HF derivatives Fluoroaromatics Photodyes Phosphors Catalysts Oxime silanes	Diverse by product type	Varies by product line
	Specialty waxes	Polyethylene waxes Petroleum waxes and blends	Coatings Inks Candles Tire/Rubber Personal care Packaging	BASF Clariant Eastman Exxon IGI Leuna Schumann-Sasol
	Specialty additives	Polyethylene waxes Petroleum waxes and blends PVC lubricant systems Plastic additives	PVC Plastics	Eastman Geon Henkel
	UOP (joint venture)	Processes Catalysts Molecular sieves Adsorbents Design of process plants and equipment Customer catalyst manufacturing	Petroleum, petrochemical, gas processing and chemical industries	ABB Lummus Criterion IFP Mobil Procatalyse Stone & Webster Zeochem
Electronic Materials	Wafer fabrication materials and services	Interconnect-dielectrics Interconnect-metals Global services	Semiconductors Microelectronics Telecommunications	Applied Materials Dow Corning Tokyo-Ohka

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
	Specialty electronic materials	Amorphous metal ribbons and components Advanced polymers Copper-foils, aluminum bonded copper	Electrical distribution transformers High frequency electronics Metal joining Theft deterrent systems Printed circuit boards Telecommunications Computers Consumer electronics Semiconductors Microelectronics Assembly/Packaging Subcontractors	ARMCO/Allegheny CF Lux Gould Morgan/VAC Nippon Toshiba Yates
	Advanced packaging substrates	Ball grid arrays for chip packaging	Computers Telecommunications Consumer electronics	Fujitsu Gore Ibiden Kyocera Sheldahl
	Advanced circuits	Printed circuit boards (PCBs); high density interconnect (HDI) solutions, sophisticated rigid PCBs, high-layer count/multilayer PCBs, standard multilayer PCBs and laminated multi-chip modules (MCM-L)	Computers Telecommunications Semiconductors Original equipment manufacturers	Hadco JVC Photocircuits Unicap ViaSystems
	Electronic manufacturing services	Contract electronic assembly	Semiconductors Electronic manufacturing Telecommunications Computers Fiber-optic networks	Celestica Flextronics Jabil Circuits SCI Solectron
POWER & TRANSPORTATION PRODUCTS	Transportation and Charge-air systems	Turbochargers Superchargers Remanufactured components	Passenger car, truck and off-highway original equipment manufacturers (OEMs) Engine manufacturers Aftermarket distributors and dealers	Aisin Seiki Borg-Warner Hitachi Holset IHI KKK MHI Schwitzer
Power Systems	Thermal systems	Charge-air coolers Aluminum radiators Aluminum cooling modules	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Behr/McCord Modine Valeo
	Power generation	Microturbine generators	Users of electricity	Capstone GE/Elliott General Motors Williams International Electric Utilities
	Air brake systems	Anti-lock brake systems (ABS) Air disc brakes Air compressors Air valves Air dryers Actuators Truck electronics Competitive remanufactured products	On-highway medium and heavy truck, bus and trailer OEMs Off-highway equipment OEMs Aftermarket distributors and dealers/original equipment service (OES)	Eaton Midland-Haldex Meritor WABCO

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
Consumer Products Group	Aftermarket filters, electronic components and car care products	Oil, air, fuel, transmission and coolant filters PCV valves Spark plugs Wire and cable Antifreeze/coolant Ice-fighter products Windshield washer fluids Waxes, washes and specialty cleaners	Automotive and heavy vehicle aftermarket channels and OES Mass merchandisers	AC Delco STP/ArmorAll/ Clorox Bosch Champion Champ Labs Havoline/Texaco Mann & Hummel NGK Peak/Old World Industries Pennzoil-Quaker State Purolator/Arvin Ind Turtle Wax Various Private Label Wix/Dana Zerex/Valvoline
Friction Materials	Friction materials Aftermarket brake hard parts	Disc brake pads Drum brake linings Brake blocks Disc and drum brake components Brake hydraulic components Brake fluid Aircraft brake linings Railway linings	Automotive and heavy vehicle OEMs, OES, brake manufacturers and aftermarket channels Mass merchandisers Installers Railway and commercial/military aircraft OEMs and brake manufacturers	Akebono BBA Group Dana Delphi Federal-Mogul ITT Automotive Italy S.r.l. JBI Nisshinbo Pagid Sumitomo

#### RECENT DEVELOPMENTS

As previously described on page 4 of this Form 10-K, AlliedSignal and the former Honeywell completed a merger on December 1, 1999 which was accounted for under the pooling-of-interests accounting method. On that date, the former Honeywell shareowners were entitled to receive 1.875 shares of Honeywell International Inc. common stock for each share of the former Honeywell common stock, with cash paid in lieu of any fractional shares. As a result, former Honeywell shareowners were entitled to receive approximately 241 million shares of Honeywell International Inc. common stock valued at approximately \$15 billion at the merger date.

After completion of the merger in the fourth quarter of 1999, we recognized a pretax charge of \$642 million for the cost of actions designed to improve our combined competitiveness and productivity and improve future profitability. The merger-related actions included the elimination of redundant corporate offices and functional administrative overhead; elimination of redundant and excess facilities and workforce in our combined aerospace businesses; adoption of six sigma productivity initiatives at the former Honeywell businesses; and transition to a global shared services model. The components of the charge included severance costs of \$342 million, asset impairments of \$108 million, other exit costs of \$57 million and merger-related transaction and period expenses of \$135 million. Planned global workforce reductions consisted of approximately 6,500 administrative and manufacturing positions. Asset impairments principally related to the elimination of redundant or excess corporate and aerospace facilities and equipment. At year-end, approximately \$9 million of redundant assets were not able to be removed from service and are currently being depreciated over their shortened useful lives. Other exit costs related to lease terminations and contract cancellation losses negotiated or subject to reasonable estimation at year-end. Merger-related transaction and period expenses consisted of investment banking and legal fees, former Honeywell deferred compensation vested upon change in control and other direct merger-related expenses incurred in the period the merger was completed. All merger-related actions are expected to be completed by December 31, 2000.

In 1999, we also recognized a pretax charge of \$321 million for the costs of actions designed to reposition principally the AlliedSignal business units for improved productivity and future profitability. These repositioning actions included the organizational realignment of our aerospace businesses to strengthen market focus and simplify business structure; elimination of an unprofitable product line and rationalization of manufacturing capacity and infrastructure in the Performance Polymers business; a

reduction in infrastructure in the Turbocharging Systems business; closing a wax refinery and carbon materials plant and rationalization of manufacturing capacity in the Specialty Chemicals business; elimination of two manufacturing facilities in our Electronic Materials business; a plant closure and outsourcing activity in our automotive Consumer Products Group business; and related and general workforce reductions in all AlliedSignal businesses and our Industrial Control business. The components of the charge included severance costs of \$140 million, asset impairments of \$149 million, and other exit costs of \$32 million. Global workforce reductions consisted of approximately 5,100 manufacturing, administrative, and sales positions. Asset impairments principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Other exit costs principally consisted of environmental exit costs associated with chemical plant shutdowns. All repositioning actions, excluding environmental remediation, are expected to be completed by December 31, 2000.

Based on our review of the operations and infrastructure of the two companies and our integration planning to date, we expect that the combined company will realize annual cost savings of at least \$250 million in 2000, \$575 million in 2001 and \$750 million in 2002. We expect to realize at least \$750 million in cost savings in 2002 as follows:

by achieving procurement and purchasing efficiencies by utilizing AlliedSignal's and the former Honeywell's combined purchasing capabilities, centralizing the two companies' purchasing processes and benefiting from the added buying efficiencies that we expect as a result of higher volume purchases;

by accelerating implementation of our 'Six Sigma' initiative to achieve defect-free performance in manufacturing and other business processes, and applying this initiative to the former Honeywell businesses, to further enhance the quality of our products and services and increase productivity;

by rationalizing corporate overhead costs through the elimination of redundant corporate functions and facilities;

by reducing overhead in the combined company's aerospace businesses by eliminating redundancies in the sales and administrative functions and field service operations of these businesses;

by integrating the two companies' research and development programs and achieving research and development efficiencies;

by reducing the combined company's infrastructure costs by integrating AlliedSignal's and the former Honeywell's international operations and eliminating infrastructure redundancies; and

by providing to the former Honeywell's business units administrative services in the areas of accounting, human resources, travel, information technology and training, through AlliedSignal's centralized shared services organization, and eliminating similar services currently provided by the former Honeywell to its business units.

While we expect that we will be able to realize these cost savings, we can give no assurance that we will actually be able to do so.

In February 2000, we completed the acquisition of Pittway Corporation (Pittway) for approximately \$2.2 billion, including the assumption of the net debt of Pittway of approximately \$167 million. Pittway had 1999 sales of approximately \$1.6 billion. Pittway designs, manufactures and distributes security and fire systems for homes and buildings.

In December 1999, we completed the acquisition of TriStar Aerospace Co. (TriStar) for approximately \$300 million, which included the assumption of approximately \$107 million of TriStar debt. TriStar had 1998 annual sales of approximately \$200 million. TriStar distributes fasteners, fastening systems and related hardware and provides customized inventory management services to original equipment manufacturers of aircraft and aircraft components, commercial airlines, and aircraft maintenance, repair and overhaul facilities.

In September 1999, we sold our Laminate Systems business for approximately \$425 million in cash resulting in a pretax gain of \$106 million. The Laminate Systems business had 1998 sales of approximately \$400 million.

In August 1999, we completed the acquisition of Johnson Matthey Electronics, a division of Johnson Matthey Plc, for approximately \$655 million in cash. Johnson Matthey Electronics supplies wafer fabrication materials and interconnect products to the electronics and telecommunications industries and had 1998 annual sales of approximately \$670 million.

#### AEROSPACE SALES

Our 1999 and 1998 sales to aerospace customers were both approximately 42 percent of our total sales. Our 1999 and 1998 sales to aerospace original equipment manufacturers were 15 percent and 16 percent, respectively, of our total sales. If there were a large decline in sales of aircraft that use our components, operating results could be negatively impacted. In addition, our 1999 and 1998 sales to aftermarket customers of aerospace products and services were 19 percent and 18 percent, respectively, of our total sales. If there were a large decline in the number of flight hours for aircraft that use our components or services, operating results could be negatively impacted.

#### U.S. GOVERNMENT SALES

Sales to the U.S. Government (principally by our Aerospace Solutions segment), acting through its various departments and agencies and through prime contractors, amounted to \$2,383, \$2,693 and \$2,655 million in 1999, 1998 and 1997, respectively, which includes sales to the U.S. Department of Defense of \$1,415, \$1,658 and \$1,618 million in 1999, 1998 and 1997, respectively. We are affected by U.S. Government budget constraints for defense and space programs. U.S. defense spending increased slightly in 1999 and is also expected to increase slightly in 2000.

In addition to normal business risks, companies engaged in supplying military and other equipment to the U.S. Government are subject to unusual risks, including dependence on Congressional appropriations and administrative allotment of funds, changes in governmental procurement legislation and regulations and other policies that may reflect military and political developments, significant changes in contract scheduling, complexity of designs and the rapidity with which they become obsolete, necessity for constant design improvements, intense competition for U.S. Government business necessitating increases in time and investment for design and development, difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work and other factors characteristic of the industry. Changes are customary over the life of U.S. Government contracts, particularly development contracts, and generally result in adjustments of contract prices.

We, like other government contractors, are subject to government investigations of business practices and compliance with government procurement regulations. Although such regulations provide that a contractor may be suspended or barred from government contracts under certain circumstances, and the outcome of pending government investigations cannot be predicted with certainty, we are not currently aware of any such investigations that we expect, individually or in the aggregate, will have a material adverse effect on us. In addition, we have a proactive business compliance program designed to ensure compliance and sound business practices.

#### BACKLOG

Our total backlog at year-end 1999 and 1998 was \$8,736 and \$9,400 million, respectively. We anticipate that approximately \$6,400 million of the 1999 backlog will be filled in 2000. We believe that backlog is not a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

## COMPETITION

We are subject to active competition in substantially all product and service areas. Such competition is expected to continue in all geographic regions. Competitive conditions vary widely among the thousands of products and services provided by us, and vary country by country. Depending on the particular customer or market involved, our businesses compete on a variety of factors, such as price, quality, reliability, delivery, customer service, performance, applied technology, product innovation and product recognition. Brand identity, service to customers and quality are generally important competitive factors for our products and services, and there is considerable price competition. Other competitive factors for certain products include breadth of product line, research and development efforts and technical and managerial capability. While our competitive position varies among our products and services, we believe we are a significant factor in each of our major product and service classes. However, certain of our products and services are sold in competition with those of a large number of other companies, some of which have substantial financial resources and significant technological capabilities. In addition, some of our products compete with the captive component divisions of original equipment manufacturers.

## INTERNATIONAL OPERATIONS

We are engaged in manufacturing, sales and/or research and development mainly in the U.S., Europe, Canada, Asia and Latin America. U.S. exports and foreign manufactured products are significant to our operations.

Our international operations, including U.S. exports, are potentially subject to a number of unique risks and limitations, including: fluctuations in currency value; exchange control regulations; wage and price controls; employment regulations; foreign investment laws; import and trade restrictions, including embargoes; and governmental instability. However, we have limited exposure in high risk countries and have taken action to mitigate such risks.

Financial information related to geographic areas is included in Note 24 (Geographic Areas -- Financial Data) of Notes to Financial Statements in our 1999 Annual Report to Shareowners which is incorporated by reference.

## RAW MATERIALS

The principal raw materials used in our operations are generally readily available. We experienced no significant or unusual problems in the purchase of key raw materials and commodities in 1999. We are not dependent on any one supplier for a material amount of our raw materials. However, we are highly dependent on our suppliers and subcontractors in order to meet commitments to our customers. In addition, many major components and product equipment items are procured or subcontracted on a sole-source basis with a number of domestic and foreign companies. We maintain a qualification and performance surveillance process to control risk associated with such reliance on third parties. While we believe that sources of supply for raw materials and components are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. However, at present, we have no reason to believe a shortage of raw materials will cause any material adverse impact during 2000.

## PATENTS, TRADEMARKS, LICENSES AND DISTRIBUTION RIGHTS

Our business as a whole, and that of our strategic business units, are not dependent upon any single patent or related group of patents, or any licenses or distribution rights. We own, or are licensed under, a large number of patents, patent applications and trademarks acquired over a period of many years, which relate to many of our products or improvements thereon and are of importance to our business. From time to time, new patents and trademarks are obtained, and patent and trademark licenses and rights are acquired from others. We also have distribution rights of varying terms for a number of products and services produced by other companies. In the judgment of management, such rights are adequate for the conduct of the business being done by us. We believe that, in the aggregate, the rights under such patents, trademarks and licenses are generally important to our operations, but we do not consider that any patent, trademark or related group of patents, or any licensing or distribution rights related to a specific process or product are of material importance in

relation to our total business. See Item 3 at page 15 of this Form 10-K for information concerning litigation relating to patents in which we are involved.

We have registered trademarks for a number of our products, including such consumer brands as Honeywell, Prestone, FRAM, Anso and Autolite.

#### RESEARCH AND DEVELOPMENT

Our research activities are directed toward the discovery and development of new products and processes, improvements in existing products and processes, and the development of new uses of existing products.

Research and development expense totaled \$909, \$876 and \$796 million in 1999, 1998 and 1997, respectively. Customer-sponsored (principally the U.S. Government) research and development activities amounted to an additional \$682, \$718 and \$850 million in 1999, 1998 and 1997, respectively.

#### ENVIRONMENT

We are subject to various federal, state and local requirements regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. It is our policy to comply with these requirements and we believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with our business. Some risk of environmental damage is, however, inherent in certain of our operations and products, as it is with other companies engaged in similar businesses.

We are and have been engaged in the handling, manufacture, use or disposal of many substances classified as hazardous or toxic by one or more regulatory agencies. We believe that, as a general matter, our handling, manufacture, use and disposal of such substances are in accord with environmental laws and regulations. It is possible, however, that future knowledge or other developments, such as improved capability to detect substances in the environment or increasingly strict environmental laws and standards and enforcement policies thereunder, could bring into question our handling, manufacture, use or disposal of such substances.

Among other environmental requirements, we are subject to the federal superfund law, and similar state laws, under which we have been designated as a potentially responsible party that may be liable for cleanup costs associated with various hazardous waste sites, some of which are on the U.S. Environmental Protection Agency's superfund priority list. Although, under some court interpretations of these laws, there is a possibility that a responsible party might have to bear more than its proportional share of the cleanup costs if it is unable to obtain appropriate contribution from other responsible parties, we have not had to bear significantly more than our proportional share in multi-party situations taken as a whole.

Capital expenditures for environmental control facilities at existing operations were \$40 million in 1999. In addition to capital expenditures, we have incurred and will continue to incur operating costs in connection with such facilities.

Reference is made to Management's Discussion and Analysis at page 35 of our 1999 Annual Report to Shareowners, incorporated herein by reference, for further information regarding environmental matters.

#### EMPLOYEES

We have approximately 120,000 employees at December 31, 1999. Approximately 81,500 were located in the United States, and, of these employees, about 20% were unionized employees represented by various local or national unions.

#### ITEM 2. PROPERTIES

We have approximately 950 locations consisting of plants, research laboratories, sales offices and other facilities. The plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. The properties are generally maintained in good operating condition. Utilization of these plants may vary with government spending and other business conditions; however, no major operating facility is significantly idle. The facilities, together with planned

expansions, are expected to meet our needs for the foreseeable future. We own or lease warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. We also lease space for administrative and sales staffs. Our headquarters and administrative complex is located at Morris Township, New Jersey.

Our principal plants, which are owned in fee unless otherwise indicated, are as follows:

AEROSPACE SOLUTIONS

-----

Anniston, AL	Olathe, KS (leased)	Redmond, WA
Glendale, AZ	Columbia, MD	Mississauga, Ontario
Phoenix, AZ	Coon Rapids, MN	Canada
Tempe, AZ	Minneapolis, MN	Yeovil, Somerset
Tucson, AZ	Teterboro, NJ	United Kingdom
Torrance, CA	Albuquerque, NM	
(partially leased)	Rocky Mount, NC	
Clearwater, FL	Urbana, OH	
South Bend, IN		

AUTOMATION & ASSET MANAGEMENT

-----

Phoenix, AZ	Freeport, IL	Plymouth, MN
San Diego, CA	Golden Valley, MN	Offenbach, Germany

PERFORMANCE MATERIALS

-----

Baton Rouge, LA	Sparta, TN	Longlaville, France
Geismar, LA	Orange, TX	Rudolstadt, Germany
Roseville, MN	Chesterfield, VA	Seelze, Germany
Moncure, NC	Churchill, VA	
Pottsville, PA	Hopewell, VA	
Columbia, SC	Spokane, WA	

POWER & TRANSPORTATION PRODUCTS

-----

Torrance, CA	Greenville, OH	Atessa, Italy
Huntington, IN	Thaon-Les-Vosges, France	Skelmersdale, United Kingdom
Fostoria, OH	Glinde, Germany	

ITEM 3. LEGAL PROCEEDINGS

The paragraphs under the headings 'Litton Litigation' and 'Other Matters' of Note 21 (Commitments and Contingencies) of Notes to Financial Statements at page 55 of our 1999 Annual Report to Shareowners are incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Registrant, listed as follows, are elected annually. There are no family relationships among them.

NAME, AGE, DATE FIRST ELECTED AN OFFICER	BUSINESS EXPERIENCE
-----	-----
Lawrence A. Bossidy (a), 64 1991	Chairman of the Board since January 1992. Chief Executive Officer from July 1991 through November 1999.
Michael R. Bonsignore (a), 58 1999	Chief Executive Officer since December 1999. Chairman of the Board and Chief Executive Officer of Honeywell Inc. from April 1993 through November 1999.
Giannantonio Ferrari, 60 1999	Chief Operating Officer and Executive Vice President, Performance Products and Solutions, since December 1999. President and Chief Operating Officer of Honeywell Inc. from April 1997 through November 1999. President, Honeywell Europe S.A. from January 1992 to March 1997. Mr. Ferrari is a citizen of Italy.



NAME, AGE,  
DATE FIRST  
ELECTED AN OFFICER  
-----

BUSINESS EXPERIENCE  
-----

Robert D. Johnson, 52 1998	Chief Operating Officer and Executive Vice President, Aerospace Businesses, since December 1999. President and Chief Executive Officer of AlliedSignal Aerospace from April 1999 through November 1999. President -- Aerospace Marketing, Sales and Service from January 1999 to March 1999. President -- Electronic & Avionics Systems from October 1997 to December 1998. Vice President and General Manager, Aerospace Services from 1994 to 1997.
Peter M. Kreindler, 54 1992	Senior Vice President and General Counsel since March 1992. Secretary from December 1994 through November 1999.
James J. Porter, 48 1999	Senior Vice President -- Information and Business Services since December 1999. Vice President and Chief Administrative Officer of Honeywell Inc. from January 1998 through November 1999. Corporate Vice President, Human Resources of Honeywell Inc. from May 1993 to December 1997.
Donald J. Redlinger, 55 1991	Senior Vice President -- Human Resources and Communications since February 1995. Senior Vice President -- Human Resources from January 1991 to January 1995.
Richard F. Wallman, 48 1995	Senior Vice President and Chief Financial Officer since March 1995. Vice President and Controller of International Business Machines Corp. from April 1994 to February 1995.

- - - - -  
(a) Also a director.

PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market and dividend information for the Registrant's common stock is contained in Note 26 (Unaudited Quarterly Financial Information) of Notes to Financial Statements at page 61 of our 1999 Annual Report to Shareowners, and such information is incorporated herein by reference.

The number of record holders of our common stock at December 31, 1999 was 81,282.

ITEM 6. SELECTED FINANCIAL DATA

The information included under the captions 'Results of Operations', 'Earnings per Common Share' and 'Financial Position At Year-End' in the statement 'Selected Financial Data' at page 30 of our 1999 Annual Report to Shareowners is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

'Management's Discussion and Analysis' on pages 20, 24, 26, 28 and 31 through 38 of our 1999 Annual Report to Shareowners is incorporated herein by reference.

This Report contains, or incorporates by reference, certain statements that may be deemed 'forward-looking statements' within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this Report are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive,

governmental and technological factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Information relating to market risk is included under the caption 'Financial Instruments' in 'Management's Discussion and Analysis' on pages 35 and 36 of our 1999 Annual Report to Shareowners, and such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated January 27, except as to Note 25 which is as of February 4, 2000, appearing on pages 39 through 61 of our 1999 Annual Report to Shareowners, are incorporated herein by reference. PricewaterhouseCoopers LLP did not audit the financial statements of Honeywell Inc., a wholly-owned subsidiary, which statements reflect total assets of \$7,170.4 million at December 31, 1998, and total sales of \$8,426.7 and \$8,027.5 million for each of the two years in the period ended December 31, 1998. Such financial statements were audited by Deloitte & Touche LLP whose audit opinion on such statements was as follows:

Independent Auditors' Report  
-----

To the Shareowners of Honeywell Inc.:

We have audited the statement of financial position of Honeywell Inc. and subsidiaries as of December 31, 1998, and the related statements of income, shareowners' equity and cash flows for each of the two years in the period ended December 31, 1998 (not separately included herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Honeywell Inc. and subsidiaries at December 31, 1998 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP  
Minneapolis, Minnesota  
February 10, 1999

With the exception of the aforementioned information and the information incorporated by reference in Items 1, 3, 5, 6, 7 and 7A, the 1999 Annual Report to Shareowners is not to be deemed filed as part of this Form 10-K Annual Report.

The information provided pursuant to this Item supersedes or modifies the financial information and pro forma financial information included in our Current Reports on Form 8-K filed January 21 and February 14, 2000.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to directors of the Registrant, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in a definitive Proxy Statement involving the election of directors which the Registrant will file with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 1999, and such information is incorporated herein by reference. Certain other information relating to Executive Officers of the Registrant appears at pages 15 and 16 of this Form 10-K Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation is contained in the Proxy Statement referred to above in 'Item 10. Directors and Executive Officers of the Registrant,' and such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information relating to security ownership of certain beneficial owners and management is contained in the Proxy Statement referred to above in 'Item 10. Directors and Executive Officers of the Registrant,' and such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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ANNUAL REPORT TO  
SHAREOWNERS  
-----

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(a)(2.) Consolidated Financial Statement Schedules

The two financial statement schedules applicable to us have been omitted because of the absence of the conditions under which they are required.

(a) (3.) Exhibits

See the Exhibit Index to this Form 10-K Annual Report. The following exhibits listed on the Exhibit Index are filed with this Form 10-K Annual Report:

EXHIBIT NO. -----	DESCRIPTION -----
10.11	364-Day Credit Agreement dated as of December 2, 1999 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, Morgan Guaranty Trust Company of New York, as syndication agent, and Salomon Smith Barney Inc. and J.P. Morgan Securities Inc., as arrangers
10.12	Five Year Credit Agreement dated as of December 2, 1999 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, The Chase Manhattan Bank, Deutsche Bank AG and Bank of America, N.A., as syndication agents, and Salomon Smith Barney Inc., as lead arranger and book manager
10.15	U.S. \$1 Billion Credit Agreement dated as of January 13, 2000 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, Morgan Guaranty Trust Company of New York, as syndication agent, and Salomon Smith Barney Inc. and J.P. Morgan Securities Inc., as arrangers
13	Pages 20, 24, 26, 28 and 30 through 61 (except for the data included under the captions 'Financial Statistics' and 'Other Information' on page 30) of our 1999 Annual Report to Shareowners
21	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Deloitte & Touche LLP
24	Powers of Attorney
27	Financial Data Schedule

(b) Reports on Form 8-K

During the three months ended December 31, 1999, Current Reports on Form 8-K were filed on December 3, announcing the consummation of the merger between AlliedSignal Inc. and Honeywell Inc. and on December 17, reporting selected income statement and segment financial data.

STATEMENT OF DIFFERENCES

The registered trademark symbol shall be expressed as.....'r'

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

HONEYWELL INTERNATIONAL INC.

February 22, 2000

By: /s/ RICHARD J. DIEMER, JR.

-----  
Richard J. Diemer, Jr.  
Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

NAME

NAME

\*

\*

-----  
Lawrence A. Bossidy  
Chairman of the Board and Director

-----  
Robert P. Luciano  
Director

\*

\*

-----  
Michael R. Bonsignore  
Chief Executive Officer and Director

-----  
Russell E. Palmer  
Director

\*

\*

-----  
Hans W. Becherer  
Director

-----  
Ivan G. Seidenberg  
Director

\*

\*

-----  
Gordon M. Bethune  
Director

-----  
Andrew C. Sigler  
Director

\*

\*

-----  
Marshall N. Carter  
Director

-----  
John R. Stafford  
Director

\*

\*

-----  
Jaime Chico Pardo  
Director

-----  
Michael W. Wright  
Director

\*

-----  
/s/ RICHARD J. DIEMER, JR.

-----  
Ann M. Fudge  
Director

-----  
Richard J. Diemer, Jr.  
Vice President and Controller  
(Principal Accounting Officer)

\*

-----  
James J. Howard  
Director

\*

-----  
Bruce Karatz  
Director

-----  
/s/ RICHARD F. WALLMAN

-----  
Richard F. Wallman  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

\*By: /s/ RICHARD F. WALLMAN

-----  
(Richard F. Wallman  
Attorney-in-fact)

February 22, 2000

## EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
2	Omitted (Inapplicable)
3(i)	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3(i) to the Company's Form 8-K filed December 3, 1999)
3(ii)	By-laws of the Company, as amended (incorporated by reference to Exhibit 3(ii) to the Company's Form 8-K filed December 3, 1999)
4	The Company is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, the Company agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
9	Omitted (Inapplicable)
10.1	Master Support Agreement, dated February 26, 1986, as amended and restated January 27, 1987, as further amended July 1, 1987 and as again amended and restated December 7, 1988, by and among the Company, Wheelabrator Technologies Inc., certain subsidiaries of Wheelabrator Technologies Inc., The Henley Group, Inc. and Henley Newco Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K for the year ended December 31, 1988)
10.2*	Deferred Compensation Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 1996)
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit C to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.4*	1985 Stock Plan for Employees of Allied-Signal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.3 to the Company's Form 10-Q for the quarter ended September 30, 1991)
10.5*	AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, as amended (incorporated by reference to Exhibit B to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, and to Exhibit 10.5 to the Company's Form 10-Q for the quarter ended June 30, 1999)
10.6*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of AlliedSignal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1995)
10.7*	AlliedSignal Inc. Severance Plan for Senior Executives, as amended (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 1994)
10.8*	Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates, as amended (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended March 31, 1995, and to Exhibit 10.9 to the Company's Form 10-Q for the quarter ended June 30, 1999)
10.9*	1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (incorporated by reference to Exhibit A to the Company's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)

## EXHIBIT NO.

## DESCRIPTION

EXHIBIT NO.	DESCRIPTION
10.10*	Amended and restated Agreement, dated May 6, 1994, as amended May 12, 1997 between the Company and Lawrence A. Bossidy (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 1994 and to Exhibit 10.15 to the Company's Form 10-Q for the quarter ended June 30, 1997)
10.11	364-Day Credit Agreement dated as of December 2, 1999 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, Morgan Guaranty Trust Company of New York, as syndication agent, and Salomon Smith Barney Inc. and J.P. Morgan Securities Inc., as arrangers (filed herewith)
10.12	Five Year Credit Agreement dated as of December 2, 1999 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, The Chase Manhattan Bank, Deutsche Bank AG and Bank of America, N.A., as syndication agents, and Salomon Smith Barney Inc., as lead arranger and book manager (filed herewith)
10.13*	AlliedSignal Inc. Supplemental Pension Plan, as amended (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1997)
10.14*	Employment Agreement dated as of December 1, 1999 between the Company and Michael R. Bonsignore (incorporated by reference to Exhibit 10.14 to the Company's Form 8-K filed December 3, 1999)
10.15	US \$1 Billion Credit Agreement dated as of January 13, 2000 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, Morgan Guaranty Trust Company of New York, as syndication agent, and Salomon Smith Barney Inc. and J.P. Morgan Securities Inc., as arrangers (filed herewith)
11	Omitted (Inapplicable)
12	Omitted (Inapplicable)
13	Pages 20, 24, 26, 28 and 30 through 61 (except for the data included under the captions 'Financial Statistics' and 'Other Information' on page 30) of the Company's 1999 Annual Report to Shareowners (filed herewith)
16	Omitted (Inapplicable)
18	Omitted (Inapplicable)
21	Subsidiaries of the Registrant (filed herewith)
22	Omitted (Inapplicable)
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith)
23.2	Consent of Deloitte & Touche LLP (filed herewith)
24	Powers of Attorney (filed herewith)
27	Financial Data Schedule (filed herewith)
28	Omitted (Inapplicable)
99	Omitted (Inapplicable)

The Exhibits identified above with an asterisk(\*) are management contracts or compensatory plans or arrangements.

EXECUTION COPY

U.S. \$2,000,000,000

364-DAY CREDIT AGREEMENT

Dated as of December 2, 1999

Among

HONEYWELL INTERNATIONAL INC.,

as Borrower,

and

THE INITIAL LENDERS NAMED HEREIN,

as Initial Lenders,

and

CITIBANK, N.A.,

as Administrative Agent

and

THE CHASE MANHATTAN BANK

DEUTSCHE BANK AG

BANK OF AMERICA, N.A.

as Syndication Agents

and

SALOMON SMITH BARNEY INC.

as Lead Arranger and Book Manager



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- Exhibit B-1 - Form of Notice of Revolving Credit Borrowing
- Exhibit B-2 - Form of Notice of Competitive Bid Borrowing
- Exhibit C - Form of Assignment and Acceptance
- Exhibit D - Form of Assumption Agreement
- Exhibit E - Form of Designation Letter
- Exhibit F - Form of Acceptance by Process Agent
- Exhibit G - Form of Opinion of J. Edward Smith, Assistant General Counsel of the Company
- Exhibit H - Form of Opinion of Counsel to a Designated Subsidiary
- Exhibit I - Form of Opinion of Shearman & Sterling, Counsel to the Agent

364-DAY CREDIT AGREEMENT

Dated as of December 2, 1999

HONEYWELL INTERNATIONAL INC., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at 399 Park Avenue, New York, New York 10043, Account No. 36852248, Attention: Janet Wallace, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Company and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Company and the Lenders for such purpose.

"Alternate Currency" means any lawful currency other than Dollars and the Major Currencies that is freely transferrable and convertible into Dollars.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means, as of any date, 0.145% per annum.

"Applicable Percentage" means, as of any date, a 0.055% per annum.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" means an Eligible Assignee not previously a Lender that becomes a Lender hereunder pursuant to Section 2.16.

"Assumption Agreement" means an agreement in substantially the form of Exhibit D hereto by which an Eligible Assignee agrees to become a Lender hereunder pursuant to Section 2.16, in each case agreeing to be bound by all obligations of a Lender hereunder.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/32 of 1% or, if there is no nearest 1/32 of 1%, to the next higher 1/32 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal

Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States;

(c) 1/2 of one percent per annum above the Federal Funds Rate; and

(d) for the period from December 15, 1999 through January 15, 2000, two percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

"Borrower" means the Company or any Designated Subsidiary, as the context requires.

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advance or LIBO Rate Advance, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in the euro, in Frankfurt, Germany) and, if the applicable Business Day relates to any Local Rate Advance, on which banks are open for business in the country of issue of the currency of such Local Rate Advance.

"Change of Control" means that (i) any Person or group of Persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended (the "Act")) (other than the Company, any Subsidiary of the Company or any savings, pension or other benefit plan for the benefit of employees of the Company or its Subsidiaries) which theretofore beneficially owned less than 30% of the Voting Stock of the Company then outstanding shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Act) of 30% or more in voting power of the outstanding Voting Stock of the Company or (ii) during any period of twelve consecutive calendar months commencing at the effective time of the merger of Honeywell Inc. and a wholly owned Subsidiary of the Company as contemplated by the

Merger Agreement, individuals who at the beginning of such twelve-month period were directors of the Company shall cease to constitute a majority of the Board of Directors of the Company.

"Commitment" means as to any Lender (i) the Dollar amount set forth opposite its name on the signature pages hereof, (ii) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement, the Dollar amount set forth as its Commitment in such Assumption Agreement or (iii) if such Lender has entered into any Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), in each case as the same may be terminated or reduced, as the case may be, pursuant to Section 2.05.

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance, a LIBO Rate Advance or a Local Rate Advance (each of which shall be a "Type" of Competitive Bid Advance).

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender to such Borrower.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Consenting Lenders" has the meaning specified in Section 2.16(b).

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Subsidiary" means, at any time, any Subsidiary the accounts of which are required at that time to be included on a Consolidated basis in the Consolidated financial statements of the Company, assuming that such financial statements are prepared in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.11.



"Debt" means, with respect to any Person: (i) indebtedness of such Person, which is not limited as to recourse to such Person, for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred (for 90 days or more) purchase or acquisition price of property or services; (ii) indebtedness or obligations of others which such Person has assumed or guaranteed; (iii) indebtedness or obligations of others secured by a lien, charge or encumbrance on property of such Person whether or not such Person shall have assumed such indebtedness or obligations; (iv) obligations of such Person in respect of letters of credit (other than performance letters of credit, except to the extent backing an obligation of any Person which would be Debt of such Person), acceptance facilities, or drafts or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; and (v) obligations of such Person under leases which are required to be capitalized on a balance sheet of such Person in accordance with GAAP.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary" means any corporate Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.08.

"Designation Letter" means, with respect to any Designated Subsidiary, a letter in the form of Exhibit E hereto signed by such Designated Subsidiary and the Company.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Dollars" and the "\$" sign each mean lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto and, with respect to any other Lender, the office of such Lender specified as its "Domestic Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Domestic Subsidiary" means any Subsidiary whose operations are conducted primarily in the United States excluding any Subsidiary whose assets consist primarily of the stock of Subsidiaries whose operations are conducted outside the United States of America.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; (iii) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (iv) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof, and having a net worth of at least \$500,000,000, calculated in accordance with GAAP; (v) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (v); and (vi) the central bank of any country that is a member of the Organization for Economic Cooperation and Development.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equivalent" in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the "Equivalent" in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange such Foreign Currency for Dollars in London

prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" of any Person means any other Person that for purposes of Title IV of ERISA is a member of such Person's controlled group, or under common control with such Person, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" with respect to any Person means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan of such Person or any of its ERISA Affiliates unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan of such Person or any of its ERISA Affiliates, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan of such Person or any of its ERISA Affiliates; (c) the provision by the administrator of any Plan of such Person or any of its ERISA Affiliates of a notice of intent to terminate such Plan in a distress termination pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of such Person or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by such Person or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan of such Person or any of its ERISA Affiliates; (g) the adoption of an amendment to a Plan of such Person or any of its ERISA Affiliates requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan of such Person or any of its ERISA Affiliates pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"Escrow" means an escrow established with an independent escrow agent pursuant to an escrow agreement reasonably satisfactory in form and substance to the Person or Persons asserting the obligation of one or more Borrowers to make a payment to it or them hereunder.

"Eurocurrency Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto and, with respect to any other Lender, the office of such Lender specified as its "Eurocurrency Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on the applicable Telerate Page as the London interbank offered rate for deposits in Dollars or in the relevant Major Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/32 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or in the relevant Major Currency are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Telerate Page is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurocurrency Rate Advance" means a Revolving Credit Advance denominated in Dollars or in a Major Currency that bears interest as provided in Section 2.07(a) (ii).

"Eurocurrency Rate Reserve Percentage" for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including,

without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Extension Date" has the meaning specified in Section 2.16(a).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Advance" has the meaning specified in Section 2.03(a)(i), which Advance shall be denominated in Dollars or in any Foreign Currency.

"Foreign Currency" means any Major Currency or any Alternate Currency.

"GAAP" has the meaning specified in Section 1.03.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period

selected by the Borrower requesting such Borrowing pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months and, if available to all Lenders, nine months, as the Borrower requesting the Borrowing may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) such Borrower may not select any Interest Period that ends after the scheduled Termination Date;

(ii) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means, collectively, (i) Initial Lenders, (ii) each Assuming Lender that shall become a party hereto pursuant to Section 2.16 and (iii) each Eligible Assignee that shall become a party hereto pursuant to Section 9.07(a), (b) and (c).

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on the applicable Telerate Page as the London interbank

offered rate for deposits in Dollars or in the relevant Foreign Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/32 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or in the relevant Foreign Currency are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Telerate Page is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advance" means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

"Lien" means any lien, mortgage, pledge, security interest or other charge or encumbrance of any kind.

"Local Rate Advance" means a Competitive Bid Advance denominated in any Foreign Currency sourced from the jurisdiction of issuance of such Foreign Currency and bearing interest at a fixed rate.

"Major Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of the Federal Republic of Germany, lawful currency of Japan, lawful currency of the Republic of France and lawful currency of the European Economic and Monetary Union.

"Majority Lenders" means at any time Lenders holding at least 51% of the then aggregate principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments.

"Material Adverse Change" means any material adverse change in the financial condition or results of operations of the Company and its Consolidated Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or results of operations of the Company and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrowers to perform their obligations under this Agreement or any Note.

"Merger Agreement" means the Agreement and Plan of Merger dated as of June 4, 1999 among Honeywell Inc., the Company and Blossom Acquisition Corp, a wholly owned Subsidiary of the Company.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" of any Person means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which such Person or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and at least one Person other than such Person or any of its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Tangible Assets of the Company and its Consolidated Subsidiaries", as at any particular date of determination, means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, as set forth in the most recent balance sheet of the Company and its Consolidated Subsidiaries and computed in accordance with GAAP.

"Non-Consenting Lender" has the meaning specified in Section 2.16(b).

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).



"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Obligations" has the meaning specified in Section 7.01(b).

"Payment Office" means, for any Foreign Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Borrowers and the Lenders.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Process Agent" has the meaning specified in Section 9.13(a).

"Rating Condition" has the meaning specified in Section 2.05(c) (ii).

"Rating Condition Notice" has the meaning specified in Section 2.05(c) (ii).

"Reference Banks" means Citibank, Bank of America, N.A., The Chase Manhattan Bank and Deutsche Bank AG.

"Register" has the meaning specified in Section 9.07(d).

"Restricted Property" means (a) any property of the Company located within the United States of America that, in the opinion of the Company's Board of Directors, is a principal manufacturing property or (b) any shares of capital stock or Debt of any Subsidiary owning any such property.

"Revolving Credit Advance" means an advance by a Lender to any Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of any Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.17 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender to such Borrower.

"Sale and Leaseback Transaction" means any arrangement with any Person (other than the Company or a Subsidiary of the Company), or to which any such Person is a party, providing for the leasing to the Company or to a Subsidiary of the Company owning Restricted Property for a period of more than three years of any Restricted Property that has been or is to be sold or transferred by the Company or such Subsidiary to such Person, or to any other Person (other than the Company or a Subsidiary of the Company) to which funds have been or are to be advanced by such Person on the security of the leased property. It is understood that arrangements pursuant to Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, or any successor provision having similar effect, are not included within this definition of "Sale and Leaseback Transaction".

"Single Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and no Person other than such Person and its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.

"Sub-Agent" means Citibank International plc.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Telerate Page" means, as applicable, page 3740 or 3750 (or any successor pages, respectively) of Telerate Service of Bridge Information Services.

"Termination Date" means the earlier of (a) November 30, 2000, or such later date to which it may be extended pursuant to Section 2.16, and (b) the date of termination in whole of the Commitments pursuant to Section 2.05(a) or Section 6.01 or, if all Lenders elect to terminate their Commitments as provided therein, Section 2.05(d).

"Threatened" means, with respect to any action, suit, investigation, litigation or proceeding, a written communication to the Company or a Designated Subsidiary, as the case may be, expressing an intention to immediately bring such action, suit, investigation, litigation or proceeding.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed, and all financial computations and determinations pursuant hereto shall be made, in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP"); provided, however, that, if any changes in accounting principles from those used in the preparation of such financial statements have been required by the rules, regulations, pronouncements or opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and have been adopted by the Company with the agreement of its independent certified public accountants, the Lenders agree to consider a request by the Company to amend this Agreement to take account of such changes.

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to any Borrower

from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advance denominated in a Major Currency on the Equivalent in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing), not to exceed at any time outstanding such Lender's Commitment, provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount (based in respect of any Competitive Bid Advance denominated in a Foreign Currency on the Equivalent in Dollars at such time) of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an aggregate amount not less than \$10,000,000 (or the Equivalent thereof in any Major Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Major Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) in excess thereof and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments; provided, however, that if there is no unused portion of the Commitment of one or more Lenders at the time of any requested Revolving Credit Borrowing such Borrowing shall consist of Revolving Credit Advances of the same Type made on the same day by the Lender or Lenders who do then have an unused portion of their Commitments ratably according to the unused portion of such Commitments. Notwithstanding anything herein to the contrary, no Revolving Credit Borrowing may be made in a Major Currency if, after giving effect to the making of such Revolving Credit Borrowing, the Equivalent in Dollars of the aggregate amount of outstanding Revolving Credit Advances denominated in Major Currencies, together with the Equivalent in Dollars of the aggregate amount of outstanding Competitive Bid Advances denominated in Foreign Currencies, would exceed \$500,000,000. Within the limits of each Lender's Commitment, any Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.09 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 10:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Major Currency, (y) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars or (z) 9:00 A.M. (New York City time) on the day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by any Borrower to the Agent (and the Agent shall, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, immediately relay such notice to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit

Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 11:00 A.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Major Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's account, in same day funds, such Lender's ratable portion (as determined in accordance with Section 2.01) of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower requesting the Revolving Credit Borrowing at the Agent's aforesaid address or at the applicable Payment Office, as the case may be.

(b) Anything in subsection (a) above to the contrary notwithstanding, a Borrower may not select Eurocurrency Rate Advances for any proposed Revolving Credit Borrowing if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.11.

(c) Each Notice of Revolving Credit Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower requesting such Revolving Credit Borrowing shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower proposing such Revolving Credit Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made

such ratable portion available to the Agent, such Lender and such Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in any Major Currency. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that any Borrower may request Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring seven days prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate amount (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars on such Business Day) of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction). Notwithstanding anything herein to the contrary, no Competitive Bid Borrowing may be made in a Foreign Currency if, after giving effect to the making of such Revolving Credit Borrowing, the Equivalent in Dollars of the aggregate amount of outstanding Competitive Bid Advances denominated in Foreign Currencies, together with the Equivalent in Dollars of the aggregate amount of outstanding Revolving Credit Advances denominated in Major Currencies, would exceed \$500,000,000.

(i) Any Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and the Agent shall, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, immediately notify the Sub-Agent), by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders,

(D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances or Local Rate Advances, maturity date for repayment of each Fixed Rate Advance or Local Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring five days after the date of such Competitive Bid Borrowing or later than the Termination Date), (F) interest payment date or dates relating thereto, (G) location of such Borrower's account to which funds are to be advanced, and (H) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (w) 10:00 A.M. (New York City time) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in its Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (each Advance comprising any such Competitive Bid Borrowing being referred to herein as a "Fixed Rate Advance") and that the Advances comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, (x) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in its Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (y) 3:00 P.M. (New York City time) at least three Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (z) 3:00 P.M. (New York City time) at least five Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in its Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency. Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on such Borrower. Any Notice of Competitive Bid Borrowing by a Designated Subsidiary shall be given to the Agent in accordance with the preceding sentence through the Company on behalf of such Designated Subsidiary. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from such Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower proposing the Competitive Bid Borrowing as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to such Borrower and to the Sub-Agent, if applicable), (A) before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 10:00 A.M. (New York City time) on the second Business Day prior to the date of such proposed Competitive Bid Borrowing,

in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 10:00 A.M. (New York City time) four Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts, or the Equivalent thereof in Dollars, as the case may be, may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 10:00 A.M. (New York City time) (and the Agent shall notify the Sub-Agent, if applicable) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower proposing the Competitive Bid Advance shall, in turn, (A) before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 10:00 A.M. (New York City time) on the Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, either:



(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent (and the Agent shall give notice to the Sub-Agent, if applicable) of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect; provided, however, that such Borrower shall not accept any offer in excess of the requested bid amount for any maturity. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent that such Competitive Bid Borrowing is canceled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower proposing the Competitive Bid Borrowing accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 11:00 A.M. (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time

when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent (x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 9.02, in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars, and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower's account at the location specified by such Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of such Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount not less than \$10,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower that has borrowed such Competitive Bid Borrowing shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, any Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) Any Borrower that has borrowed through a Competitive Bid Borrowing shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of such Competitive Bid Advance (such maturity date being that specified by such Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a) (i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. Such Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a) (i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) Each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the unpaid principal amount of each Competitive Bid Advance comprising such Competitive Bid Borrowing from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a) (ii) above, payable on the interest payment date or dates specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a) (i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), such Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of any Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 1999, and on the Termination Date.

(b) Agent's Fees. The Company shall pay to the Agent for its own account such fees, and at such times, as the Company and the Agent may separately agree.

SECTION 2.05. Termination or Reduction of the Commitments. (a) Optional Ratable Termination or Reduction. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in an aggregate amount not less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the sum of the aggregate principal amount of the Competitive Bid Advances denominated in Dollars then outstanding plus the Equivalent in Dollars (determined as of the date of the notice of prepayment) of the aggregate principal amount of the Competitive Bid Advances denominated in Foreign Currencies then outstanding. The aggregate amount of the Commitments, once reduced as provided in this Section 2.05(a), may not be reinstated.

(b) Non-Ratable Termination by Assignment. The Company shall have the right, upon at least ten Business Days' written notice to the Agent (which shall then give prompt notice thereof to the relevant Lender), to require any Lender to assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Event of Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10 and any indemnification for Taxes under Section 2.13) as of the effective date of such assignment; and (iv) if the assignee selected by the Company is not an existing Lender, such assignee or the Company shall have paid the processing and recordation fee required under Section 9.07(a) for such assignment; provided further that the Company shall have no right to replace more than three Lenders in any calendar year pursuant to this Section 2.05(b); and provided further that the assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the date of assignment.

(c) Non-Ratable Reduction. (i) The Company shall have the right, at any time other than during any Rating Condition, upon at least ten Business Days' notice to a Lender (with a copy to the Agent), to terminate in whole such Lender's Commitment (determined without giving effect to any Competitive Bid Reduction). Such termination shall be effective, (i) with respect to such Lender's unused Commitment, on the date set forth in such notice, provided, however, that such date shall be no earlier than ten Business Days after receipt of such notice and (ii) with respect to

each Advance outstanding to such Lender, on the last day of the then current Interest Period relating to such Advance; provided further, however, that such termination shall not be effective, if, after giving effect to such termination, the Company would, under this Section 2.05(c), reduce the Lenders' Commitments in any calendar year by an amount in excess of the Commitments of any three Lenders or \$480,000,000, whichever is greater on the date of such termination. Notwithstanding the preceding proviso, the Company may terminate in whole the Commitment of any Lender in accordance with the terms and conditions set forth in Section 2.05(b) or 2.16(b). Upon termination of a Lender's Commitment under this Section 2.05(c), the Company will pay or cause to be paid all principal of, and interest accrued to the date of such payment on, Advances owing to such Lender and pay any facility fees or other fees payable to such Lender pursuant to the provisions of Section 2.04, and all other amounts payable to such Lender hereunder (including, but not limited to, any increased costs or other amounts owing under Section 2.10 and any indemnification for Taxes under Section 2.13); and upon such payments, the obligations of such Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that such Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05 shall survive such release and discharge as to matters occurring prior to such date. The aggregate amount of the Commitments of the Lenders once reduced pursuant to this Section 2.05(c) may not be reinstated.

(ii) For purposes of this Section 2.05(c) only, the term "Rating Condition" shall mean a period commencing with notice (a "Rating Condition Notice") by the Agent to the Company and the Lenders to the effect that the Agent has been informed that the rating of the senior public Debt of the Company is unsatisfactory under the standard set forth in the next sentence, and ending with notice by the Agent to the Company and the Lenders to the effect that such condition no longer exists. The Agent shall give a Rating Condition Notice promptly upon receipt from the Company or any Lender of notice stating, in effect, that both of S&P and Moody's (or any successor by merger or consolidation to the business of either thereof), respectively, then rate the senior public Debt of the Company lower than BBB- and Baa3. The Company agrees to give notice to the Agent forthwith upon any change in a rating by either such organization of the senior public Debt of the Company; the Agent shall have no duty whatsoever to verify the accuracy of any such notice from the Company or any Lender or to monitor independently the ratings of the senior public Debt of the Company and no Lender shall have any duty to give any such notice. The Agent shall give notice to the Lenders and the Company as to the termination of a Rating Condition promptly upon receiving a notice from the Company to the Agent (which notice the Agent shall promptly notify to the Lenders) stating that the rating of the senior public Debt of the Company does not meet the standard set forth in the second sentence of this clause (ii), and requesting that the Agent notify the Lenders of the termination of the Rating Condition. The Rating Condition shall terminate upon the giving of such notice by the Agent.

(d) Termination by a Lender. In the event that a Change of Control occurs, each Lender may, by notice to the Company and the Agent given not later than 50 calendar days after

such Change of Control, terminate its Commitment, which Commitment shall be terminated effective as of the later of (i) the date that is 60 calendar days after such Change of Control or (ii) the end of the Interest Period for any Advance outstanding at the time of such Change of Control or for any Advance made pursuant to the next sentence of this Section 2.05(d). Upon the occurrence of a Change of Control, each Borrower's right to make a Borrowing under this Agreement shall be suspended for a period of 60 calendar days, except for Advances having an interest period ending not later than 90 calendar days after such Change of Control. A notice of termination pursuant to this Section 2.05(d) shall not have the effect of accelerating any outstanding Advance of such Lender and the Notes of such Lender.

(e) Mandatory Reduction. To the extent that the Company has not on or prior to March 31, 2000 reduced the aggregate Commitments to \$1,000,000,000 or less, on March 31, 2000 the aggregate Commitments shall be reduced to \$1,000,000,000 and the Commitment of each Lender shall be reduced ratably.

SECTION 2.06. Repayment of Advances. (a) Revolving Credit Advances. Each Borrower shall repay to the Administrative Agent, for the ratable account of the Lenders, on the Termination Date the aggregate principal amount of all Revolving Credit Advances made to it outstanding on such date.

(b) Competitive Bid Advances. Each Borrower shall repay to the Administrative Agent, for the account of each Lender that has made a Competitive Bid Advance, the aggregate outstanding principal amount of each Competitive Bid Advance made to such Borrower and owing to such Lender on the earlier of (i) the maturity date therefor, specified in the related Notice of Competitive Bid Borrowing delivered pursuant to Section 2.03(a)(i) and (ii) the Termination Date.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if

such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder by such Borrower that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurocurrency Rate and each LIBO Rate if the applicable Telerate Page is unavailable. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the Company and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Majority Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London interbank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify each Borrower and the Lenders, whereupon (A) the Borrower will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Major Currency, either (x) prepay such Advances or (y) redenominate such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances, and (B) the obligation of the Lenders to make Eurocurrency Rate Advances in the same currency as such Eurocurrency Rate Advances

shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If any Borrower, in requesting a Revolving Credit Borrowing comprised of Eurocurrency Rate Advances, shall fail to select the duration of the Interest Period for such Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will (to the extent such Eurocurrency Rate Advances remain outstanding on such day) automatically, on the last day of the then existing Interest Period therefor, (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in any Major Currency, be redenominated into an Equivalent amount of Dollars and be Converted into Base Rate Advances.

(d) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurocurrency Rate Advance will (to the extent such Eurocurrency Rate Advance remains outstanding on such day) automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Major Currency, be redenominated into an Equivalent amount of Dollars and Converted into a Base Rate Advance and (ii) the obligation of the Lenders to make Eurocurrency Rate Advances shall be suspended.

(e) If the applicable Telerate Page is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(i) the Agent shall forthwith notify the relevant Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will (to the extent such Eurocurrency Rate Advance remains outstanding on such day) automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, be prepaid by the applicable Borrower or be automatically Converted into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Major Currency, be prepaid by the applicable Borrower or be automatically redenominated into an Equivalent amount of Dollars and Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and



(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Prepayments of Revolving Credit Advances. (a) Optional Prepayments. Each Borrower may, upon notice to the Agent stating the proposed date and aggregate principal amount of the prepayment, given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of such proposed prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the day of such proposed prepayment, in the case of Base Rate Advances, and, if such notice is given, such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than \$10,000,000 or the Equivalent thereof in a Major Currency (determined on the date notice of prepayment is given) or an integral multiple of \$1,000,000 or the Equivalent thereof in a Major Currency (determined on the date notice of prepayment is given) in excess thereof and (y) in the event of any such prepayment of a Eurocurrency Rate Advance other than on the last day of the Interest Period therefor, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c). Each notice of prepayment by a Designated Subsidiary shall be given to the Administrative Agent through the Company.

(b) Mandatory Prepayments. (i) If, on any date, the sum of (A) the aggregate principal amount of all Advances denominated in Dollars then outstanding plus (B) the Equivalent in Dollars (determined on the third Business Day prior to such date) of the aggregate principal amount of all Advances denominated in Foreign Currencies then outstanding exceeds 103% of the aggregate Commitments of the Lenders on such date, the Company and each other Borrower, if any, shall thereupon promptly prepay the outstanding principal amount of any Advances owing by such Borrower in an aggregate amount sufficient to reduce such sum to an amount not to exceed 100% of the aggregate Commitments of the Lenders on such date, together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance, a LIBO Rate Advance or a Local Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which such Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 9.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.09(b)(i) to the Borrowers and the Lenders.

(ii) If, on any date, the sum of (A) the Equivalent in Dollars of the aggregate principal amount of all Eurocurrency Rate Advances denominated in Major Currencies then outstanding plus (B) the Equivalent in Dollars of the aggregate principal amount of all Competitive Bid Advances denominated in Foreign Currencies then outstanding, shall exceed 110% of

\$500,000,000, the Company and each other Borrower shall prepay the outstanding principal amount of any such Eurocurrency Rate Advances or any such LIBO Rate Advances owing by such Borrower, on the last day of the Interest Periods relating to such Advances, in an aggregate amount sufficient to reduce such sum to an amount not to exceed \$500,000,000, together with any interest accrued to the date of such prepayment on the principal amounts prepaid. The Agent shall give prompt notice of any prepayment required under this Section 2.09(b)(ii) to the Borrowers and the Lenders.

SECTION 2.10. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.10 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.13 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower of such Advances shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to such Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Company and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(c) Any Lender claiming any additional amounts payable pursuant to this Section 2.10 shall, upon the written request of the Company delivered to such Lender and the Agent, assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations

under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under this Section 2.10, and any indemnification for Taxes under Section 2.13) as of the effective date of such assignment and (iv) if the assignee selected by the Company is not an existing Lender, such assignee or the Company shall have paid the processing and recordation fee required under Section 9.07(a) for such assignment; provided further that the assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the date of assignment.

SECTION 2.11. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances in Dollars or any Major Currency or LIBO Rate Advances in Dollars or in any Foreign Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or in any Major Currency or LIBO Rate Advances in Dollars or in any Foreign Currency hereunder, (a) each such Eurocurrency Rate Advance or such LIBO Rate Advance, as the case may be, will automatically, upon such demand, (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a) (i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be redenominated into an Equivalent amount of Dollars and Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a) (i), as the case may be, and (b) the obligation of the Lenders to make such Eurocurrency Rate Advances or such LIBO Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.12. Payments and Computations. (a) Each Borrower shall make each payment hereunder and under any Notes, except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at the applicable Agent's Account in same day funds. Each Borrower shall make each payment hereunder and under any Notes with respect to principal of, interest on, and other amounts relating to Advances denominated in a Foreign Currency not later than 12:00 Noon (at the Payment Office for such Foreign Currency) on the day when due in such Foreign Currency to the Agent in same day funds by deposit of such funds to the

applicable Agent's Account. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.05(b), 2.05(c), 2.10, 2.13, 2.16 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under any Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. Upon any Assuming Lender becoming a Lender hereunder as a result of the effectiveness of an extension of the Termination Date pursuant to Section 2.16, and upon the Agent's receipt of such Lender's Assumption Agreement and recording the information contained therein in the Register, from and after the Increase Date or the Extension Date, as the case may be, the Agent shall make all payments hereunder and under any Notes in respect of the interest assumed thereby to the Assuming Lender.

(b) All computations of interest based on the Base Rate and of facility fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate shall be made by the Agent on the basis of a year of 360 days and all computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Agent may assume that such Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed

to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign Currencies.

SECTION 2.13. Taxes. (a) Any and all payments by any Borrower (including the Company in its capacity as a guarantor under Article VII hereof) hereunder or under the Notes shall be made, in accordance with Section 2.12, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, net income taxes imposed by the United States and taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If any Borrower (including the Company in its capacity as a guarantor under Article VII hereof) shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) Each Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 2.13) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that a Borrower shall not be obligated to pay any amounts in respect of penalties, interest or expenses pursuant to this paragraph that are payable solely as a result

of (i) the failure on the part of the pertinent Lender or the Agent to pay over those amounts received from the Borrowers under this clause (c) or (ii) the gross negligence or willful misconduct on the part of the pertinent Lender or the Agent. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor. Each Lender agrees to provide reasonably prompt notice to the Agent, the Company and any Borrower of any imposition of Taxes or Other Taxes against such Lender; provided that failure to give such notice shall not affect such Lender's rights to indemnification hereunder. Each Lender agrees that it will, promptly upon a request by the Company or a Borrower having made an indemnification payment hereunder, furnish to the Company or such Borrower, as the case may be, such evidence as is reasonably available to such Lender as to the payment of the relevant Taxes or Other Taxes, and that it will, if requested by the Company or such Borrower, cooperate with the Company or such Borrower, as the case may be, in its efforts to obtain a refund or similar relief in respect of such payment.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of any Borrower through an account or branch outside the United States or by or on behalf of any Borrower by a payor that is not a United States person, if such Borrower determines that no Taxes are payable in respect thereof, such Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by any Borrower (but only so long as such Lender remains lawfully able to do so), shall provide the Agent and each Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. In addition, each Lender further agrees to provide any Borrower with any form or document as any Borrower may request which is required by any taxing authority outside the United States in order to secure an exemption from, or reduction in the rate of, withholding tax. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded

from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which a Lender becomes a party to this Agreement, such Lender was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to such Lender on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that a Lender reasonably considers to be confidential, such Lender shall give notice thereof to each Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide each Borrower with the appropriate form described in Section 2.13(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.13(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, each Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) If any Borrower is required to pay any additional amount to any Lender or to the Agent or on behalf of any of them to any taxing authority pursuant to this Section 2.13, such Lender shall, upon the written request of the Company delivered to such Lender and the Agent, assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10, and any indemnification for Taxes under this Section 2.13) as of the effective date of such assignment; and (iv) if the assignee selected by the Company is not an existing Lender, such assignee or the Company shall have paid the processing and recordation fee required under Section 9.07(a) for such assignment; provided further that the assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the date of assignment.

SECTION 2.14. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.03, 2.05(b), 2.05(c), 2.10, 2.13, 2.16 or 9.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.14 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.15. Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) for general corporate purposes of such Borrower and its Subsidiaries, including, without limitation, backstop of commercial paper.

SECTION 2.16. Extension of Termination Date. (a) At least 45 (but no earlier than 60) days prior to the Termination Date then in effect and provided all representations and warranties are true and correct in all material respects and no Event of Default has occurred and is continuing, the Company may, at its option, by written notice to the Agent, request that the Lenders extend the Termination Date for an additional 364 days from the Termination Date then in effect. Each Lender, in its sole discretion, shall consent or not consent to such extension and shall notify the Agent of its consent or nonconsent to such extension within 20 Business Days of notice of such request from the Agent. If all of the Lenders consent in writing, the then applicable Termination Date shall, effective as at such Termination Date (the "Extension Date"), be extended for a period of 364 days from such Extension Date.

(b) If not all of the Lenders consent, pursuant to subsection (a) of this Section 2.16, to an extension of the Termination Date then in effect (the Lenders so consenting in writing being the "Consenting Lenders", and any Lender not so consenting being a "Non-Consenting Lender"), the Company may:

(i) arrange for one or more Consenting Lenders or other Eligible Assignees as Assuming Lenders to assume, effective on the Extension Date, any Non-Consenting Lender's Commitment and all of the obligations of such Lender under this Agreement thereafter



arising, and effective on such Extension Date, each such Consenting Lender or such Assuming Lender will be substituted for such Non-Consenting Lender under this Agreement; provided, however, that the amount of the Commitment of any such Assuming Lender as a result of such substitution shall in no event be less than \$10,000,000; provided further that (i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Consenting Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of the assignment on, the Advances of such Non-Consenting Lender; (ii) the Company shall have paid to such Non-Consenting Lender any and all facility fees and other fees payable to such Non-Consenting Lender and all other accrued and unpaid amounts owing to such Non-Consenting Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10, and any indemnification for Taxes under this Section 2.13) as of the effective date of such assignment; and (iii) with respect to any such Assuming Lender, such Assuming Lender or the Company shall have paid the applicable processing and recordation fee required under Section 9.07(a) for such assignment; provided further that such Non-Consenting Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such substitution as to matters occurring prior to the date of substitution; provided further that, on or prior to the tenth day prior to the Extension Date, (x) any such Assuming Lender shall have delivered to the Company and the Agent an Assumption Agreement in substantially the form of Exhibit D hereto, duly executed by such Assuming Lender, such Non-Consenting Lender and the Company, (y) any such Consenting Bank shall have delivered confirmation in writing satisfactory to the Agent as to its increased Commitment and (z) each Non-Consenting Lender being replaced pursuant to this clause (i) shall have delivered to the Agent any Revolving Credit Note or Notes held by such Non-Consenting Lender; and provided further that, if requested by any Assuming Lender, each Borrower, at its own expense, shall have executed and delivered to the Agent no later than 10:00 A.M. (New York City time) on the Extension Date, Revolving Credit Notes payable to the order of each such Assuming Lender, if any, dated as of the Extension Date and substantially in the form of Exhibit A-1 hereto; or

(ii) subject to the giving of notice to such Non-Consenting Lender at least four days prior to the Extension Date, pay, prepay or cause to be prepaid, on and effective as of the Extension Date, all principal of, and interest accrued to the date of such payment on, Advances and all other amounts owing to such Non-Consenting Lender hereunder (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10 and any indemnification for Taxes under Section 2.13) and terminate in whole any Non-Consenting Lender's Commitment, notwithstanding the provisions of Section 2.05; and, upon such payment or prepayment, the obligations of such Non-Consenting Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that such Non-Consenting Lender's rights under Sections 2.10, 2.13 and 9.04, and its

obligations under Section 8.05 shall survive such release and discharge as to matters occurring prior to the Extension Date.

(c) In the event that, on or prior to the then applicable Extension Date, all NonConsenting Lenders shall have been superseded by Consenting Lenders or Assuming Lenders or shall have had their Commitments terminated pursuant to subsection (b)(i) or (b)(ii) above, the Termination Date then in effect shall be extended for the additional one-year period as described in subsection (a) above, each Non-Consenting Lender shall have no further Commitment hereunder, and each Assuming Lender, if any, shall thereafter be substituted as a party to this Agreement and be a Lender for the purposes of this Agreement, without any further acknowledgment by or the consent of the Lenders. The Agent shall thereupon promptly deliver the new Revolving Credit Notes to the respective Assuming Lenders requesting such Notes and record in the Register the relevant information with respect to each Consenting Lender and each such Assuming Lender.

(d) In the event that (x) as to a Non-Consenting Lender, neither procedure contemplated by subsection (b)(i) or (b)(ii) above is implemented in a timely basis or (y) the Company shall, by written notice to the Agent at least four days prior to the Extension Date, withdraw its request for the extension of the Termination Date then in effect, such request by the Company shall be deemed not to have been made, all actions theretofore taken under subsection (b)(i) or (b)(ii) above shall be deemed to be of no effect, the Agent shall return any Revolving Credit Notes received from any Non-Consenting Lender to such Non-Consenting Lender and all the rights and obligations of the parties shall continue as if no such request had been made.

SECTION 2.17. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. Each Borrower agrees that upon request of any Lender to such Borrower (with a copy of such notice to the Agent) that such Lender receive a Revolving Credit Note to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and

payable from each Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from each Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrowers to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 1998.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Company or any of its Subsidiaries pending or to the knowledge of the Company Threatened before any court, governmental agency or arbitrator that (i) is reasonably likely to have a Material Adverse Effect, other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note of the Company or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(c) The Company shall have paid all accrued fees and expenses of the Agent and the Lenders in respect of this Agreement.

(d) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(e) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent:

(i) The Revolving Credit Notes of the Company to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.17.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement and the Notes of the Company, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes of the Company and the other documents to be delivered hereunder.

(iv) A favorable opinion of J. Edward Smith, Assistant General Counsel of the Company, substantially in the form of Exhibit G hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, substantially in the form of Exhibit I hereto.

(vi) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

(f) The Company shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding, under (i) the \$750,000,000 Credit Agreement dated as of June 30, 1995 (the "\$750,000,000 Credit Agreement") among the Company, the lenders and arrangers parties thereto and Citibank, as administrative agent, (ii) the \$900,000,000 364 Day Backstop Credit Agreement dated as of October 9, 1998 (the "Backstop Credit Agreement") among the Borrower, as borrower, the lenders and arrangers parties thereto and Citibank, as administrative agent, and (iii) the \$1,325,000,000 Credit Agreement dated as of April 15, 1997 (the "Honeywell Credit Agreement") among Honeywell Inc., as borrower, Morgan Guaranty Trust Company of New York, as documentation agent, Citicorp USA, Inc., as syndication agent, Chase Securities Inc. and J.P.

Morgan Securities Inc., as co-arrangers, and The Chase Manhattan Bank, as administrative agent, and each of the Lenders that is a party to each such credit facility hereby waives, upon execution of this Agreement, the three Business Days' notice required by Section 2.05 of the \$750,000,000 Credit Agreement, Section 2.05 of the Backstop Credit Agreement and Section 2.12 of the Honeywell Credit Agreement, respectively, relating to the termination of commitments thereunder.

(g) All of the conditions precedent to the Merger Agreement (or as amended in a manner satisfactory to the Lenders) shall have been satisfied, including, without limitation, expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act and receipt of all applicable approvals, and the merger contemplated thereby shall have been effected.

SECTION 3.02. Conditions Precedent to Initial Borrowing. The obligation of each Lender to make an Advance on the occasion of the initial Borrowing hereunder is subject to the following conditions precedent:

(a) The Effective Date shall have occurred.

(b) The Company shall have terminated all outstanding commitments of lenders (and paid in full all outstanding debt under the related credit agreements) which backstop commercial paper issuance, other than commitments made by parties which are not Lenders hereunder.

(c) The Company shall have paid all accrued fees and expenses of the Agent (including the billed fees and expenses of counsel to the Agent).

SECTION 3.03. Initial Loan to Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.08 is subject to the Agent's receipt on or before the date of such initial Advance of each of the following, in form and substance satisfactory to the Agent and dated such date, and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(a) The Revolving Credit Notes of such Borrower to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.17.

(b) Certified copies of the resolutions of the Board of Directors of such Borrower (with a certified English translation if the original thereof is not in English) approving this Agreement and the Notes of such Borrower, and of all documents evidencing other necessary

corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(c) A certificate of the Secretary or an Assistant Secretary of such Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the Notes of such Borrower and the other documents to be delivered hereunder.

(d) A certificate signed by a duly authorized officer of the Company, dated as of the date of such initial Advance, certifying that such Borrower shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Borrower to execute and deliver this Agreement and the Notes and to perform its obligations thereunder.

(e) The Designation Letter of such Designated Subsidiary, substantially in the form of Exhibit E hereto.

(f) Evidence of the Process Agent's acceptance of its appointment pursuant to Section 9.13(a) as the agent of such Borrower, substantially in the form of Exhibit F hereto.

(g) A favorable opinion of counsel to such Designated Subsidiary, dated the date of such initial Advance, substantially in the form of Exhibit H hereto.

(h) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

SECTION 3.04. Conditions Precedent to Each Revolving Credit Borrowing. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower requesting such Revolving Credit Borrowing of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Borrowing such statements are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsections (f), (h)-(l) and (n) thereof) are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

additionally, if such Revolving Credit Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.05. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender and substantially in the form of Exhibit A-2 hereto for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower requesting such Competitive Bid Borrowing of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(a) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsections (f), (h)-(l) and (n) thereof) are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Competitive Bid Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default, and

(c) no event has occurred and no circumstance exists as a result of which the information concerning such Borrower that has been provided to the Agent and each Lender by such Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading,

and (iv) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.06. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Company of this Agreement and the Notes of the Company, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not cause or constitute a violation of any provision of law or regulation or any provision of the Certificate of Incorporation or By-Laws of the Company or result in the breach of, or constitute a default or require any consent under, or result in the creation of any lien, charge or encumbrance upon any of the properties, revenues, or assets of the Company pursuant to, any indenture or other agreement or



instrument to which the Company is a party or by which the Company or its property may be bound or affected.

(c) No authorization, consent, approval (including any exchange control approval), license or other action by, and no notice to or filing or registration with, any governmental authority, administrative agency or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Agreement or the Notes of the Company.

(d) This Agreement has been, and each of the Notes when delivered hereunder will have been, duly executed and delivered by the Company. This Agreement is, and each of the Notes of the Company when delivered hereunder will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(e) The Consolidated balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 1998, and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for the fiscal year then ended (together with the notes to the financial statements of the Company and its Consolidated Subsidiaries and the Consolidated statements of cash flows of the Company and its Consolidated Subsidiaries), accompanied by an opinion of one or more nationally recognized firms of independent public accountants, and the Consolidated balance sheet of the Company and its Consolidated Subsidiaries as at June 30, 1999, and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for the six months then ended, duly certified by the principal financial officer of the Company, copies of which have been furnished to each Lender, are materially complete and correct, and fairly present, subject, in the case of said balance sheet as at June 30, 1999, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the Consolidated financial condition of the Company and its Consolidated Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied, except as otherwise noted therein; the Company and its Consolidated Subsidiaries do not have on such date any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in such balance sheet or the notes thereto as at such date. Since December 31, 1998, there has been no Material Adverse Change.

(f) There is no action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, pending or to the knowledge of the Company

Threatened affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) is reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation), or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets (either of the Borrower of such Advance or of such Borrower and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or subject to any restriction contained in any agreement or instrument between such Borrower and any Lender or any Affiliate of any Lender relating to Debt and within the scope of Section 6.01(e) will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(h) The Company and each wholly-owned direct Subsidiary of the Company have, in the aggregate, met their minimum funding requirements under ERISA with respect to their Plans in all material respects and have not incurred any material liability to the PBGC, other than for the payment of premiums, in connection with such Plans.

(i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan of the Company or any of its ERISA Affiliates that has resulted in or is reasonably likely to result in a material liability of the Company or any of its ERISA Affiliates.

(j) The Schedules B (Actuarial Information) to the 1998 annual reports (Form 5500 Series) with respect to each Plan of the Company or any of its ERISA Affiliates, copies of which have been filed with the Internal Revenue Service (and which will be furnished to any Bank through the Administrative Agent upon the request of such Bank through the Administrative Agent to the Company), are complete and accurate in all material respects and fairly present in all material respects the funding status of such Plans at such date, and since the date of each such Schedule B there has been no material adverse change in funding status.

(k) Neither the Company nor any of its ERISA Affiliates has incurred or reasonably expects to incur any Withdrawal Liability to any Multiemployer Plan in an annual amount exceeding 6% of Net Tangible Assets of the Company and its Consolidated Subsidiaries.

(l) Neither the Company nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA. No such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, in a reorganization or termination which might reasonably be expected to result in a liability of the Company in an amount in excess of \$5,000,000.

(m) The Company is not, and immediately after the application by the Company of the proceeds of each Loan will not be, (a) an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (b) a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(n) To the best of the Company's knowledge, the operations and properties of the Company and its Subsidiaries taken as a whole comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been applied for or have been obtained and are in effect for the operations and properties of the Company and its Subsidiaries and the Company and its Subsidiaries are in compliance in all material respects with all such Environmental Permits. To the best of the Company's knowledge no circumstances exist that would be reasonably likely to form the basis of an Environmental Action against the Company or any of its Subsidiaries or any of their properties that could have a Material Adverse Effect.

(i) The Company has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers, vendors and customers) that could be adversely affected by the risk that computer applications used by the Company or any of its Subsidiaries (or suppliers, vendors and customers) may be unable to recognize and perform properly date sensitive functions involving certain dates prior to and any date after December 31, 1999 (the "Year 2000 Problem"), (ii) developed a plan and timetable for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented that plan in accordance with such timetable. Based on the foregoing, the Company believes that all computer applications (including those of its suppliers, vendors and customers) that are material to its or any of its Subsidiaries' business and operations are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before, on and after January 1, 2000, except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

## ARTICLE V

## COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Compliance with Laws, Etc. Comply, and cause each Designated Subsidiary to comply with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws as provided in Section 5.01(j), if failure to comply with such requirements would have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each Designated Subsidiary to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or on its income or profits or upon any of its property; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. Maintain, and cause each Designated Subsidiary to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each Designated Subsidiary to preserve and maintain, its corporate existence and all its material rights (charter and statutory) privileges and franchises; provided, however, that the Company and each Designated Subsidiary may consummate any merger, consolidation or sale of assets permitted under Section 5.02(b).

(e) Visitation Rights. At any reasonable time and from time to time, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any Designated Subsidiary, and to discuss the affairs, finances and accounts of the Company and any Designated Subsidiary with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each Designated Subsidiary to keep, proper books of record and account, in which full and correct entries shall be made of all

financial transactions and the assets and business of the Company and each Designated Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each Designated Subsidiary to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted; provided, however, that neither the Company nor any of its Designated Subsidiaries shall be required to maintain or preserve any property if the failure to maintain or preserve such property shall not have a Material Adverse Effect.

(h) Reporting Requirements. Furnish to the Agent (with a copy for each Lender) and the Agent shall promptly forward the same to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a Consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such quarter and a Consolidated statement of income and cash flows of the Company and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures as of the corresponding date and for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by the principal financial officer, principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company, subject, however, to year-end auditing adjustments, which certificate shall include a statement that such officer has no knowledge, except as specifically stated, of any condition, event or act which constitutes a Default;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a Consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for such fiscal year setting forth in each case in comparative form the corresponding figures as of the close of and for the preceding fiscal year, all in reasonable detail and accompanied by an opinion of independent public accountants of nationally recognized standing, as to said financial statements and a certificate of the principal financial officer, principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company stating that such officer has no knowledge, except as specifically stated, of any condition, event or act which constitutes a Default;

(iii) copies of the Forms 8-K and 10-K reports (or similar reports) which the Company is required to file with the Securities and Exchange Commission of the United States of America, promptly after the filing thereof;

(iv) copies of each annual report, quarterly report, special report or proxy statement mailed to substantially all of the stockholders of the Company, promptly after the mailing thereof to the stockholders;

(v) immediate notice of the occurrence of any Default of which the principal financial officer, principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company shall have knowledge;

(vi) as soon as available and in any event within 15 days after the Company or any of its ERISA Affiliates knows or has reason to know that any ERISA Event has occurred, a statement of a senior officer of the Company with responsibility for compliance with the requirements of ERISA describing such ERISA Event and the action, if any, which the Company or such ERISA Affiliate proposes to take with respect thereto;

(vii) at the request of any Lender, promptly after the filing thereof with the Internal Revenue Service, copies of Schedule B (Actuarial Information) to each annual report (Form 5500 series) filed by the Company or any of its ERISA Affiliates with respect to each Plan;

(viii) promptly after receipt thereof by the Company or any of its ERISA Affiliates, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(ix) promptly after such request, such other documents and information relating to any Plan as any Lender may reasonably request from time to time;

(x) promptly and in any event within five Business Days after receipt thereof by the Company or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) (x) the imposition of Withdrawal Liability in an amount in excess of \$5,000,000 with respect to any one Multiemployer Plan or in an aggregate amount in excess of \$25,000,000 with respect to all such Multiemployer Plans within any one calendar year or (y) the reorganization or termination, within the meaning of Title IV of ERISA, of any Multiemployer Plan that has resulted or might reasonably be expected to result in Withdrawal Liability in an amount in excess of \$5,000,000 or of all such Multiemployer Plans that has resulted or might reasonably be expected to result in

Withdrawal Liability in an aggregate amount in excess of \$25,000,000 within any one calendar year and (B) the amount of liability incurred, or that may be incurred, by the Company or any of its ERISA Affiliates in connection with any event described in such subclause (x) or (y);

(xi) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any Designated Subsidiary of the type described in Section 4.01(f); and

(xii) from time to time such further information respecting the financial condition and operations of the Company and its Subsidiaries as any Lender may from time to time reasonably request.

(i) Authorizations. Obtain, and cause each Designated Subsidiary to obtain, at any time and from time to time all authorizations, licenses, consents or approvals (including exchange control approvals) as shall now or hereafter be necessary or desirable under applicable law or regulations in connection with its making and performance of this Agreement and, upon the request of any Lender, promptly furnish to such Lender copies thereof.

(j) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Company nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(k) Change of Control. If a Change of Control shall occur, within ten calendar days after the occurrence thereof, provide the Agent with notice thereof, describing therein in reasonable detail the facts and circumstances giving rise to such Change in Control.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will not:

(a) Liens, Etc. Issue, assume or guarantee, or permit any of its Subsidiaries owning Restricted Property to issue, assume or guarantee, any Debt secured by Liens on or with respect to any Restricted Property without effectively providing that its obligations to the Lenders under this Agreement and any of the Notes shall be secured equally and ratably with such Debt so long as such Debt shall be so secured, except that the foregoing shall not apply to:

(i) Liens affecting property of the Company or any of its Subsidiaries existing on the Effective Date in effect as of the date hereof or of any corporation existing at the time it becomes a Subsidiary of the Company or at the time it is merged into or consolidated with the Company or a Subsidiary of the Company;

(ii) Liens on property of the Company or its Subsidiaries existing at the time of acquisition thereof or incurred to secure the payment of all or part of the purchase price thereof or to secure Debt incurred prior to, at the time of or within 24 months after acquisition thereof for the purpose of financing all or part of the purchase price thereof;

(iii) Liens on property of the Company or its Subsidiaries (in the case of property that is, in the opinion of the Board of Directors of the Company, substantially unimproved for the use intended by the Company) to secure all or part of the cost of improvement thereof, or to secure Debt incurred to provide funds for any such purpose;

(iv) Liens which secure only Debt owing by a Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(v) Liens in favor of the United States of America, any State, any foreign country, or any department, agency, instrumentality, or political subdivisions of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the property subject thereto, including, without limitation, Liens to secure Debt of the pollution control or industrial revenue bond type; or

(vi) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (i) to (v) inclusive of any Debt secured thereby, provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Lien shall be limited to all or part of the property



which secured the Lien extended, renewed or replaced (plus improvements on such property);

provided, however, that, the Company and any one or more Subsidiaries owning Restricted Property may issue, assume or guarantee Debt secured by Liens which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with the aggregate outstanding principal amount of all other Debt of the Company and its Subsidiaries owning Restricted Property that would otherwise be subject to the foregoing restrictions (not including Debt permitted to be secured under clause (i) through (vi) above) and the aggregate value of the Sale and Leaseback Transactions in existence at such time, does not at any one time exceed 10% of the Net Tangible Assets of the Company and its Consolidated Subsidiaries; and provided further that the following type of transaction, among others, shall not be deemed to create Debt secured by Liens: Liens required by any contract or statute in order to permit the Company or any of its Subsidiaries to perform any contract or subcontract made by it with or at the request of the United States of America, any foreign country or any department, agency or instrumentality of any of the foregoing jurisdictions.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person; provided, however, that the Company may merge or consolidate with any other Person so long as the Company is the surviving corporation and so long as no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

#### ARTICLE VI

##### EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Any Borrower shall fail to pay: (i) any principal of any Advance when the same becomes due and payable; (ii) any facility fees or any interest on any Advance payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or (iii) any other fees or other amounts payable under this Agreement or any Notes within 30 days after the same becomes due and payable other than those fees and amounts the liabilities for which are being contested in good faith by such Borrower and which have been placed in Escrow by such Borrower; or

(b) Any representation or warranty made (or deemed made) by any Borrower (or any of its officers) in connection with this Agreement or by any Designated Subsidiary in the Designation Letter pursuant to which such Designated Subsidiary became a Borrower hereunder shall prove to have been incorrect in any material respect when made (or deemed made); or

(c) The Company shall repudiate its obligations under, or shall default in the due performance or observance of, any term, covenant or agreement contained in Article VII of this Agreement; or

(d) (i) The Company shall fail to perform or observe any other term, covenant or agreement contained in Section 5.02(a) and such failure shall remain unremedied for a period of 30 days after any Lender shall have given notice thereof to the Company (through the Agent), or (ii) the Company or any other Borrower shall fail to perform or to observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain unremedied for a period of 30 days after any Lender shall have given notice thereof to the relevant Borrower or, in the case of the Company, any of the principal financial officer, the principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company, and in the case of any other Borrower, a responsible officer of such Borrower, first has knowledge of such failure; or

(e) (i) The Company or any of its Consolidated or Designated Subsidiaries shall fail to pay any principal of or premium or interest on any Debt (other than Debt owed to the Company or its Subsidiaries or Affiliates) that is outstanding in a principal amount of at least \$150,000,000 in the aggregate (but excluding Debt outstanding hereunder and Debt owed by such party to any bank, financial institution or other institutional lender to the extent the Borrower or any Subsidiary has deposits with such bank, financial institution or other institutional lender sufficient to repay such Debt) of the Company or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or (ii) any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt, or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; provided, however, that, for purposes of this Section 6.01(e), in the case of (x) Debt of any Person (other than the Company or one of its

Consolidated Subsidiaries) which the Company has guaranteed and (y) Debt of Persons (other than the Company or one of its Consolidated Subsidiaries) the payment of which is secured by a Lien on property of the Company or such Subsidiary, such Debt shall be deemed to have not been paid when due or to have been declared to be due and payable only when the Company or such Subsidiary, as the case may be, shall have failed to pay when due any amount which it shall be obligated to pay with respect to such Debt; provided further, however, that any event or occurrence described in this subsection (e) shall not be an Event of Default if (A) such event or occurrence relates to the Debt of any Subsidiary of the Company located in China, India, the Commonwealth of Independent States or Turkey (collectively, the "Exempt Countries"), (B) such Debt is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such event or occurrence is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding such event or occurrence, the book value of the assets of such Subsidiary does not exceed \$150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries the Debt of which would cause an Event of Default to occur but for the effect of this proviso does not exceed \$500,000,000; or

(f) The Company or any of its Designated or Consolidated Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any such Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Company or any such Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); provided, however, that any event or occurrence described in this subsection (f) shall not be an Event of Default if (A) such event or occurrence relates to any Subsidiary of the Company located in an Exempt Country, (B) the Debt of such Subsidiary is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such event or occurrence is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding such event

or occurrence, the book value of the assets of such Subsidiary does not exceed \$150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries with respect to which the happening of the events or occurrences described in this subsection (f) would cause an Event of Default to occur but for the effect of this proviso does not exceed \$500,000,000; or

(g) Any judgment or order for the payment of money in excess of \$150,000,000 shall be rendered against the Company or any of its Subsidiaries and enforcement proceedings shall have been commenced by any creditor upon such judgment or order and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that any such judgment or order shall not be an Event of Default under this Section 6.01(g) if (A) such judgment or order is rendered against any Subsidiary of the Company located in an Exempt Country, (B) the Debt of such Subsidiary is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such judgment or order is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding the tenth consecutive day of the stay period referred to above, the book value of the assets of such Subsidiary does not exceed \$150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries the judgments and orders against which would cause an Event of Default to occur but for the effect of this proviso does not exceed \$500,000,000; or

(h) Any non-monetary judgment or order shall be rendered against the Company or any of its Subsidiaries that is reasonably likely to have a Material Adverse Effect, and enforcement proceedings shall have been commenced by any Person upon such judgment or order and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any license, consent, authorization or approval (including exchange control approvals) now or hereafter necessary to enable the Company or any Designated Subsidiary to comply with its obligations herein or under any Notes of such Borrower shall be modified, revoked, withdrawn, withheld or suspended; or

(j) (i) Any ERISA Event shall have occurred with respect to a Plan of any Borrower or any of its ERISA Affiliates and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans of the Borrowers and their ERISA Affiliates with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Borrowers and

their ERISA Affiliates related to such ERISA Event) exceeds \$150,000,000; or (ii) any Borrower or any of its ERISA Affiliates shall be in default, as defined in Section 4219(c) (5) of ERISA, with respect to any payment of Withdrawal Liability and the sum of the outstanding balance of such Withdrawal Liability and the outstanding balance of any other Withdrawal Liability that any Borrower or any of its ERISA Affiliates has incurred exceeds 6% of Net Tangible Assets of the Company and its Consolidated Subsidiaries; or (iii) any Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan of such Borrower or any of its ERISA Affiliates that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Borrowers and their ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$150,000,000; or

then, and (i) in any such event (except as provided in clause (ii) below), the Agent (A) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (B) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers and (ii) in the case of the occurrence of any Event of Default described in clause (i) or (ii) of Section 6.01(a), the Agent shall, at the request, or may with the consent, of the Lenders which have made or assumed under this Agreement at least 66-2/3% of the aggregate principal amount (based in respect of Competitive Bid Advances denominated in Foreign Currencies on the Equivalent in Dollars on the date of such request) of Competitive Bid Advances then outstanding and to whom such Advances are owed, by notice to the Company, declare the full unpaid principal of and accrued interest on all Competitive Bid Advances hereunder and all other obligations of the Borrowers hereunder to be immediately due and payable, whereupon such Advances and such obligations shall be immediately due and payable, without presentment, demand, protest or other further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the United States Bankruptcy Code of 1978, as amended, (x) the obligation of each Lender to make Advances shall automatically be terminated and (y) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

## ARTICLE VII

## GUARANTEE

SECTION 7.01. Unconditional Guarantee. For valuable consideration, receipt whereof is hereby acknowledged, and to induce each Lender to make Advances to the Designated Subsidiaries and to induce the Agent to act hereunder, the Company hereby unconditionally and irrevocably guarantees to each Lender and the Agent that:

(a) the principal of and interest on each Advance to each Designated Subsidiary shall be promptly paid in full when due (whether at stated maturity, by acceleration or otherwise) in accordance with the terms hereof, and, in case of any extension of time of payment, in whole or in part, of such Advance, that all such sums shall be promptly paid when due (whether at stated maturity, by acceleration or otherwise) in accordance with the terms of such extension; and

(b) all other amounts payable hereunder by any Designated Subsidiary to any Lender or the Agent or the Sub-Agent, as the case may be, shall be promptly paid in full when due in accordance with the terms hereof (the obligations of the Designated Subsidiaries under these subsections (a) and (b) of this Section 7.01 being the "Obligations").

In addition, the Company hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, any Advance to any Designated Subsidiary or such other amounts payable by any Designated Subsidiary to any Lender or the Agent, the Company will forthwith pay the same, without further notice or demand.

SECTION 7.02. Guarantee Absolute. The Company guarantees that the Obligations will be paid strictly in accordance with the terms of this Agreement, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Lender or the Agent with respect thereto. The liability of the Company under this guarantee shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of this Agreement or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from this Agreement (including, without limitation, any extension of the Termination Date pursuant to Section 2.16);

(c) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Company, any Borrower or a guarantor.

This guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by any of the Lenders or the Agent upon the insolvency, bankruptcy or reorganization of the Company or any Borrower or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers. The Company hereby expressly waives diligence, presentment, demand for payment, protest, any requirement that any right or power be exhausted or any action be taken against any Designated Subsidiary or against any other guarantor of all or any portion of the Advances, and all other notices and demands whatsoever.

SECTION 7.04. Remedies. Each of the Lenders and the Agent may pursue its respective rights and remedies under this Article VII and shall be entitled to payment hereunder notwithstanding any other guarantee of all or any part of the Advances to the Designated Subsidiaries, and notwithstanding any action taken by any such Lender or the Agent to enforce any of its rights or remedies under such other guarantee, or any payment received thereunder. The Company hereby irrevocably waives any claim or other right that it may now or hereafter acquire against any Designated Subsidiary that arises from the existence, payment, performance or enforcement of the Company's obligations under this Article VII, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or the Lenders against any Designated Subsidiary, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Designated Subsidiary, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right. If any amount shall be paid to the Company in violation of the preceding sentence at any time when all the Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Lenders and the Agent and shall forthwith be paid to the Agent for its own account and the accounts of the respective Lenders to be credited and applied to the Obligations, whether matured or unmatured, in accordance with the terms of this Agreement, or to be held as collateral for any Obligations or other amounts payable under this Agreement thereafter arising. The Company acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Agreement and that the waiver set forth in this section is knowingly made in contemplation of such benefits.

SECTION 7.05. No Stay. The Company agrees that, as between (a) the Company and (b) the Lenders and the Agent, the Obligations of any Designated Subsidiary guaranteed by the Company hereunder may be declared to be forthwith due and payable as provided in Article VI hereof for purposes of this Article VII by declaration to the Company as guarantor notwithstanding any stay, injunction or other prohibition preventing such declaration as against such Designated Subsidiary and that, in the event of such declaration to the Company as guarantor, such Obligations (whether or not due and payable by such Designated Subsidiary), shall forthwith become due and payable by the Company for purposes of this Article VII.

SECTION 7.06. Survival. This guarantee is a continuing guarantee and shall (a) remain in full force and effect until payment in full (after the Termination Date) of the Obligations and all other amounts payable under this guaranty, (b) be binding upon the Company, its successors and assigns, (c) inure to the benefit of and be enforceable by each Lender (including each Assuming Lender and each assignee Lender pursuant to Section 9.07) and the Agent and their respective successors, transferees and assigns and (d) shall be reinstated if at any time any payment to a Lender or the Agent hereunder is required to be restored by such Lender or the Agent. Without limiting the generality of the foregoing clause (c), each Lender may assign or otherwise transfer its interest in any Advance to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to such Lender herein or otherwise.

#### ARTICLE VIII

##### THE AGENT

SECTION 8.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful



misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (b) may consult with legal counsel (including counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by a Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs,

expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by a Borrower.

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Company and may be removed at any time with or without cause by the Majority Lenders. The Company may at any time, by notice to the Agent, propose a successor Agent (which shall meet the criteria described below) specified in such notice and request that the Lenders be notified thereof by the Agent with a view to their removal of the Agent and their appointment of such successor Agent; the Agent agrees to forward any such notice to the Lenders promptly upon its receipt by the Agent. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.07. Sub-Agent. The Sub-Agent has been designated under this Agreement to carry out duties of the Agent. The Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Sub-Agent, and each of the Borrowers and the Lenders agrees that the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

## ARTICLE IX

## MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (b) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder (other than as permitted by Section 2.16 to the extent any Lender consents thereunder), (d) release the Company from any of its obligations under Article VII, (e) require the duration of an Interest Period to be nine months if such period is not available to all Lenders or (f) amend this section 9.01; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed (return receipt requested), telecopied, telegraphed, telexed or delivered, if to the Company or to any Designated Subsidiary, at the Company's address at 101 Columbia Road, Morristown, New Jersey 07962-1219, Attention: Assistant Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department, with a copy to 399 Park Avenue, New York, New York 10043, Attention: Carolyn Sheridan; or, as to any Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses. (a) The Company agrees to pay on demand all costs and expenses of the Agent in connection with the administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (i) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (ii) the reasonable fees and expenses of counsel for the Agent with respect thereto. The Company further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) Each Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances whether or not such investigation, litigation or proceeding is brought by the Company, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent any such claim, damage, loss, liability or expense has resulted from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees not to assert any claim against any Indemnified Party on any theory of liability for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance or LIBO Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.03(d), 2.05(b), 2.09(a) or (b), 2.11 or 2.16, acceleration of the maturity of the

Notes pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.10, 2.13 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes and the termination in whole of any Commitment hereunder.

SECTION 9.05. Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note of such Borrower held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the relevant Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of each Borrower, the Agent and each Lender and their respective successors and assigns, except that no Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments and Participations. (a) Each Lender may at any time, with notice to the Company prior to making any proposal to any potential assignee and with the consent of the Company, which consent shall not be unreasonably withheld (and shall at any time, if requested to do so by the Company pursuant to Section 2.05(b), 2.10 or 2.13) assign to one or

more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) the Company's consent shall not be required (A) in the case of an assignment to an Affiliate of such Lender, provided that notice thereof shall have been given to the Company and the Agent, or (B) in the case of an assignment of the type described in subsection (g) below; (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes); (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof; (iv) each such assignment shall be to an Eligible Assignee, (v) each such assignment made as a result of a demand by the Company pursuant to this Section 9.07(a) shall be arranged by the Company after consultation with, and subject to the approval of, the Agent, and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (vi) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement and all of the obligations of the Borrower to such Lender shall have been satisfied; and (vii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 and, if the assigning Lender is not retaining a Commitment hereunder, any Revolving Credit Note subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto, provided, however, that such assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the effective date of such assignment).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other instrument or document furnished pursuant hereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by such Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company and to each other Borrower.

(d) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company, each other Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company, any other Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Company or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Company and the other Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Company, any other Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation and (vi) within 30 days of the effective date of such participation, such Lender shall provide notice of such participation to the Company.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Company or any Borrower furnished to such Lender by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to such Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time assign or create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Designation Letter duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit E hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.



(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement and the Notes of any Designated Subsidiary then, so long as at the time no Notice of Revolving Credit Borrowing or Notice of Competitive Bid Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such Designated Subsidiary.

SECTION 9.09. Confidentiality. Each of the Lenders and the Agent hereby agrees that it will use reasonable efforts (e.g., procedures substantially comparable to those applied by such Lender or the Agent in respect of non-public information as to the business of such Lender or the Agent) to keep confidential any financial reports and other information from time to time supplied to it by the Company hereunder to the extent that such information is not and does not become publicly available and which the Company indicates at the time is to be treated confidentially, provided, however, that nothing herein shall affect the disclosure of any such information (i) by the Agent to any Lender, (ii) to the extent required by law (including statute, rule, regulation or judicial process), (iii) to counsel for any Lender or the Agent or to their respective independent public accountants, (iv) to bank examiners and auditors and appropriate government examining authorities, (v) to the Agent or any other Lender, (vi) in connection with any litigation to which any Lender or the Agent is a party, (vii) to actual or prospective assignees and participants as contemplated by Section 9.07(f) or (viii) to any Affiliate of the Agent or any Lender or to such Affiliate's officers, directors, employees, agents and advisors, provided that, prior to any such disclosure, such Affiliate or such Affiliate's officers, directors, employees, agents or advisors, as the case may be, shall agree to preserve the confidentiality of any confidential information relating to the Company received by it; a determination by a Lender or the Agent as to the application of the circumstances described in the foregoing clauses (i)-(viii) being conclusive if made in good faith; and each of the Lenders and the Agent agrees that it will follow procedures which are intended to put any transferee of such confidential information on notice that such information is confidential.

SECTION 9.10. Mitigation of Yield Protection. Each Lender hereby agrees that, commencing as promptly as practicable after it becomes aware of the occurrence of any event giving rise to the operation of Section 2.10(a), 2.11 or 2.13 with respect to such Lender, such Lender will give notice thereof through the Agent to the respective Borrower. A Borrower may at any time, by notice through the Agent to any Lender, request that such Lender change its Applicable Lending Office as to any Advance or Type of Advance or that it specify a new Applicable Lending Office with respect to its Commitment and any Advance held by it or that it rebook any such Advance with a view to avoiding or mitigating the consequences of an occurrence such as described in the preceding sentence, and such Lender will use reasonable efforts to comply with such request unless, in the opinion of such Lender, such change or specification or rebooking is inadvisable or might have an adverse effect, economic or otherwise, upon it, including its reputation. In addition, each Lender

agrees that, except for changes or specifications or rebookings required by law or effected pursuant to the preceding sentence, if the result of any change or change of specification of Applicable Lending Office or rebooking would, but for this sentence, be to impose additional costs or requirements upon the respective Borrower pursuant to Section 2.10(a), Section 2.11 or Section 2.13 (which would not be imposed absent such change or change of specification or rebooking) by reason of legal or regulatory requirements in effect at the time thereof and of which such Lender is aware at such time, then such costs or requirements shall not be imposed upon such Borrower but shall be borne by such Lender. All expenses incurred by any Bank in changing an Applicable Lending Office or specifying another Applicable Lending Office of such Lender or rebooking any Advance in response to a request from a Borrower shall be paid by such Borrower. Nothing in this Section 9.10 (including, without limitation, any failure by a Lender to give any notice contemplated in the first sentence hereof) shall limit, reduce or postpone any obligations of the respective Borrower under Section 2.10(a), Section 2.11 or Section 2.13, including any obligations payable in respect of any period prior to the date of any change or specification of a new Applicable Lending Office or any rebooking of any Advance.

SECTION 9.11. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.13. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Designated Subsidiary hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon CT Corporation System at its offices at 1633 Broadway, New York, New York 10019 (the "Process Agent") and each Designated Subsidiary hereby irrevocably appoints the Process Agent its authorized agent to accept such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid,

to such Borrower at its address specified pursuant to Section 9.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by law or to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction. To the extent that each Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.14. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent (acting reasonably and in consultation with the Company) to be necessary to reflect the change in currency and to put the Lenders and the Borrowers in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred.

SECTION 9.15. Final Agreement. This written agreement represents the full and final agreement between the parties with respect to the matters addressed herein and supercedes all prior communications, written or oral, with respect thereto. There are no unwritten agreements between the parties.

SECTION 9.16. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Notes in any currency (the "Original Currency") into another currency (the "Other Currency"), the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase the Original Currency with the Other Currency at 9:00 A.M. (New York City time) on the first Business Day preceding that on which final judgment is given.

(b) The obligation of each Borrower in respect of any sum due in the Original Currency from it to any Lender or the Agent hereunder or under the Revolving Credit Note or

Revolving Credit Notes held by such Lender shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be) of any sum adjudged to be so due in such Other Currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase Dollars with such Other Currency; if the amount of Dollars so purchased is less than the sum originally due to such Lender or the Agent (as the case may be) in the Original Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of Dollars so purchased exceeds the sum originally due to any Lender or the Agent (as the case may be) in the Original Currency, such Lender or the Agent (as the case may be) agrees to remit to such Borrower such excess.

SECTION 9.17. Waiver of Jury Trial. Each Borrower, the Agent and each Lender hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

HONEYWELL INTERNATIONAL INC.

By: /s/ James V. Gelly  
-----  
Name: James V. Gelly  
Title: Vice President and Treasurer

CITIBANK, N.A., as Agent

By: /s/ Carolyn A. Kee  
-----  
Name: Carolyn A. Kee  
Title: Vice President

COMMITMENT  
-----

\$213,333,333.33

ARRANGER AND ADMINISTRATIVE AGENT  
-----

CITIBANK, N.A.

By: /s/ Carolyn A. Kee  
-----  
Name: Carolyn A. Kee  
Title: Vice President

CO-SYNDICATION AGENTS

-----

\$160,000,000.00

BANK OF AMERICA, N.A.

By: /s/ John W. Pocalyko

-----  
Name: John W. Pocalyko  
Title: Managing Director

\$160,000,000.00

THE CHASE MANHATTAN BANK

By: /s/ John C. Riordan

-----  
Name: John C. Riordan  
Title: Vice President

\$160,000,000.00

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCH

By: /s/ Jean M. Hannigan

-----  
Name: Jean M. Hannigan  
Title: Vice President

By: /s/ Iain Stewart

-----  
Name: Iain Stewart  
Title: Vice President

AGENT

\$160,000,000.00

BARCLAYS BANK PLC

By: /s/ Paul Kavanagh

-----  
Name: Paul Kavanagh  
Title: Director

SENIOR MANAGING AGENTS

-----

\$100,000,000.00

BANCA NAZIONALE DE LAVORO S.p.A.-NEW  
YORK BRANCH

By: /s/ Miguel J. Medida

-----  
Name: Miguel J. Medida  
Title: Vice President

By: /s/ Leonardo Valentini

-----  
Name: Leonardo Valentini  
Title: First Vice President

\$100,000,000.00

THE BANK OF NEW YORK

By: /s/ Ernest Fung

-----  
Name: Ernest Fung  
Title: Vice President

\$100,000,000.00

BANK OF TOKYO-MITSUBISHI TRUST  
COMPANY

By: /s/ W. A. DiNicola

-----  
Name: W. A. DiNicola  
Title: Vice President

\$100,000,000.00

BANK ONE, NA

By: /s/ Stephen E. McDonald

-----  
Name: Stephen E. McDonald  
Title: Senior Vice President

\$100,000,000.00

HSBC BANK USA

By: /s/ Rochelle Forster

-----  
Name: Rochelle Forster  
Title: Vice President

\$100,000,000.00

MELLON BANK, N.A.

By: /s/ Donald G. Cassidy  
-----  
Name: Donald G. Cassidy  
Title: First Vice President

\$100,000,000.00

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK

By: /s/ Dennis Wilczek  
-----  
Name: Dennis Wilczek  
Title: Associate

CO-AGENTS  
-----

\$43,333,333.33

ABN AMRO BANK N.V.

By: /s/ Peter L. Eaton  
-----  
Name: Peter L. Eaton  
Title: Group Vice President

By: /s/ John P. Richardson  
-----  
Name: John P. Richardson  
Title: Vice President

\$43,333,333.33

BANCA DI ROMA

By: /s/ Steven Paley  
-----  
Name: Steven Paley  
Title: Vice President

By: /s/ Alessandro Paoli  
-----  
Name: Alessandro Paoli  
Title: Asst. Treasurer



\$43,333,333.33

BANQUE NATIONALE DE PARIS

By: /s/ Richard L. Sted  
-----  
Name: Richard L. Sted  
Title: Senior Vice President

By: /s/ Thomas George  
-----  
Name: Thomas George  
Title: Vice President,  
Corp. Banking Division

\$43,333,333.33

NORTHERN TRUST COMPANY

By: /s/ Eric Strickland  
-----  
Name: Eric Strickland  
Title: Vice President

\$43,333,333.33

THE SUMITOMO BANK, LIMITED

By: /s/ P.R.C. Knight  
-----  
Name: P.R.C. Knight  
Title: Sr. Vice President

\$43,333,333.33

WELLS FARGO BANK, NATIONAL  
ASSOCIATION

By: /s/ Molly S. Van Metre  
-----  
Name: Molly S. Van Metre  
Title: Vice President

LENDERS  
-----

\$26,666,666.6

BANCO BILBAO VIZCAYA

By: /s/ John Martini  
-----Name: John Martini  
Title: Vice President, Corporate BankingBy: /s/ Alejandro Lorca  
-----Name: Alejandro Lorca  
Title: Vice President, Corporate Banking

\$26,666,666.67

BANK OF MONTREAL

By: /s/ Brian L. Banke  
-----Name: Brian L. Banke  
Title: Director

\$26,666,666.67

FUJI BANK

By: /s/ Raymond Ventura  
-----Name: Raymond Ventura  
Title: Vice President & Manager

\$26,666,666.67

THE INDUSTRIAL BANK OF JAPAN

By: /s/ J. Kenneth Biegen  
-----Name: J. Kenneth Biegen  
Title: Senior Vice President

\$26,666,666.67

ROYAL BANK OF CANADA

By: /s/ Lynne M. Letterini  
-----Name: Lynne M. Letterini  
Title: Manager

\$26,666,666.67

STANDARD CHARTERED

By: /s/ Jacob H. Yahiyayan  
-----  
Name: Jacob H. Yahiyayan  
Title: Vice President

By: /s/ Lalita Vadhri  
-----  
Name: Lalita Vadhri  
Title: Assistant Vice President

\$26,666,666.67

UNICREDITO ITALIANO

By: /s/ Christopher J. Eldin  
-----  
Name: Christopher J. Eldin  
Title: First Vice President &  
Deputy Manager

By: /s/ Saiyed A. Abbas  
-----  
Name: Saiyed A. Abbas  
Title: Vice President

\$2,000,000,000

TOTAL OF COMMITMENTS

U.S. \$1,000,000,000

FIVE YEAR CREDIT AGREEMENT

Dated as of December 2, 1999

Among

HONEYWELL INTERNATIONAL INC.,

as Borrower,

and

THE INITIAL LENDERS NAMED HEREIN,

as Initial Lenders,

and

CITIBANK, N.A.,

as Administrative Agent

and

THE CHASE MANHATTAN BANK

DEUTSCHE BANK AG

BANK OF AMERICA, N.A.

as Syndication Agents

and

SALOMON SMITH BARNEY INC.

as Lead Arranger and Book Manager

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- Exhibit G - Form of Opinion of Counsel to a Designated Subsidiary
- Exhibit H - Form of Opinion of Shearman & Sterling, Counsel to the Agent



FIVE YEAR CREDIT AGREEMENT

Dated as of December 2, 1999

HONEYWELL INTERNATIONAL INC., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at 399 Park Avenue, New York, New York 10043, Account No. 36852248, Attention: Janet Wallace, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Company and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Company and the Lenders for such purpose.

"Alternate Currency" means any lawful currency other than Dollars and the Major Currencies that is freely transferrable and convertible into Dollars.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurocurrency Lending Office in the case of a Eurocurrency Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's -----	Applicable Margin for Eurocurrency Rate Advances -----
Level 1 AA-/Aa3	0.095%
-----	
Level 2 Lower than AA-/Aa3 but at least A/A2	0.135%
-----	
Level 3 Lower than A/A2 but at least A-/A3	0.220%
-----	
Level 4 Lower than A-/A3 but at least BBB+/Baa1	0.300%
-----	
Level 5 Lower than BBB+/Baa1 or unrated	0.600%
-----	

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's -----	Applicable Percentage -----
Level 1 AA-/Aa3	0.055%
-----	
Level 2 Lower than AA-/Aa3 but at least A/A2	0.065%
-----	
Level 3 Lower than A/A2 but at least A-/A3	0.080%
-----	
Level 4 Lower than A-/A3 but at least BBB+/Baa1	0.100%
-----	

Level 5 Lower than BBB+/Baal or unrated	0.150%
---	--------

"Applicable Utilization Fee" means, as of any date on which the Utilization in effect is greater than or equal to 50%, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth:

Public Debt Rating S&P/Moody's -----	Applicable Utilization Fee -----
Level 1 AA-/Aa3	0.000%
Level 2 Lower than AA-/Aa3 but at least A/A2	0.000%
Level 3 Lower than A/A2 but at least A-/A3	0.050%
Level 4 Lower than A-/A3 but at least BBB+/Baal	0.100%
Level 5 Lower than BBB+/Baal or unrated	0.125%

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/32 of 1% or, if there is no nearest 1/32 of 1%, to the next higher 1/32 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit

dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States;

(c) 1/2 of one percent per annum above the Federal Funds Rate; and

(d) for the period from December 15, 1999 through January 15, 2000, two percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance denominated in Dollars that bears interest as provided in Section 2.07(a)(i).

"Borrower" means the Company or any Designated Subsidiary, as the context requires.

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advance or LIBO Rate Advance, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in the euro, in Frankfurt, Germany) and, if the applicable Business Day relates to any Local Rate Advance, on which banks are open for business in the country of issue of the currency of such Local Rate Advance.

"Change of Control" means that (i) any Person or group of Persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended (the "Act")) (other than the Company, any Subsidiary of the Company or any savings, pension

or other benefit plan for the benefit of employees of the Company or its Subsidiaries) which theretofore beneficially owned less than 30% of the Voting Stock of the Company then outstanding shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Act) of 30% or more in voting power of the outstanding Voting Stock of the Company or (ii) during any period of twelve consecutive calendar months commencing at the effective time of the merger of Honeywell Inc. and a wholly owned Subsidiary of the Company as contemplated by the Merger Agreement, individuals who at the beginning of such twelve- month period were directors of the Company shall cease to constitute a majority of the Board of Directors of the Company.

"Commitment" means as to any Lender (i) the Dollar amount set forth opposite its name on the signature pages hereof or (ii) if such Lender has entered into any Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 9.07(d), in each case as the same may be terminated or reduced, as the case may be, pursuant to Section 2.05.

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance, a LIBO Rate Advance or a Local Rate Advance (each of which shall be a "Type" of Competitive Bid Advance).

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender to such Borrower.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Subsidiary" means, at any time, any Subsidiary the accounts of which are required at that time to be included on a Consolidated basis in the Consolidated financial statements of the Company, assuming that such financial statements are prepared in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.11.

"Debt" means, with respect to any Person: (i) indebtedness of such Person, which is not limited as to recourse to such Person, for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred (for 90 days or more) purchase or acquisition price of property or services; (ii) indebtedness or obligations of others which such Person has assumed or guaranteed; (iii) indebtedness or obligations of others secured by a lien, charge or encumbrance on property of such Person whether or not such Person shall have assumed such indebtedness or obligations; (iv) obligations of such Person in respect of letters of credit (other than performance letters of credit, except to the extent backing an obligation of any Person which would be Debt of such Person), acceptance facilities, or drafts or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; and (v) obligations of such Person under leases which are required to be capitalized on a balance sheet of such Person in accordance with GAAP.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary" means any corporate Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.08.

"Designation Letter" means, with respect to any Designated Subsidiary, a letter in the form of Exhibit D hereto signed by such Designated Subsidiary and the Company.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Dollars" and the "\$" sign each mean lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto and, with respect to any other Lender, the office of such Lender specified as its "Domestic Lending Office" in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Domestic Subsidiary" means any Subsidiary whose operations are conducted primarily in the United States excluding any Subsidiary whose assets consist primarily of

the stock of Subsidiaries whose operations are conducted outside the United States of America.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; (iii) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$10,000,000,000; (iv) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof, and having a net worth of at least \$500,000,000, calculated in accordance with GAAP; (v) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow, or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, so long as such bank is acting through a branch or agency located in the country in which it is organized or another country that is described in this clause (v); and (vi) the central bank of any country that is a member of the Organization for Economic Cooperation and Development.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equivalent" in Dollars of any Foreign Currency on any date means the equivalent in Dollars of such Foreign Currency determined by using the quoted spot rate at which

the Sub-Agent's principal office in London offers to exchange Dollars for such Foreign Currency in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement, and the "Equivalent" in any Foreign Currency of Dollars means the equivalent in such Foreign Currency of Dollars determined by using the quoted spot rate at which the Sub-Agent's principal office in London offers to exchange such Foreign Currency for Dollars in London prior to 4:00 P.M. (London time) (unless otherwise indicated by the terms of this Agreement) on such date as is required pursuant to the terms of this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" of any Person means any other Person that for purposes of Title IV of ERISA is a member of such Person's controlled group, or under common control with such Person, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" with respect to any Person means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan of such Person or any of its ERISA Affiliates unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan of such Person or any of its ERISA Affiliates, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan of such Person or any of its ERISA Affiliates; (c) the provision by the administrator of any Plan of such Person or any of its ERISA Affiliates of a notice of intent to terminate such Plan in a distress termination pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of such Person or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by such Person or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan of such Person or any of its ERISA Affiliates; (g) the adoption of an amendment to a Plan of such Person or any of its ERISA Affiliates requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution



by the PBGC of proceedings to terminate a Plan of such Person or any of its ERISA Affiliates pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"Escrow" means an escrow established with an independent escrow agent pursuant to an escrow agreement reasonably satisfactory in form and substance to the Person or Persons asserting the obligation of one or more Borrowers to make a payment to it or them hereunder.

"Eurocurrency Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto and, with respect to any other Lender, the office of such Lender specified as its "Eurocurrency Lending Office" in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on the applicable Telerate Page as the London interbank offered rate for deposits in Dollars or in the relevant Major Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/32 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or in the relevant Major Currency are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Telerate Page is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two

Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurocurrency Rate Advance" means a Revolving Credit Advance denominated in Dollars or in a Major Currency that bears interest as provided in Section 2.07(a) (ii).

"Eurocurrency Rate Reserve Percentage" for any Interest Period for all Eurocurrency Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Advance" has the meaning specified in Section 2.03(a) (i), which Advance shall be denominated in Dollars or in any Foreign Currency.

"Foreign Currency" means any Major Currency or any Alternate Currency.

"GAAP" has the meaning specified in Section 1.03.

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurocurrency Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurocurrency Rate Advance and ending on the last day of the period selected by the Borrower requesting such Borrowing pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months and, if available to all Lenders, nine months, as the Borrower requesting the Borrowing may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) such Borrower may not select any Interest Period that ends after the scheduled Termination Date;

(ii) Interest Periods commencing on the same date for Eurocurrency Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means, collectively, (i) Initial Lenders and (ii) each Eligible Assignee that shall become a party hereto pursuant to Section 9.07 (a), (b) and (c).

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on the applicable Telerate Page as the London interbank offered rate for deposits in Dollars or in the relevant Foreign Currency at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/32 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or in the relevant Foreign Currency are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage for such Interest Period. If the Telerate Page is unavailable, the LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advance" means a Competitive Bid Advance denominated in Dollars or in any Foreign Currency and bearing interest based on the LIBO Rate.

"Lien" means any lien, mortgage, pledge, security interest or other charge or encumbrance of any kind.

"Local Rate Advance" means a Competitive Bid Advance denominated in any Foreign Currency sourced from the jurisdiction of issuance of such Foreign Currency and bearing interest at a fixed rate.

"Major Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of the Federal Republic of Germany, lawful currency of Japan, lawful currency of the Republic of France and lawful currency of the European Economic and Monetary Union.

"Majority Lenders" means at any time Lenders holding at least 51% of the then aggregate principal amount (based on the Equivalent in Dollars at such time) of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments.

"Material Adverse Change" means any material adverse change in the financial condition or results of operations of the Company and its Consolidated Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or results of operations of the Company and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or any Lender under this Agreement or any Note or (c) the ability of the Borrowers to perform their obligations under this Agreement or any Note.

"Merger Agreement" means the Agreement and Plan of Merger dated as of June 4, 1999 among Honeywell Inc., the Company and Blossom Acquisition Corp, a wholly owned Subsidiary of the Company.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" of any Person means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which such Person or any of its ERISA Affiliates is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and at least one Person other than such Person or any of its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Tangible Assets of the Company and its Consolidated Subsidiaries", as at any particular date of determination, means the total amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, as set forth in the

most recent balance sheet of the Company and its Consolidated Subsidiaries and computed in accordance with GAAP.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Obligations" has the meaning specified in Section 7.01(b).

"Payment Office" means, for any Foreign Currency, such office of Citibank as shall be from time to time selected by the Agent and notified by the Agent to the Borrowers and the Lenders.

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Process Agent" has the meaning specified in Section 9.13(a).

"Public Debt Rating" means, as of any date, the highest rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Company. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Utilization Fee and the Applicable Percentage shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating, the Applicable Margin, the Applicable Utilization Fee and the Applicable Percentage will be set in accordance with Level 5 under the definition of "Applicable Margin", "Applicable Utilization Fee" or "Applicable Percentage", as the case may be; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin, the Applicable Utilization Fee and the Applicable Percentage shall be based upon the higher rating, provided that if the lower of such ratings is more than one level below the higher of such ratings, the Applicable

Margin, the Applicable Utilization Fee and the Applicable Percentage shall be determined by reference to the level that is one level above such lower rating; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Rating Condition" has the meaning specified in Section 2.05(c)(ii).

"Rating Condition Notice" has the meaning specified in Section 2.05(c)(ii).

"Reference Banks" means Citibank, Bank of America, N.A., The Chase Manhattan Bank and Deutsche Bank AG.

"Register" has the meaning specified in Section 9.07(d).

"Restricted Property" means (a) any property of the Company located within the United States of America that, in the opinion of the Company's Board of Directors, is a principal manufacturing property or (b) any shares of capital stock or Debt of any Subsidiary owning any such property.

"Revolving Credit Advance" means an advance by a Lender to any Borrower as part of a Revolving Credit Borrowing and refers to a Base Rate Advance or a Eurocurrency Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of any Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.16 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender to such Borrower.

"Sale and Leaseback Transaction" means any arrangement with any Person (other than the Company or a Subsidiary of the Company), or to which any such Person is a party, providing for the leasing to the Company or to a Subsidiary of the Company

owning Restricted Property for a period of more than three years of any Restricted Property that has been or is to be sold or transferred by the Company or such Subsidiary to such Person, or to any other Person (other than the Company or a Subsidiary of the Company) to which funds have been or are to be advanced by such Person on the security of the leased property. It is understood that arrangements pursuant to Section 168(f)(8) of the Internal Revenue Code of 1954, as amended, or any successor provision having similar effect, are not included within this definition of "Sale and Leaseback Transaction".

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

"Single Employer Plan" of any Person means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of such Person or any of its ERISA Affiliates and no Person other than such Person and its ERISA Affiliates or (b) was so maintained and in respect of which such Person or any of its ERISA Affiliates could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Sub-Agent" means Citibank International plc.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Telerate Page" means, as applicable, page 3740 or 3750 (or any successor pages, respectively) of Telerate Service of Bridge Information Services.

"Termination Date" means the earlier of (a) December 2, 2004 and (b) the date of termination in whole of the Commitments pursuant to Section 2.05(a) or Section 6.01 or, if all Lenders elect to terminate their Commitments as provided therein, Section 2.05(d).

"Threatened" means, with respect to any action, suit, investigation, litigation or proceeding, a written communication to the Company or a Designated Subsidiary, as the



case may be, expressing an intention to immediately bring such action, suit, investigation, litigation or proceeding.

"Utilization" means the decimal fraction equal to the aggregate principal amount of the Advances then outstanding divided by the aggregate amount of the Lenders' Commitments at such time.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed, and all financial computations and determinations pursuant hereto shall be made, in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP"); provided, however, that, if any changes in accounting principles from those used in the preparation of such financial statements have been required by the rules, regulations, pronouncements or opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and have been adopted by the Company with the agreement of its independent certified public accountants, the Lenders agree to consider a request by the Company to amend this Agreement to take account of such changes.

## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount (based in respect of any Revolving Credit Advance

denominated in a Major Currency on the Equivalent in Dollars determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing), not to exceed at any time outstanding such Lender's Commitment, provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount (based in respect of any Competitive Bid Advance denominated in a Foreign Currency on the Equivalent in Dollars at such time) of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an aggregate amount not less than \$10,000,000 (or the Equivalent thereof in any Major Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Major Currency determined on the date of delivery of the applicable Notice of Revolving Credit Borrowing) in excess thereof and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments; provided, however, that if there is no unused portion of the Commitment of one or more Lenders at the time of any requested Revolving Credit Borrowing such Borrowing shall consist of Revolving Credit Advances of the same Type made on the same day by the Lender or Lenders who do then have an unused portion of their Commitments ratably according to the unused portion of such Commitments. Notwithstanding anything herein to the contrary, no Revolving Credit Borrowing may be made in a Major Currency if, after giving effect to the making of such Revolving Credit Borrowing, the Equivalent in Dollars of the aggregate amount of outstanding Revolving Credit Advances denominated in Major Currencies, together with the Equivalent in Dollars of the aggregate amount of outstanding Competitive Bid Advances denominated in Foreign Currencies, would exceed \$500,000,000. Within the limits of each Lender's Commitment, any Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.09 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (x) 10:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Major Currency, (y) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in Dollars or (z) 9:00 A.M. (New York City time) on the day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by any Borrower to the Agent (and the Agent shall, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, immediately relay such notice to the Sub-Agent), which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed

immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances, initial Interest Period and currency for each such Revolving Credit Advance. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Advances denominated in Dollars, and before 11:00 A.M. (London time) on the date of such Revolving Credit Borrowing, in the case of a Revolving Credit Borrowing consisting of Eurocurrency Rate Advances denominated in any Major Currency, make available for the account of its Applicable Lending Office to the Agent at the applicable Agent's account, in same day funds, such Lender's ratable portion (as determined in accordance with Section 2.01) of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower requesting the Revolving Credit Borrowing at the Agent's aforesaid address or at the applicable Payment Office, as the case may be.

(b) Anything in subsection (a) above to the contrary notwithstanding, a Borrower may not select Eurocurrency Rate Advances for any proposed Revolving Credit Borrowing if the obligation of the Lenders to make Eurocurrency Rate Advances shall then be suspended pursuant to Section 2.08 or 2.11.

(c) Each Notice of Revolving Credit Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurocurrency Rate Advances, the Borrower requesting such Revolving Credit Borrowing shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower proposing such Revolving Credit Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and such Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the higher of (A) the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit

Borrowing and (B) the cost of funds incurred by the Agent in respect of such amount and (ii) in the case of such Lender, (A) the Federal Funds Rate in the case of Advances denominated in Dollars or (B) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in any Major Currency. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that any Borrower may request Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring seven days prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate amount (based in respect of any Advance denominated in a Foreign Currency on the Equivalent in Dollars on such Business Day) of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction). Notwithstanding anything herein to the contrary, no Competitive Bid Borrowing may be made in a Foreign Currency if, after giving effect to the making of such Revolving Credit Borrowing, the Equivalent in Dollars of the aggregate amount of outstanding Competitive Bid Advances denominated in Foreign Currencies, together with the Equivalent in Dollars of the aggregate amount of outstanding Revolving Credit Advances denominated in Major Currencies, would exceed \$500,000,000.

(i) Any Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and the Agent shall, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, immediately notify the Sub-Agent), by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in

substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances or Local Rate Advances, maturity date for repayment of each Fixed Rate Advance or Local Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring five days after the date of such Competitive Bid Borrowing or later than the Termination Date), (F) interest payment date or dates relating thereto, (G) location of such Borrower's account to which funds are to be advanced, and (H) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than (w) 10:00 A.M. (New York City time) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in its Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (each Advance comprising any such Competitive Bid Borrowing being referred to herein as a "Fixed Rate Advance") and that the Advances comprising such proposed Competitive Bid Borrowing shall be denominated in Dollars, (x) 10:00 A.M. (New York City time) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in its Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in Dollars, (y) 3:00 P.M. (New York City time) at least three Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Advances comprising such proposed Competitive Bid Borrowing shall be either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (z) 3:00 P.M. (New York City time) at least five Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in its Notice of Competitive Bid Borrowing that the Advances comprising such Competitive Bid Borrowing shall be LIBO Rate Advances denominated in any Foreign Currency. Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on such Borrower. Any Notice of Competitive Bid Borrowing by a Designated Subsidiary shall be given to the Agent in accordance with the preceding sentence through the Company on behalf of such Designated Subsidiary. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from such Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower proposing the Competitive Bid Borrowing as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to such Borrower and to the Sub-Agent, if applicable), (A) before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in Dollars, (C) before 10:00 A.M. (New York City time) on the second Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 10:00 A.M. (New York City time) four Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts, or the Equivalent thereof in Dollars, as the case may be, may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent, by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 10:00 A.M. (New York City time) (and the Agent shall notify the Sub-Agent, if applicable) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower proposing the Competitive Bid Advance shall, in turn, (A) before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances denominated in Dollars, (B) before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in

Dollars, (C) before 10:00 A.M. (New York City time) on the Business Day prior to the date of such Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of either Fixed Rate Advances denominated in any Foreign Currency or Local Rate Advances denominated in any Foreign Currency and (D) before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances denominated in any Foreign Currency, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent (and the Agent shall give notice to the Sub-Agent, if applicable) of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect; provided, however, that such Borrower shall not accept any offer in excess of the requested bid amount for any maturity. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent that such Competitive Bid Borrowing is canceled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower proposing the Competitive Bid Borrowing accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive

Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 11:00 A.M. (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent (x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 9.02, in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars, and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower's account at the location specified by such Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of such Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount not less than \$10,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable



Notice of Competitive Bid Borrowing) or an integral multiple of \$1,000,000 (or the Equivalent thereof in any Foreign Currency, determined as of the time of the applicable Notice of Competitive Bid Borrowing) in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower that has borrowed such Competitive Bid Borrowing shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, any Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03, provided that a Competitive Bid Borrowing shall not be made within three Business Days of the date of any other Competitive Bid Borrowing.

(d) Any Borrower that has borrowed through a Competitive Bid Borrowing shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of such Competitive Bid Advance (such maturity date being that specified by such Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a) (i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. Such Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms, specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a) (i) above and set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(e) Each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the unpaid principal amount of each Competitive Bid Advance comprising such Competitive Bid Borrowing from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a) (ii) above, payable on the interest payment date or dates specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a) (i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), such Borrower shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of any Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of the Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 1999, and on the Termination Date.

(b) Agent's Fees. The Company shall pay to the Agent for its own account such fees, and at such times, as the Company and the Agent may separately agree.

SECTION 2.05. Termination or Reduction of the Commitments. (a) Optional Ratable Termination or Reduction. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in an aggregate amount not less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the sum of the aggregate principal amount of the Competitive Bid Advances denominated in Dollars then outstanding plus the Equivalent in Dollars (determined as of the date of the notice of prepayment) of the aggregate principal amount of the Competitive Bid Advances denominated in Foreign Currencies then outstanding. The aggregate amount of the Commitments, once reduced as provided in this Section 2.05(a), may not be reinstated.

(b) Non-Ratable Termination by Assignment. The Company shall have the right, upon at least ten Business Days' written notice to the Agent (which shall then give prompt notice thereof to the relevant Lender), to require any Lender to assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Event of Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under

Section 2.10 and any indemnification for Taxes under Section 2.13) as of the effective date of such assignment; and (iv) if the assignee selected by the Company is not an existing Lender, such assignee or the Company shall have paid the processing and recordation fee required under Section 9.07(a) for such assignment; provided further that the Company shall have no right to replace more than three Lenders in any calendar year pursuant to this Section 2.05(b); and provided further that the assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the date of assignment.

(c) Non-Ratable Reduction. (i) The Company shall have the right, at any time other than during any Rating Condition, upon at least ten Business Days' notice to a Lender (with a copy to the Agent), to terminate in whole such Lender's Commitment (determined without giving effect to any Competitive Bid Reduction). Such termination shall be effective, (i) with respect to such Lender's unused Commitment, on the date set forth in such notice, provided, however, that such date shall be no earlier than ten Business Days after receipt of such notice and (ii) with respect to each Advance outstanding to such Lender, on the last day of the then current Interest Period relating to such Advance; provided further, however, that such termination shall not be effective, if, after giving effect to such termination, the Company would, under this Section 2.05(c), reduce the Lenders' Commitments in any calendar year by an amount in excess of the Commitments of any three Lenders or \$240,000,000, whichever is greater on the date of such termination. Notwithstanding the preceding proviso, the Company may terminate in whole the Commitment of any Lender in accordance with the terms and conditions set forth in Section 2.05(b). Upon termination of a Lender's Commitment under this Section 2.05(c), the Company will pay or cause to be paid all principal of, and interest accrued to the date of such payment on, Advances owing to such Lender and pay any facility fees or other fees payable to such Lender pursuant to the provisions of Section 2.04, and all other amounts payable to such Lender hereunder (including, but not limited to, any increased costs or other amounts owing under Section 2.10 and any indemnification for Taxes under Section 2.13); and upon such payments, the obligations of such Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that such Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05 shall survive such release and discharge as to matters occurring prior to such date. The aggregate amount of the Commitments of the Lenders once reduced pursuant to this Section 2.05(c) may not be reinstated.

(ii) For purposes of this Section 2.05(c) only, the term "Rating Condition" shall mean a period commencing with notice (a "Rating Condition Notice") by the Agent to the Company and the Lenders to the effect that the Agent has been informed that the rating of the senior public Debt of the Company is unsatisfactory under the standard set forth in the next sentence, and ending with notice by the Agent to the Company and the Lenders to the effect that such condition no longer exists. The Agent shall give a Rating Condition Notice promptly upon receipt from the Company or any Lender of notice stating, in effect, that both of S&P and

Moody's (or any successor by merger or consolidation to the business of either thereof), respectively, then rate the senior public Debt of the Company lower than BBB- and Baa3. The Company agrees to give notice to the Agent forthwith upon any change in a rating by either such organization of the senior public Debt of the Company; the Agent shall have no duty whatsoever to verify the accuracy of any such notice from the Company or any Lender or to monitor independently the ratings of the senior public Debt of the Company and no Lender shall have any duty to give any such notice. The Agent shall give notice to the Lenders and the Company as to the termination of a Rating Condition promptly upon receiving a notice from the Company to the Agent (which notice the Agent shall promptly notify to the Lenders) stating that the rating of the senior public Debt of the Company does not meet the standard set forth in the second sentence of this clause (ii), and requesting that the Agent notify the Lenders of the termination of the Rating Condition. The Rating Condition shall terminate upon the giving of such notice by the Agent.

(d) Termination by a Lender. In the event that a Change of Control occurs, each Lender may, by notice to the Company and the Agent given not later than 50 calendar days after such Change of Control, terminate its Commitment, which Commitment shall be terminated effective as of the later of (i) the date that is 60 calendar days after such Change of Control or (ii) the end of the Interest Period for any Advance outstanding at the time of such Change of Control or for any Advance made pursuant to the next sentence of this Section 2.05(d). Upon the occurrence of a Change of Control, each Borrower's right to make a Borrowing under this Agreement shall be suspended for a period of 60 calendar days, except for Advances having an interest period ending not later than 90 calendar days after such Change of Control. A notice of termination pursuant to this Section 2.05(d) shall not have the effect of accelerating any outstanding Advance of such Lender and the Notes of such Lender.

SECTION 2.06. Repayment of Advances. (a) Revolving Credit Advances. Each Borrower shall repay to the Administrative Agent, for the ratable account of the Lenders, on the Termination Date the aggregate principal amount of all Revolving Credit Advances made to it outstanding on such date.

(b) Competitive Bid Advances. Each Borrower shall repay to the Administrative Agent, for the account of each Lender that has made a Competitive Bid Advance, the aggregate outstanding principal amount of each Competitive Bid Advance made to such Borrower and owing to such Lender on the earlier of (i) the maturity date therefor, specified in the related Notice of Competitive Bid Borrowing delivered pursuant to Section 2.03(a)(i) and (ii) the Termination Date.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Utilization Fee in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be paid in full.

(ii) Eurocurrency Rate Advances. During such periods as such Revolving Credit Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurocurrency Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder by such Borrower that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurocurrency Rate and each LIBO Rate if the applicable Telerate Page is unavailable. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the Company and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurocurrency Rate Advances, the Majority Lenders notify the Agent that (i) they are unable to obtain matching deposits in the London interbank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Revolving Credit Advances as part of such Borrowing during its Interest Period or (ii) the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period, the Agent shall forthwith so notify each Borrower and the Lenders, whereupon (A) the Borrower will, on the last day of the then existing Interest Period therefor, (1) if such Eurocurrency Rate Advances are denominated in Dollars, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (2) if such Eurocurrency Rate Advances are denominated in any Major Currency, either (x) prepay such Advances or (y) redenominate such Advances into an Equivalent amount of Dollars and Convert such Advances into Base Rate Advances, and (B) the obligation of the Lenders to make Eurocurrency Rate Advances in the same currency as such Eurocurrency Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If any Borrower, in requesting a Revolving Credit Borrowing comprised of Eurocurrency Rate Advances, shall fail to select the duration of the Interest Period for such Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Lenders and such Advances will (to the extent such Eurocurrency Rate Advances remain outstanding on such day) automatically, on the last day of the then existing Interest Period therefor, (i) if such Eurocurrency Rate Advances are denominated in Dollars, Convert into Base Rate Advances and (ii) if such Eurocurrency Rate Advances are denominated in any Major Currency, be redenominated into an Equivalent amount of Dollars and be Converted into Base Rate Advances.

(d) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurocurrency Rate Advance will (to the extent such Eurocurrency Rate Advance remains outstanding on such day) automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, be Converted into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Major Currency, be redenominated into an Equivalent amount of Dollars and Converted into a Base Rate Advance and (ii) the obligation of the Lenders to make Eurocurrency Rate Advances shall be suspended.

(e) If the applicable Telerate Page is unavailable and fewer than two Reference Banks furnish timely information to the Agent for determining the Eurocurrency Rate or LIBO Rate for any Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(i) the Agent shall forthwith notify the relevant Borrower and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances or LIBO Rate Advances, as the case may be,

(ii) with respect to Eurocurrency Rate Advances, each such Advance will (to the extent such Eurocurrency Rate Advance remains outstanding on such day) automatically, on the last day of the then existing Interest Period therefor, (A) if such Eurocurrency Rate Advance is denominated in Dollars, be prepaid by the applicable Borrower or be automatically Converted into a Base Rate Advance and (B) if such Eurocurrency Rate Advance is denominated in any Major Currency, be prepaid by the applicable Borrower or be automatically redenominated into an Equivalent amount of Dollars and Converted into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Lenders to make Eurocurrency Rate Advances or LIBO Rate Advances shall be suspended until the Agent shall notify the Borrowers and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Prepayments of Revolving Credit Advances. (a) Optional Prepayments. Each Borrower may, upon notice to the Agent stating the proposed date and aggregate principal amount of the prepayment, given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of such proposed prepayment, in the case of Eurocurrency Rate Advances, and not later than 11:00 A.M. (New York City time) on the day of such proposed prepayment, in the case of Base Rate Advances, and, if such notice is given, such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than \$10,000,000 or the Equivalent thereof in a Major Currency (determined on the date notice of prepayment is given) or an integral multiple of \$1,000,000 or the Equivalent thereof in a Major Currency (determined on the date notice of prepayment is given) in excess thereof and (y) in the event of any such prepayment of a Eurocurrency Rate Advance other than on the last day of the Interest Period therefor, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(c). Each notice of prepayment by a Designated Subsidiary shall be given to the Administrative Agent through the Company.

(b) Mandatory Prepayments. (i) If, on any date, the sum of (A) the aggregate principal amount of all Advances denominated in Dollars then outstanding plus (B) the Equivalent in Dollars (determined on the third Business Day prior to such date) of the aggregate principal amount of all Advances denominated in Foreign Currencies then outstanding exceeds 103% of the aggregate Commitments of the Lenders on such date, the Company and each other

Borrower, if any, shall thereupon promptly prepay the outstanding principal amount of any Advances owing by such Borrower in an aggregate amount sufficient to reduce such sum to an amount not to exceed 100% of the aggregate Commitments of the Lenders on such date, together with any interest accrued to the date of such prepayment on the principal amounts prepaid and, in the case of any prepayment of a Eurocurrency Rate Advance, a LIBO Rate Advance or a Local Rate Advance on a date other than the last day of an Interest Period or at its maturity, any additional amounts which such Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 9.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.09(b)(i) to the Borrowers and the Lenders.

(ii) If, on any date, the sum of (A) the Equivalent in Dollars of the aggregate principal amount of all Eurocurrency Rate Advances denominated in Major Currencies then outstanding plus (B) the Equivalent in Dollars of the aggregate principal amount of all Competitive Bid Advances denominated in Foreign Currencies then outstanding, shall exceed 110% of \$500,000,000, the Company and each other Borrower shall prepay the outstanding principal amount of any such Eurocurrency Rate Advances or any such LIBO Rate Advances owing by such Borrower, on the last day of the Interest Periods relating to such Advances, in an aggregate amount sufficient to reduce such sum to an amount not to exceed \$500,000,000, together with any interest accrued to the date of such prepayment on the principal amounts prepaid. The Agent shall give prompt notice of any prepayment required under this Section 2.09(b)(ii) to the Borrowers and the Lenders.

SECTION 2.10. Increased Costs. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority including, without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurocurrency Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.10 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.13 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower of such Advances shall from time to time, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to such Borrower and the Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority including,



without limitation, any agency of the European Union or similar monetary or multinational authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A certificate as to such amounts submitted to the Company and the Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(c) Any Lender claiming any additional amounts payable pursuant to this Section 2.10 shall, upon the written request of the Company delivered to such Lender and the Agent, assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under this Section 2.10, and any indemnification for Taxes under Section 2.13) as of the effective date of such assignment and (iv) if the assignee selected by the Company is not an existing Lender, such assignee or the Company shall have paid the processing and recordation fee required under Section 9.07(a) for such assignment; provided further that the assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the date of assignment.

SECTION 2.11. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make Eurocurrency Rate Advances in Dollars or any Major Currency or LIBO Rate Advances in Dollars or in any Foreign Currency or to fund or maintain Eurocurrency Rate Advances in Dollars or in any Major Currency or LIBO Rate Advances in Dollars or in any Foreign Currency hereunder, (a) each such Eurocurrency Rate Advance or such LIBO Rate Advance, as the case may be, will automatically, upon such demand, (i) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in

Dollars, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) if such Eurocurrency Rate Advance or LIBO Rate Advance is denominated in any Foreign Currency, be redenominated into an Equivalent amount of Dollars and Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (b) the obligation of the Lenders to make such Eurocurrency Rate Advances or such LIBO Rate Advances shall be suspended until the Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.12. Payments and Computations. (a) Each Borrower shall make each payment hereunder and under any Notes, except with respect to principal of, interest on, and other amounts relating to, Advances denominated in a Foreign Currency, not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at the applicable Agent's Account in same day funds. Each Borrower shall make each payment hereunder and under any Notes with respect to principal of, interest on, and other amounts relating to Advances denominated in a Foreign Currency not later than 12:00 Noon (at the Payment Office for such Foreign Currency) on the day when due in such Foreign Currency to the Agent in same day funds by deposit of such funds to the applicable Agent's Account. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.05(b), 2.05(c), 2.10, 2.13 or 9.04(c)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under any Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on the Base Rate and of facility fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, all computations of interest based on the Eurocurrency Rate or the Federal Funds Rate shall be made by the Agent on the basis of a year of 360 days and all computations in respect of Competitive Bid Advances shall be made by the Agent or the Sub-Agent, as the case may be, as specified in the applicable Notice of Competitive Bid Borrowing (or, in each case of Advances denominated in Foreign Currencies where market practice differs, in accordance with market practice), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the

Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, the Agent may assume that such Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at (i) the Federal Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign Currencies.

SECTION 2.13. Taxes. (a) Any and all payments by any Borrower (including the Company in its capacity as a guarantor under Article VII hereof) hereunder or under the Notes shall be made, in accordance with Section 2.12, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, net income taxes imposed by the United States and taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If any Borrower (including the Company in its capacity as a guarantor under Article VII hereof) shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received

had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "Other Taxes").

(c) Each Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 2.13) imposed on or paid by such Lender or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided, however, that a Borrower shall not be obligated to pay any amounts in respect of penalties, interest or expenses pursuant to this paragraph that are payable solely as a result of (i) the failure on the part of the pertinent Lender or the Agent to pay over those amounts received from the Borrowers under this clause (c) or (ii) the gross negligence or willful misconduct on the part of the pertinent Lender or the Agent. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor. Each Lender agrees to provide reasonably prompt notice to the Agent, the Company and any Borrower of any imposition of Taxes or Other Taxes against such Lender; provided that failure to give such notice shall not affect such Lender's rights to indemnification hereunder. Each Lender agrees that it will, promptly upon a request by the Company or a Borrower having made an indemnification payment hereunder, furnish to the Company or such Borrower, as the case may be, such evidence as is reasonably available to such Lender as to the payment of the relevant Taxes or Other Taxes, and that it will, if requested by the Company or such Borrower, cooperate with the Company or such Borrower, as the case may be, in its efforts to obtain a refund or similar relief in respect of such payment.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or under the Notes by or on behalf of any Borrower through an account or branch outside the United States or by or on behalf of any Borrower by a payor that is not a United States person, if such Borrower determines that no Taxes are payable in respect thereof, such Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by any Borrower (but only so long as such Lender remains lawfully able to do so), shall provide the Agent and each Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. In addition, each Lender further agrees to provide any Borrower with any form or document as any Borrower may request which is required by any taxing authority outside the United States in order to secure an exemption from, or reduction in the rate of, withholding tax. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender becomes a party to this Agreement, such Lender was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to such Lender on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that a Lender reasonably considers to be confidential, such Lender shall give notice thereof to each Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide each Borrower with the appropriate form described in Section 2.13(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.13(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, each Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) If any Borrower is required to pay any additional amount to any Lender or to the Agent or on behalf of any of them to any taxing authority pursuant to this Section 2.13, such Lender shall, upon the written request of the Company delivered to such Lender and the

Agent, assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10, and any indemnification for Taxes under this Section 2.13) as of the effective date of such assignment; and (iv) if the assignee selected by the Company is not an existing Lender, such assignee or the Company shall have paid the processing and recordation fee required under Section 9.07(a) for such assignment; provided further that the assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the date of assignment.

SECTION 2.14. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.03, 2.05(b), 2.05(c), 2.10, 2.13 or 9.04(c)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.14 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.15. Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) for general corporate purposes of such Borrower and its Subsidiaries, including, without limitation, backstop of commercial paper.

SECTION 2.16. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. Each Borrower agrees that upon request of any Lender to such Borrower (with a copy of such notice to the Agent) that such Lender receive a Revolving Credit Note to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from each Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrowers to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 1998.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Company or any of its Subsidiaries pending or to the knowledge of the Company Threatened before any court, governmental agency or arbitrator that (i) is reasonably likely to have a Material Adverse Effect, other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note of the Company or the consummation of the transactions contemplated hereby, and there shall have been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(c) The Company shall have paid all accrued fees and expenses of the Agent and the Lenders in respect of this Agreement.

(d) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(e) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to the Agent:

(i) The Revolving Credit Notes of the Company to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement and the Notes of the Company, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes of the Company and the other documents to be delivered hereunder.

(iv) A favorable opinion of J. Edward Smith, Assistant General Counsel of the Company, substantially in the form of Exhibit F hereto and as to such other matters as any Lender through the Agent may reasonably request.



(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, substantially in the form of Exhibit H hereto.

(vi) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

(f) The Company shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding, under (i) the \$750,000,000 Credit Agreement dated as of June 30, 1995 (the "\$750,000,000 Credit Agreement") among the Company, the lenders and arrangers parties thereto and Citibank, as administrative agent, (ii) the \$900,000,000 364 Day Backstop Credit Agreement dated as of October 9, 1998 (the "Backstop Credit Agreement") among the Borrower, as borrower, the lenders and arrangers parties thereto and Citibank, as administrative agent, and (iii) the \$1,325,000,000 Credit Agreement dated as of April 15, 1997 (the "Honeywell Credit Agreement") among Honeywell Inc., as borrower, Morgan Guaranty Trust Company of New York, as documentation agent, Citicorp USA, Inc., as syndication agent, Chase Securities Inc. and J.P. Morgan Securities Inc., as co-arrangers, and The Chase Manhattan Bank, as administrative agent, and each of the Lenders that is a party to each such credit facility hereby waives, upon execution of this Agreement, the three Business Days' notice required by Section 2.05 of the \$750,000,000 Credit Agreement, Section 2.05 of the Backstop Credit Agreement and Section 2.12 of the Honeywell Credit Agreement, respectively, relating to the termination of commitments thereunder.

(g) All of the conditions precedent to the Merger Agreement (or as amended in a manner satisfactory to the Lenders) shall have been satisfied, including, without limitation, expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act and receipt of all applicable approvals, and the merger contemplated thereby shall have been effected.

SECTION 3.02. Conditions Precedent to Initial Borrowing. The obligation of each Lender to make an Advance on the occasion of the initial Borrowing hereunder is subject to the following conditions precedent:

(a) The Effective Date shall have occurred.

(b) The Company shall have terminated all outstanding commitments of lenders (and paid in full all outstanding debt under the related credit agreements) which backstop commercial paper issuance, other than commitments made by parties which are not Lenders hereunder.

(c) The Company shall have paid (i) to the Agent for the account of each Lender the upfront fees as agreed prior to the Effective Date by the Borrower and the Lenders and (ii) all accrued fees and expenses of the Agent (including the billed fees and expenses of counsel to the Agent).

SECTION 3.03. Initial Loan to Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.08 is subject to the Agent's receipt on or before the date of such initial Advance of each of the following, in form and substance satisfactory to the Agent and dated such date, and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(a) The Revolving Credit Notes of such Borrower to the order of the Lenders to the extent requested by any Lender pursuant to Section 2.16.

(b) Certified copies of the resolutions of the Board of Directors of such Borrower (with a certified English translation if the original thereof is not in English) approving this Agreement and the Notes of such Borrower, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(c) A certificate of the Secretary or an Assistant Secretary of such Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the Notes of such Borrower and the other documents to be delivered hereunder.

(d) A certificate signed by a duly authorized officer of the Company, dated as of the date of such initial Advance, certifying that such Borrower shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Borrower to execute and deliver this Agreement and the Notes and to perform its obligations thereunder.

(e) The Designation Letter of such Designated Subsidiary, substantially in the form of Exhibit D hereto.

(f) Evidence of the Process Agent's acceptance of its appointment pursuant to Section 9.13(a) as the agent of such Borrower, substantially in the form of Exhibit E hereto.

(g) A favorable opinion of counsel to such Designated Subsidiary, dated the date of such initial Advance, substantially in the form of Exhibit G hereto.

(h) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

SECTION 3.04. Conditions Precedent to Each Revolving Credit Borrowing. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing (a) the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower requesting such Revolving Credit Borrowing of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Borrowing such statements are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsections (f), (h)-(l) and (n) thereof) are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and additionally, if such Revolving Credit Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

and (b) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.05. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (i) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender and

substantially in the form of Exhibit A-2 hereto for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower requesting such Competitive Bid Borrowing of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(a) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsections (f), (h)-(l) and (n) thereof) are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Competitive Bid Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(b) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default, and

(c) no event has occurred and no circumstance exists as a result of which the information concerning such Borrower that has been provided to the Agent and each Lender by such Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading,

and (iv) the Agent shall have received such other approvals, opinions or documents as any Lender through the Agent may reasonably request.

SECTION 3.06. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company,

by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company. The Company represents and warrants as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Company of this Agreement and the Notes of the Company, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not cause or constitute a violation of any provision of law or regulation or any provision of the Certificate of Incorporation or By-Laws of the Company or result in the breach of, or constitute a default or require any consent under, or result in the creation of any lien, charge or encumbrance upon any of the properties, revenues, or assets of the Company pursuant to, any indenture or other agreement or instrument to which the Company is a party or by which the Company or its property may be bound or affected.

(c) No authorization, consent, approval (including any exchange control approval), license or other action by, and no notice to or filing or registration with, any governmental authority, administrative agency or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Agreement or the Notes of the Company.

(d) This Agreement has been, and each of the Notes when delivered hereunder will have been, duly executed and delivered by the Company. This Agreement is, and each of the Notes of the Company when delivered hereunder will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(e) The Consolidated balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 1998, and the related Consolidated statements of income

and cash flows of the Company and its Consolidated Subsidiaries for the fiscal year then ended (together with the notes to the financial statements of the Company and its Consolidated Subsidiaries and the Consolidated statements of cash flows of the Company and its Consolidated Subsidiaries), accompanied by an opinion of one or more nationally recognized firms of independent public accountants, and the Consolidated balance sheet of the Company and its Consolidated Subsidiaries as at June 30, 1999, and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for the six months then ended, duly certified by the principal financial officer of the Company, copies of which have been furnished to each Lender, are materially complete and correct, and fairly present, subject, in the case of said balance sheet as at June 30, 1999, and said statements of income and cash flows for the six months then ended, to year-end audit adjustments, the Consolidated financial condition of the Company and its Consolidated Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied, except as otherwise noted therein; the Company and its Consolidated Subsidiaries do not have on such date any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in such balance sheet or the notes thereto as at such date. Since December 31, 1998, there has been no Material Adverse Change.

(f) There is no action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, pending or to the knowledge of the Company Threatened affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) is reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation), or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there has been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) Following application of the proceeds of each Advance, not more than 25 percent of the value of the assets (either of the Borrower of such Advance or of such Borrower and its Subsidiaries on a Consolidated basis) subject to the provisions of Section 5.02(a) or subject to any restriction contained in any agreement or instrument between such Borrower and any Lender or any Affiliate of any Lender relating to Debt and within the scope of Section 6.01(e) will be margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

(h) The Company and each wholly-owned direct Subsidiary of the Company have, in the aggregate, met their minimum funding requirements under ERISA with

respect to their Plans in all material respects and have not incurred any material liability to the PBGC, other than for the payment of premiums, in connection with such Plans.

(i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan of the Company or any of its ERISA Affiliates that has resulted in or is reasonably likely to result in a material liability of the Company or any of its ERISA Affiliates.

(j) The Schedules B (Actuarial Information) to the 1998 annual reports (Form 5500 Series) with respect to each Plan of the Company or any of its ERISA Affiliates, copies of which have been filed with the Internal Revenue Service (and which will be furnished to any Bank through the Administrative Agent upon the request of such Bank through the Administrative Agent to the Company), are complete and accurate in all material respects and fairly present in all material respects the funding status of such Plans at such date, and since the date of each such Schedule B there has been no material adverse change in funding status.

(k) Neither the Company nor any of its ERISA Affiliates has incurred or reasonably expects to incur any Withdrawal Liability to any Multiemployer Plan in an annual amount exceeding 6% of Net Tangible Assets of the Company and its Consolidated Subsidiaries.

(l) Neither the Company nor any of its ERISA Affiliates has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA. No such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, in a reorganization or termination which might reasonably be expected to result in a liability of the Company in an amount in excess of \$5,000,000.

(m) The Company is not, and immediately after the application by the Company of the proceeds of each Loan will not be, (a) an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (b) a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(n) To the best of the Company's knowledge, the operations and properties of the Company and its Subsidiaries taken as a whole comply in all material respects with all Environmental Laws, all necessary Environmental Permits have been applied for or have been obtained and are in effect for the operations and properties of the Company and its Subsidiaries and the Company and its Subsidiaries are in compliance in all material

respects with all such Environmental Permits. To the best of the Company's knowledge no circumstances exist that would be reasonably likely to form the basis of an Environmental Action against the Company or any of its Subsidiaries or any of their properties that could have a Material Adverse Effect.

(o) The Company has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers, vendors and customers) that could be adversely affected by the risk that computer applications used by the Company or any of its Subsidiaries (or suppliers, vendors and customers) may be unable to recognize and perform properly date sensitive functions involving certain dates prior to and any date after December 31, 1999 (the "Year 2000 Problem"), (ii) developed a plan and timetable for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented that plan in accordance with such timetable. Based on the foregoing, the Company believes that all computer applications (including those of its suppliers, vendors and customers) that are material to its or any of its Subsidiaries' business and operations are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before, on and after January 1, 2000, except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

#### ARTICLE V

##### COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Compliance with Laws, Etc. Comply, and cause each Designated Subsidiary to comply with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws as provided in Section 5.01(j), if failure to comply with such requirements would have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each Designated Subsidiary to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or on its income or profits or upon any of its property; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.



(c) Maintenance of Insurance. Maintain, and cause each Designated Subsidiary to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each Designated Subsidiary to preserve and maintain, its corporate existence and all its material rights (charter and statutory) privileges and franchises; provided, however, that the Company and each Designated Subsidiary may consummate any merger, consolidation or sale of assets permitted under Section 5.02(b).

(e) Visitation Rights. At any reasonable time and from time to time, permit the Agent or any of the Lenders or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Company and any Designated Subsidiary, and to discuss the affairs, finances and accounts of the Company and any Designated Subsidiary with any of their officers or directors and with their independent certified public accountants.

(f) Keeping of Books. Keep, and cause each Designated Subsidiary to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each Designated Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each Designated Subsidiary to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted; provided, however, that neither the Company nor any of its Designated Subsidiaries shall be required to maintain or preserve any property if the failure to maintain or preserve such property shall not have a Material Adverse Effect.

(h) Reporting Requirements. Furnish to the Agent (with a copy for each Lender) and the Agent shall promptly forward the same to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a Consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such quarter and a Consolidated statement of income and cash flows of the Company and its Consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures as of the

corresponding date and for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by the principal financial officer, principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company, subject, however, to year-end auditing adjustments, which certificate shall include a statement that such officer has no knowledge, except as specifically stated, of any condition, event or act which constitutes a Default;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a Consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for such fiscal year setting forth in each case in comparative form the corresponding figures as of the close of and for the preceding fiscal year, all in reasonable detail and accompanied by an opinion of independent public accountants of nationally recognized standing, as to said financial statements and a certificate of the principal financial officer, principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company stating that such officer has no knowledge, except as specifically stated, of any condition, event or act which constitutes a Default;

(iii) copies of the Forms 8-K and 10-K reports (or similar reports) which the Company is required to file with the Securities and Exchange Commission of the United States of America, promptly after the filing thereof;

(iv) copies of each annual report, quarterly report, special report or proxy statement mailed to substantially all of the stockholders of the Company, promptly after the mailing thereof to the stockholders;

(v) immediate notice of the occurrence of any Default of which the principal financial officer, principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company shall have knowledge;

(vi) as soon as available and in any event within 15 days after the Company or any of its ERISA Affiliates knows or has reason to know that any ERISA Event has occurred, a statement of a senior officer of the Company with responsibility for compliance with the requirements of ERISA describing such ERISA Event and the action, if any, which the Company or such ERISA Affiliate proposes to take with respect thereto;

(vii) at the request of any Lender, promptly after the filing thereof with the Internal Revenue Service, copies of Schedule B (Actuarial Information) to

each annual report (Form 5500 series) filed by the Company or any of its ERISA Affiliates with respect to each Plan;

(viii) promptly after receipt thereof by the Company or any of its ERISA Affiliates, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(ix) promptly after such request, such other documents and information relating to any Plan as any Lender may reasonably request from time to time;

(x) promptly and in any event within five Business Days after receipt thereof by the Company or any of its ERISA Affiliates from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) (x) the imposition of Withdrawal Liability in an amount in excess of \$5,000,000 with respect to any one Multiemployer Plan or in an aggregate amount in excess of \$25,000,000 with respect to all such Multiemployer Plans within any one calendar year or (y) the reorganization or termination, within the meaning of Title IV of ERISA, of any Multiemployer Plan that has resulted or might reasonably be expected to result in Withdrawal Liability in an amount in excess of \$5,000,000 or of all such Multiemployer Plans that has resulted or might reasonably be expected to result in Withdrawal Liability in an aggregate amount in excess of \$25,000,000 within any one calendar year and (B) the amount of liability incurred, or that may be incurred, by the Company or any of its ERISA Affiliates in connection with any event described in such subclause (x) or (y);

(xi) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Borrower or any Designated Subsidiary of the type described in Section 4.01(f); and

(xii) from time to time such further information respecting the financial condition and operations of the Company and its Subsidiaries as any Lender may from time to time reasonably request.

(i) Authorizations. Obtain, and cause each Designated Subsidiary to obtain, at any time and from time to time all authorizations, licenses, consents or approvals (including exchange control approvals) as shall now or hereafter be necessary or desirable under applicable law or regulations in connection with its making and performance of this Agreement and, upon the request of any Lender, promptly furnish to such Lender copies thereof.

(j) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Company nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(k) Change of Control. If a Change of Control shall occur, within ten calendar days after the occurrence thereof, provide the Agent with notice thereof, describing therein in reasonable detail the facts and circumstances giving rise to such Change in Control.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will not:

(a) Liens, Etc. Issue, assume or guarantee, or permit any of its Subsidiaries owning Restricted Property to issue, assume or guarantee, any Debt secured by Liens on or with respect to any Restricted Property without effectively providing that its obligations to the Lenders under this Agreement and any of the Notes shall be secured equally and ratably with such Debt so long as such Debt shall be so secured, except that the foregoing shall not apply to:

(i) Liens affecting property of the Company or any of its Subsidiaries existing on the Effective Date in effect as of the date hereof or of any corporation existing at the time it becomes a Subsidiary of the Company or at the time it is merged into or consolidated with the Company or a Subsidiary of the Company;

(ii) Liens on property of the Company or its Subsidiaries existing at the time of acquisition thereof or incurred to secure the payment of all or part of the purchase price thereof or to secure Debt incurred prior to, at the time of or within 24 months after acquisition thereof for the purpose of financing all or part of the purchase price thereof;

(iii) Liens on property of the Company or its Subsidiaries (in the case of property that is, in the opinion of the Board of Directors of the Company,

substantially unimproved for the use intended by the Company) to secure all or part of the cost of improvement thereof, or to secure Debt incurred to provide funds for any such purpose;

(iv) Liens which secure only Debt owing by a Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(v) Liens in favor of the United States of America, any State, any foreign country, or any department, agency, instrumentality, or political subdivisions of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the property subject thereto, including, without limitation, Liens to secure Debt of the pollution control or industrial revenue bond type; or

(vi) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (i) to (v) inclusive of any Debt secured thereby, provided that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Lien shall be limited to all or part of the property which secured the Lien extended, renewed or replaced (plus improvements on such property);

provided, however, that, the Company and any one or more Subsidiaries owning Restricted Property may issue, assume or guarantee Debt secured by Liens which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with the aggregate outstanding principal amount of all other Debt of the Company and its Subsidiaries owning Restricted Property that would otherwise be subject to the foregoing restrictions (not including Debt permitted to be secured under clause (i) through (vi) above) and the aggregate value of the Sale and Leaseback Transactions in existence at such time, does not at any one time exceed 10% of the Net Tangible Assets of the Company and its Consolidated Subsidiaries; and provided further that the following type of transaction, among others, shall not be deemed to create Debt secured by Liens: Liens required by any contract or statute in order to permit the Company or any of its Subsidiaries to perform any contract or subcontract made by it with or at the request of the United States of America, any foreign country or any department, agency or instrumentality of any of the foregoing jurisdictions.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person;

provided, however, that the Company may merge or consolidate with any other Person so long as the Company is the surviving corporation and so long as no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

#### ARTICLE VI

##### EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Any Borrower shall fail to pay: (i) any principal of any Advance when the same becomes due and payable; (ii) any facility fees, utilization fees or any interest on any Advance payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or (iii) any other fees or other amounts payable under this Agreement or any Notes within 30 days after the same becomes due and payable other than those fees and amounts the liabilities for which are being contested in good faith by such Borrower and which have been placed in Escrow by such Borrower; or

(b) Any representation or warranty made (or deemed made) by any Borrower (or any of its officers) in connection with this Agreement or by any Designated Subsidiary in the Designation Letter pursuant to which such Designated Subsidiary became a Borrower hereunder shall prove to have been incorrect in any material respect when made (or deemed made); or

(c) The Company shall repudiate its obligations under, or shall default in the due performance or observance of, any term, covenant or agreement contained in Article VII of this Agreement; or

(d) (i) The Company shall fail to perform or observe any other term, covenant or agreement contained in Section 5.02(a) and such failure shall remain unremedied for a period of 30 days after any Lender shall have given notice thereof to the Company (through the Agent), or (ii) the Company or any other Borrower shall fail to perform or to observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain unremedied for a period of 30 days after any Lender shall have given notice thereof to the relevant Borrower or, in the case of the Company, any of the principal financial officer, the principal accounting officer, the Vice-President and Treasurer or an Assistant Treasurer of the Company, and in the case of any other Borrower, a responsible officer of such Borrower, first has knowledge of such failure; or

(e) (i) The Company or any of its Consolidated or Designated Subsidiaries shall fail to pay any principal of or premium or interest on any Debt (other than Debt owed to the Company or its Subsidiaries or Affiliates) that is outstanding in a principal amount of at least \$150,000,000 in the aggregate (but excluding Debt outstanding hereunder and Debt owed by such party to any bank, financial institution or other institutional lender to the extent the Borrower or any Subsidiary has deposits with such bank, financial institution or other institutional lender sufficient to repay such Debt) of the Company or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or (ii) any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt, or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; provided, however, that, for purposes of this Section 6.01(e), in the case of (x) Debt of any Person (other than the Company or one of its Consolidated Subsidiaries) which the Company has guaranteed and (y) Debt of Persons (other than the Company or one of its Consolidated Subsidiaries) the payment of which is secured by a Lien on property of the Company or such Subsidiary, such Debt shall be deemed to have not been paid when due or to have been declared to be due and payable only when the Company or such Subsidiary, as the case may be, shall have failed to pay when due any amount which it shall be obligated to pay with respect to such Debt; provided further, however, that any event or occurrence described in this subsection (e) shall not be an Event of Default if (A) such event or occurrence relates to the Debt of any Subsidiary of the Company located in China, India, the Commonwealth of Independent States or Turkey (collectively, the "Exempt Countries"), (B) such Debt is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such event or occurrence is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding such event or occurrence, the book value of the assets of such Subsidiary does not exceed \$150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries the Debt of which would cause an Event of Default to occur but for the effect of this proviso does not exceed \$500,000,000; or

(f) The Company or any of its Designated or Consolidated Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors;

or any proceeding shall be instituted by or against the Company or any such Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Company or any such Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); provided, however, that any event or occurrence described in this subsection (f) shall not be an Event of Default if (A) such event or occurrence relates to any Subsidiary of the Company located in an Exempt Country, (B) the Debt of such Subsidiary is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such event or occurrence is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding such event or occurrence, the book value of the assets of such Subsidiary does not exceed \$150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries with respect to which the happening of the events or occurrences described in this subsection (f) would cause an Event of Default to occur but for the effect of this proviso does not exceed \$500,000,000; or

(g) Any judgment or order for the payment of money in excess of \$150,000,000 shall be rendered against the Company or any of its Subsidiaries and enforcement proceedings shall have been commenced by any creditor upon such judgment or order and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; provided, however, that any such judgment or order shall not be an Event of Default under this Section 6.01(g) if (A) such judgment or order is rendered against any Subsidiary of the Company located in an Exempt Country, (B) the Debt of such Subsidiary is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such judgment or order is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding the tenth consecutive day of the stay period referred to above, the book value of the assets of such Subsidiary does not exceed \$150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries the judgments and orders against which would



cause an Event of Default to occur but for the effect of this proviso does not exceed \$500,000,000; or

(h) Any non-monetary judgment or order shall be rendered against the Company or any of its Subsidiaries that is reasonably likely to have a Material Adverse Effect, and enforcement proceedings shall have been commenced by any Person upon such judgment or order and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) Any license, consent, authorization or approval (including exchange control approvals) now or hereafter necessary to enable the Company or any Designated Subsidiary to comply with its obligations herein or under any Notes of such Borrower shall be modified, revoked, withdrawn, withheld or suspended; or

(j) (i) Any ERISA Event shall have occurred with respect to a Plan of any Borrower or any of its ERISA Affiliates and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans of the Borrowers and their ERISA Affiliates with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Borrowers and their ERISA Affiliates related to such ERISA Event) exceeds \$150,000,000; or (ii) any Borrower or any of its ERISA Affiliates shall be in default, as defined in Section 4219(c)(5) of ERISA, with respect to any payment of Withdrawal Liability and the sum of the outstanding balance of such Withdrawal Liability and the outstanding balance of any other Withdrawal Liability that any Borrower or any of its ERISA Affiliates has incurred exceeds 6% of Net Tangible Assets of the Company and its Consolidated Subsidiaries; or (iii) any Borrower or any of its ERISA Affiliates shall have been notified by the sponsor of a Multiemployer Plan of such Borrower or any of its ERISA Affiliates that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Borrowers and their ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$150,000,000; or

then, and (i) in any such event (except as provided in clause (ii) below), the Agent (A) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (B) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company, declare the Advances, all interest thereon and all other

amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers and (ii) in the case of the occurrence of any Event of Default described in clause (i) or (ii) of Section 6.01(a), the Agent shall, at the request, or may with the consent, of the Lenders which have made or assumed under this Agreement at least 66-2/3% of the aggregate principal amount (based in respect of Competitive Bid Advances denominated in Foreign Currencies on the Equivalent in Dollars on the date of such request) of Competitive Bid Advances then outstanding and to whom such Advances are owed, by notice to the Company, declare the full unpaid principal of and accrued interest on all Competitive Bid Advances hereunder and all other obligations of the Borrowers hereunder to be immediately due and payable, whereupon such Advances and such obligations shall be immediately due and payable, without presentment, demand, protest or other further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the United States Bankruptcy Code of 1978, as amended, (x) the obligation of each Lender to make Advances shall automatically be terminated and (y) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

#### ARTICLE VII

##### GUARANTEE

SECTION 7.01. Unconditional Guarantee. For valuable consideration, receipt whereof is hereby acknowledged, and to induce each Lender to make Advances to the Designated Subsidiaries and to induce the Agent to act hereunder, the Company hereby unconditionally and irrevocably guarantees to each Lender and the Agent that:

(a) the principal of and interest on each Advance to each Designated Subsidiary shall be promptly paid in full when due (whether at stated maturity, by acceleration or otherwise) in accordance with the terms hereof, and, in case of any extension of time of payment, in whole or in part, of such Advance, that all such sums shall be promptly paid when due (whether at stated maturity, by acceleration or otherwise) in accordance with the terms of such extension; and

(b) all other amounts payable hereunder by any Designated Subsidiary to any Lender or the Agent or the Sub-Agent, as the case may be, shall be promptly paid in full when due in accordance with the terms hereof (the obligations of the Designated Subsidiaries under these subsections (a) and (b) of this Section 7.01 being the "Obligations").

In addition, the Company hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest on, any Advance to any Designated Subsidiary or such other amounts payable by any Designated Subsidiary to any Lender or the Agent, the Company will forthwith pay the same, without further notice or demand.

SECTION 7.02. Guarantee Absolute. The Company guarantees that the Obligations will be paid strictly in accordance with the terms of this Agreement, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Lender or the Agent with respect thereto. The liability of the Company under this guarantee shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of this Agreement or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from this Agreement;

(c) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Company, any Borrower or a guarantor.

This guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by any of the Lenders or the Agent upon the insolvency, bankruptcy or reorganization of the Company or any Borrower or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers. The Company hereby expressly waives diligence, presentment, demand for payment, protest, any requirement that any right or power be exhausted or any action be taken against any Designated Subsidiary or against any other guarantor of all or any portion of the Advances, and all other notices and demands whatsoever.

SECTION 7.04. Remedies. Each of the Lenders and the Agent may pursue its respective rights and remedies under this Article VII and shall be entitled to payment hereunder notwithstanding any other guarantee of all or any part of the Advances to the Designated Subsidiaries, and notwithstanding any action taken by any such Lender or the Agent to enforce any of its rights or remedies under such other guarantee, or any payment received thereunder. The Company hereby irrevocably waives any claim or other right that it may now or hereafter

acquire against any Designated Subsidiary that arises from the existence, payment, performance or enforcement of the Company's obligations under this Article VII, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or the Lenders against any Designated Subsidiary, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Designated Subsidiary, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right. If any amount shall be paid to the Company in violation of the preceding sentence at any time when all the Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Lenders and the Agent and shall forthwith be paid to the Agent for its own account and the accounts of the respective Lenders to be credited and applied to the Obligations, whether matured or unmatured, in accordance with the terms of this Agreement, or to be held as collateral for any Obligations or other amounts payable under this Agreement thereafter arising. The Company acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Agreement and that the waiver set forth in this section is knowingly made in contemplation of such benefits.

SECTION 7.05. No Stay. The Company agrees that, as between (a) the Company and (b) the Lenders and the Agent, the Obligations of any Designated Subsidiary guaranteed by the Company hereunder may be declared to be forthwith due and payable as provided in Article VI hereof for purposes of this Article VII by declaration to the Company as guarantor notwithstanding any stay, injunction or other prohibition preventing such declaration as against such Designated Subsidiary and that, in the event of such declaration to the Company as guarantor, such Obligations (whether or not due and payable by such Designated Subsidiary), shall forthwith become due and payable by the Company for purposes of this Article VII.

SECTION 7.06. Survival. This guarantee is a continuing guarantee and shall (a) remain in full force and effect until payment in full (after the Termination Date) of the Obligations and all other amounts payable under this guaranty, (b) be binding upon the Company, its successors and assigns, (c) inure to the benefit of and be enforceable by each Lender (including each assignee Lender pursuant to Section 9.07) and the Agent and their respective successors, transferees and assigns and (d) shall be reinstated if at any time any payment to a Lender or the Agent hereunder is required to be restored by such Lender or the Agent. Without limiting the generality of the foregoing clause (c), each Lender may assign or otherwise transfer its interest in any Advance to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to such Lender herein or otherwise.

## ARTICLE VIII

## THE AGENT

SECTION 8.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (b) may consult with legal counsel (including counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the

Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by a Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by a Borrower.

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Company and may be removed at any time with or without cause by the Majority Lenders. The Company may at any time, by notice to the Agent, propose a successor Agent (which shall meet the criteria described below) specified in such notice and request that the Lenders be notified thereof by the Agent with a view to their removal of the Agent and their appointment of such successor Agent; the Agent agrees to forward any such notice to the Lenders promptly upon its receipt by the Agent. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor

Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.07. Sub-Agent. The Sub-Agent has been designated under this Agreement to carry out duties of the Agent. The Sub-Agent shall be subject to each of the obligations in this Agreement to be performed by the Sub-Agent, and each of the Borrowers and the Lenders agrees that the Sub-Agent shall be entitled to exercise each of the rights and shall be entitled to each of the benefits of the Agent under this Agreement as relate to the performance of its obligations hereunder.

#### ARTICLE IX

##### MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (b) reduce the principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Advances or any fees or other amounts payable hereunder, (d) release the Company from any of its obligations under Article VII, (e) require the duration of an Interest Period to be nine months if such period is not available to all Lenders or (f) amend this Section 9.01; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed (return receipt requested), telecopied, telegraphed, telexed or delivered, if to the Company or to any Designated Subsidiary, at the Company's address at 101 Columbia Road, Morristown, New Jersey 07962-1219, Attention: Assistant Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department, with a copy to 399 Park Avenue, New York, New York 10043, Attention: Carolyn Sheridan; or, as to any Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses. (a) The Company agrees to pay on demand all costs and expenses of the Agent in connection with the administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (i) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, consultant, and audit expenses and (ii) the reasonable fees and expenses of counsel for the Agent with respect thereto. The Company further agrees to pay on demand all costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) Each Borrower agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities



and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances whether or not such investigation, litigation or proceeding is brought by the Company, its directors, shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent any such claim, damage, loss, liability or expense has resulted from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees not to assert any claim against any Indemnified Party on any theory of liability for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance or LIBO Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.03(d), 2.05(b), 2.09(a) or (b) or 2.11, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in Sections 2.10, 2.13 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the Notes and the termination in whole of any Commitment hereunder.

SECTION 9.05. Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Affiliate to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note of such Borrower held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such

Note and although such obligations may be unmatured. Each Lender agrees promptly to notify the relevant Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of each Borrower, the Agent and each Lender and their respective successors and assigns, except that no Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments and Participations. (a) Each Lender may at any time, with notice to the Company prior to making any proposal to any potential assignee and with the consent of the Company, which consent shall not be unreasonably withheld (and shall at any time, if requested to do so by the Company pursuant to Section 2.05(b), 2.10 or 2.13) assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) the Company's consent shall not be required (A) in the case of an assignment to an Affiliate of such Lender, provided that notice thereof shall have been given to the Company and the Agent, or (B) in the case of an assignment of the type described in subsection (g) below; (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes); (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof; (iv) each such assignment shall be to an Eligible Assignee, (v) each such assignment made as a result of a demand by the Company pursuant to this Section 9.07(a) shall be arranged by the Company after consultation with, and subject to the approval of, the Agent, and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (vi) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or

more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement and all of the obligations of the Borrower to such Lender shall have been satisfied; and (vii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 and, if the assigning Lender is not retaining a Commitment hereunder, any Revolving Credit Note subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto, provided, however, that such assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the effective date of such assignment).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other instrument or document furnished pursuant hereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by such Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of

the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company and to each other Borrower.

(d) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company, each other Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company, any other Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than the Company or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Company and the other Borrowers hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Company, any other Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation and (vi) within 30 days of the effective date of such participation, such Lender shall provide notice of such participation to the Company.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or

participant or proposed assignee or participant, any information relating to the Company or any Borrower furnished to such Lender by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to such Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time assign or create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Designation Letter duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit D hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement and the Notes of any Designated Subsidiary then, so long as at the time no Notice of Revolving Credit Borrowing or Notice of Competitive Bid Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such Designated Subsidiary.

SECTION 9.09. Confidentiality. Each of the Lenders and the Agent hereby agrees that it will use reasonable efforts (e.g., procedures substantially comparable to those applied by such Lender or the Agent in respect of non-public information as to the business of such Lender or the Agent) to keep confidential any financial reports and other information from time to time supplied to it by the Company hereunder to the extent that such information is not and does not become publicly available and which the Company indicates at the time is to be treated confidentially, provided, however, that nothing herein shall affect the disclosure of any such information (i) by the Agent to any Lender, (ii) to the extent required by law (including statute, rule, regulation or judicial process), (iii) to counsel for any Lender or the Agent or to their respective independent public accountants, (iv) to bank examiners and auditors and appropriate government examining authorities, (v) to the Agent or any other Lender, (vi) in connection with any litigation to which any Lender or the Agent is a party, (vii) to actual or prospective assignees

and participants as contemplated by Section 9.07(f) or (viii) to any Affiliate of the Agent or any Lender or to such Affiliate's officers, directors, employees, agents and advisors, provided that, prior to any such disclosure, such Affiliate or such Affiliate's officers, directors, employees, agents or advisors, as the case may be, shall agree to preserve the confidentiality of any confidential information relating to the Company received by it; a determination by a Lender or the Agent as to the application of the circumstances described in the foregoing clauses (i)-(viii) being conclusive if made in good faith; and each of the Lenders and the Agent agrees that it will follow procedures which are intended to put any transferee of such confidential information on notice that such information is confidential.

SECTION 9.10. Mitigation of Yield Protection. Each Lender hereby agrees that, commencing as promptly as practicable after it becomes aware of the occurrence of any event giving rise to the operation of Section 2.10(a), 2.11 or 2.13 with respect to such Lender, such Lender will give notice thereof through the Agent to the respective Borrower. A Borrower may at any time, by notice through the Agent to any Lender, request that such Lender change its Applicable Lending Office as to any Advance or Type of Advance or that it specify a new Applicable Lending Office with respect to its Commitment and any Advance held by it or that it rebook any such Advance with a view to avoiding or mitigating the consequences of an occurrence such as described in the preceding sentence, and such Lender will use reasonable efforts to comply with such request unless, in the opinion of such Lender, such change or specification or rebooking is inadvisable or might have an adverse effect, economic or otherwise, upon it, including its reputation. In addition, each Lender agrees that, except for changes or specifications or rebookings required by law or effected pursuant to the preceding sentence, if the result of any change or change of specification of Applicable Lending Office or rebooking would, but for this sentence, be to impose additional costs or requirements upon the respective Borrower pursuant to Section 2.10(a), Section 2.11 or Section 2.13 (which would not be imposed absent such change or change of specification or rebooking) by reason of legal or regulatory requirements in effect at the time thereof and of which such Lender is aware at such time, then such costs or requirements shall not be imposed upon such Borrower but shall be borne by such Lender. All expenses incurred by any Bank in changing an Applicable Lending Office or specifying another Applicable Lending Office of such Lender or rebooking any Advance in response to a request from a Borrower shall be paid by such Borrower. Nothing in this Section 9.10 (including, without limitation, any failure by a Lender to give any notice contemplated in the first sentence hereof) shall limit, reduce or postpone any obligations of the respective Borrower under Section 2.10(a), Section 2.11 or Section 2.13, including any obligations payable in respect of any period prior to the date of any change or specification of a new Applicable Lending Office or any rebooking of any Advance.

SECTION 9.11. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.13. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Designated Subsidiary hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon CT Corporation System at its offices at 1633 Broadway, New York, New York 10019 (the "Process Agent") and each Designated Subsidiary hereby irrevocably appoints the Process Agent its authorized agent to accept such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address specified pursuant to Section 9.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by law or to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction. To the extent that each Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 9.14. Substitution of Currency. If a change in any Foreign Currency occurs pursuant to any applicable law, rule or regulation of any governmental, monetary or multi-national authority, this Agreement (including, without limitation, the definitions of Eurocurrency Rate and LIBO Rate) will be amended to the extent determined by the Agent (acting reasonably and in consultation with the Company) to be necessary to reflect the change in currency and to put the Lenders and the Borrowers in the same position, so far as possible, that they would have been in if no change in such Foreign Currency had occurred.

SECTION 9.15. Final Agreement. This written agreement represents the full and final agreement between the parties with respect to the matters addressed herein and supercedes all prior communications, written or oral, with respect thereto. There are no unwritten agreements between the parties.

SECTION 9.16. Judgment. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Notes in any currency (the "Original Currency") into another currency (the "Other Currency"), the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase the Original Currency with the Other Currency at 9:00 A.M. (New York City time) on the first Business Day preceding that on which final judgment is given.

(b) The obligation of each Borrower in respect of any sum due in the Original Currency from it to any Lender or the Agent hereunder or under the Revolving Credit Note or Revolving Credit Notes held by such Lender shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Agent (as the case may be) of any sum adjudged to be so due in such Other Currency, such Lender or the Agent (as the case may be) may in accordance with normal banking procedures purchase Dollars with such Other Currency; if the amount of Dollars so purchased is less than the sum originally due to such Lender or the Agent (as the case may be) in the Original Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Agent (as the case may be) against such loss, and if the amount of Dollars so purchased exceeds the sum originally due to any Lender or the Agent (as the case may be) in the Original Currency, such Lender or the Agent (as the case may be) agrees to remit to such Borrower such excess.

SECTION 9.17. Waiver of Jury Trial. Each Borrower, the Agent and each Lender hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the Notes or the actions of the Agent or any Lender in the negotiation, administration, performance or enforcement thereof.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

HONEYWELL INTERNATIONAL INC.

By: /s/ James V. Gelly  
-----  
Name: James V. Gelly  
Title: Vice President and Treasurer

CITIBANK, N.A., as Agent

By: /s/ Carolyn A. Kee  
-----  
Name: Carolyn A. Kee  
Title: Vice President

COMMITMENT  
\$106,666,666.67

ARRANGER AND ADMINISTRATIVE AGENT  
CITIBANK, N.A.

By: /s/ Carolyn A. Kee  
-----  
Name: Carolyn A. Kee  
Title: Vice President

CO-SYNDICATION AGENTS

\$80,000,000.00

BANK OF AMERICA, N.A.

By: /s/ John W. Pocalyko  
-----  
Name: John W. Pocalyko  
Title: Managing Director

\$80,000,000.00

THE CHASE MANHATTAN BANK

By: /s/ John C. Riordan  
-----  
Name: John C. Riordan  
Title: Vice President

\$80,000,000.00

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCH

By: /s/ Jean M. Hannigan  
-----  
Name: Jean M. Hannigan  
Title: Vice President

By: /s/ Iain Stewart  
-----  
Name: Iain Stewart  
Title: Vice President

AGENT

\$80,000,000.00

BARCLAYS BANK PLC

By: /s/ Paul Kavanagh  
-----  
Name: Paul Kavanagh  
Title: Director

SENIOR MANAGING AGENTS

\$50,000,000.00

BANCA NAZIONALE DE LAVORO

By: -----  
Name:  
Title:

## SENIOR MANAGING AGENTS

\$50,000,000.00

BANCA NAZIONALE DE LAVORO S.p.A.  
-NEW YORK BRANCHBy: /s/ Miguel J. Medida  
-----  
Name: Miguel J. Medida  
Title: Vice PresidentBy: /s/ Leonardo Valentini  
-----  
Name: Leonardo Valentini  
Title: First Vice President

\$50,000,000.00

THE BANK OF NEW YORK

By: /s/ Ernest Fung  
-----  
Name: Ernest Fung  
Title: Vice President

\$50,000,000.00

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: /s/ W. A. Nicola  
-----  
Name: W. A. Nicola  
Title: Vice President

\$50,000,000.00

BANK ONE, NA

By: /s/ Stephen E. McDonald  
-----  
Name: Stephen E. McDonald  
Title: Senior Vice President

\$50,000,000.00

HSBC BANK USA

By: /s/ Rochelle Forster  
-----  
Name: Rochelle Forster  
Title: Vice President

\$50,000,000.00

MELLON BANK, N.A.

By: /s/ Donald G. Cassidy, Jr.  
-----  
Name: Donald G. Cassidy, Jr.  
Title: First Vice President

\$50,000,000.00

REVOLVING COMMITMENT VEHICLE CORPORATION

By: /s/ David P. Weintrob  
-----  
Name: David P. Weintrob  
Title: Vice President

CO-AGENTS

\$21,666,666.67

ABN AMRO BANK N.V.

By: /s/ Peter L. Eaton  
-----  
Name: Peter L. Eaton  
Title: Group Vice President

By: /s/ John P. Richardson  
-----  
Name: John P. Richardson  
Title: Vice President

\$21,666,666.67

BANCA DI ROMA

By: /s/ Steven Paley  
-----  
Name: Steven Paley  
Title: Vice President

By: /s/ Alessandro Paoli  
-----  
Name: Alessandro Paoli  
Title: Asst. Treasurer

\$21,666,666.67

## BANQUE NATIONALE DE PARIS

By: /s/ Richard L. Sted  
 -----  
 Name: Richard L. Sted  
 Title: Senior Vice President

By: /s/ Thomas George  
 -----  
 Name: Thomas George  
 Title: Vice President, Corp.  
 Banking Division

\$21,666,666.67

## NORTHERN TRUST COMPANY

By: /s/ Eric Strickland  
 -----  
 Name: Eric Strickland  
 Title: Vice President

\$21,666,666.67

## THE SUMITOMO BANK, LIMITED

By: /s/ P. R. C. Knight  
 -----  
 Name: P. R. C. Knight  
 Title: Senior Vice President

\$21,666,666.67

## WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Molly S. Van Metre  
 -----  
 Name: Molly S. Van Metre  
 Title: Vice President &  
 Senior Banker

## LENDERS

\$13,333,333.33

## BANCO BILBAO VIZCAYA

By: /s/ John Martini  
 -----  
 Name: John Martini  
 Title: Vice President, Corporate  
 Banking

By: /s/ Alejandro Lorca  
 -----  
 Name: Alejandro Lorca  
 Title: Vice President, Corporate  
 Banking

\$13,333,333.33

## BANK OF MONTREAL

By: /s/ Brian L. Banke  
 -----  
 Name: Brian L. Banke  
 Title: Director

\$13,333,333.33

## THE FUJI BANK, LIMITED

By: /s/ Raymond Ventura  
 -----  
 Name: Raymond Ventura  
 Title: Vice President & Manager

\$13,333,333.33

## THE INDUSTRIAL BANK OF JAPAN

By: /s/ J. Kenneth Biegen  
 -----  
 Name: J. Kenneth Biegen  
 Title: Vice President

\$13,333,333.33

## ROYAL BANK OF CANADA

By: /s/ Lynne Litterini  
 -----  
 Name: Lynne Litterini  
 Title: Manager

\$13,333,333.33

## STANDARD CHARTERED

By: /s/ Jacob H. Yahiyayan  
-----  
Name: Jacob H. Yahiyayan  
Title: Vice President

By: /s/ Lalita Vadhri  
-----  
Name: Lalita Vadhri  
Title: Assistant Vice President

\$13,333,333.33

## UNICREDITO ITALIANO

By: /s/ Christopher J. Eldin  
-----  
Name: Christopher J. Eldin  
Title: First Vice President &  
Deputy Manager

By: /s/ Saiyed A. Abbas  
-----  
Name: Saiyed A. Abbas  
Title: Vice President

\$1,000,000,000

## TOTAL OF COMMITMENTS

The U.S. \$1 Billion Credit Agreement dated as of January 13, 2000 among Honeywell International Inc., the initial lenders named therein, Citibank, N.A., as administrative agent, Morgan Guaranty Trust Company of New York, as syndication agent, and Salomon Smith Barney Inc. and J.P. Morgan Securities Inc., as arrangers, has substantially the same terms as the 364-Day Credit Agreement dated as of December 2, 1999 filed as Exhibit 10.11 hereto. Capitalized terms in this exhibit have the meanings set forth in the December 2 Credit Agreement. The following are the important differences between the January 13 Credit Agreement and the December 2 Credit Agreement set forth in Exhibit 10.11:

1. The January 13 Credit Agreement expires April 12, 2000 (90 days from the Effective Date).
2. The January 13 Credit Agreement does not provide for extension of the Termination Date.
3. The Commitment under the January 13 Credit Agreement is fixed at an aggregate of \$1 billion, with Citibank, N.A., and Morgan Guaranty Trust Company of New York each committed to lend \$500 million each.



MANAGEMENT'S DISCUSSION AND ANALYSIS

AEROSPACE SOLUTIONS

**SALES OVERVIEW** Sales in 1999 were \$9,908 million or basically flat compared with 1998. Sales of avionics products were higher due principally to continued strong demand for flight safety products such as collision avoidance and enhanced ground proximity warning systems. Sales to the aftermarket, particularly repair and overhaul and the military, were also higher. The acquisition of a controlling interest in the Normalair-Garrett Ltd. (NGL) environmental controls joint venture in the prior year also increased sales in 1999. This increase was offset by lower sales to commercial air transport and military original equipment manufacturers, and the effects of divestitures and a restructuring of a government technical services contract.

Sales in 1998 were \$9,890 million, an increase of \$1,492 million, or 18 percent compared with 1997. This increase was driven by strong sales of avionics products and increased deliveries to air transport manufacturers. Sales of aftermarket products and services also increased. The acquisitions of the Grimes Aerospace (Grimes) lighting systems business, Banner Aerospace (Banner) FAA-certified hardware parts business and NGL also contributed to the sales increase.

**SEGMENT PROFIT OVERVIEW** Segment profit in 1999 was \$1,918 million, an increase of \$331 million, or 21 percent compared with 1998. The increase principally resulted from improved sales of higher-margin aftermarket and avionics products and cost structure improvements primarily from census and benefit cost reductions.

Segment profit in 1998 was \$1,587 million, an increase of \$436 million, or 38 percent compared with 1997. The increase was driven by higher sales and the improved mix of higher-margin aftermarket and avionics products and services. Productivity improvements and divestitures also contributed to the increase. The acquisitions of the Grimes, Banner and NGL businesses also improved segment profit.

**NET SALES**  
(Dollars in Billions)

[BAR GRAPH]

97.....	\$8.4
98.....	\$9.9
99.....	\$9.9

**SEGMENT MARGIN**  
(Percent)

[BAR GRAPH]

97.....	13.7%
98.....	16.0%
99.....	19.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUTOMATION & ASSET MANAGEMENT

**SALES OVERVIEW** Sales in 1999 were \$6,115 million, an increase of \$158 million, or 3 percent compared with 1998. Sales were higher for the Home and Building Control business driven by growth in control and consumer products and building services and security. Acquisitions also contributed to the sales increase. Lower sales from the energy retrofit and installed systems businesses were a partial offset. Sales for the Industrial Control business were basically flat compared with the prior year. Higher sales due to acquisitions and growth in the sensing and control business were offset by the effects of continued weakness in the pulp and paper and refining markets. Sales for the segment were also negatively impacted by foreign currency fluctuations due to the strong dollar.

Sales in 1998 were \$5,957 million or basically flat compared with 1997. Sales were slightly higher for the Home and Building Control business, driven by continued solid growth in the services business. This growth was moderated by a planned reduction in the lower-margin energy retrofit and installed systems businesses and unusually warm winters in North America and Europe. Sales for the Industrial Control business were down slightly; however, after adjusting for divestitures and negative foreign currency fluctuations due to the strong dollar, sales increased slightly despite weakness in the pulp and paper, refining and industrial components markets.

**SEGMENT PROFIT OVERVIEW** Segment profit in 1999 was \$767 million, an increase of \$62 million, or 9 percent compared with 1998. Segment profit for the Home and Building Control business was up significantly due to improvement in the control products business and the exiting of the lower-margin energy retrofit and installed systems businesses. Cost savings from census reductions also contributed to the improvement. This increase was offset somewhat by lower segment profit for the Industrial Control business as growth in the higher-margin sensing and control business and cost structure improvements were more than offset by the effects of continued weakness in the pulp and paper and refining markets.

Segment profit in 1998 was \$705 million, an increase of \$95 million, or 16 percent compared with 1997. Segment profit for the Industrial Control business increased significantly, driven by improvement in the Measurex business, the contribution of higher-margin services and software growth and ongoing productivity improvements. Segment profit for the Home and Building Control business also improved due to improvement in the solutions and services business resulting from productivity gains and a strategic repositioning. Solid profit growth in the products business, despite challenges posed by the weather, particularly in the residential products area, also contributed to the increase.

**NET SALES**  
(Dollars in Billions)

[BAR GRAPH]

97.....	\$5.9
98.....	\$6.0
99.....	\$6.1

**SEGMENT MARGIN**  
(Percent)

[BAR GRAPH]

97.....	10.3%
98.....	11.8%
99.....	12.5%

**SALES MIX**

[PIE CHART]

<b>INDUSTRIAL CONTROL</b>	
Industrial Automation .....	30%
Sensing & Control .....	12%

<b>HOME &amp; BUILDING</b>	
Home & Building	
Solutions & Services .....	32%
Home & Building Products ...	26%

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE MATERIALS

**SALES OVERVIEW** Sales in 1999 were \$4,007 million, a decrease of \$162 million, or 4 percent compared with 1998 due principally to divestitures including the environmental catalyst, Laminate Systems and phenol businesses. Lower sales for carpet fibers also contributed to the decrease. Higher sales for specialty films, engineering plastics and waxes were a partial offset. Higher sales from the acquisitions of Johnson Matthey Electronics, a supplier of wafer fabrication materials and interconnect products to the electronics and telecommunications industries, and Pharmaceutical Fine Chemicals (PFC), a supplier of active and intermediate pharmaceutical chemicals, were also a partial offset.

Sales in 1998 were \$4,169 million, a decrease of \$79 million, or 2 percent compared with 1997. The divestitures of the phenol, environmental catalyst and European laminates businesses and the exiting of the European carpet fibers and a portion of the North American textile businesses drove the decline in sales. Lower sales for the Electronic Materials business, reflecting softness in the semiconductor and electronic markets, also contributed to the sales decrease. Higher sales for specialty films and engineering plastics were a partial offset. Increased sales due to the acquisitions of the Astor Holdings wax business and PFC were also a partial offset.

**SEGMENT PROFIT OVERVIEW** Segment profit in 1999 was \$439 million, a decrease of \$195 million, or 31 percent compared with 1998. The decrease principally reflects the effects of the continuing pricing pressures in the Performance Polymers and Electronic Materials businesses and higher raw material costs in certain Performance Polymers businesses. The impact of prior year divestitures also contributed to the decrease. The effect of improved sales volume for specialty films, engineering plastics and waxes was a partial offset.

Segment profit in 1998 was \$634 million, an increase of \$93 million, or 17 percent compared with 1997. The increase was driven by a more favorable price-cost relationship in the Performance Polymers nylon and polyester businesses and the divestitures of the phenol and environmental catalyst businesses. Lower raw material costs, acquisitions and cost structure improvements from census reductions in the Specialty Chemicals businesses also contributed to the increase. The negative effects of pricing pressures in certain Specialty Chemicals businesses and lower sales for the Electronic Materials business were partial offsets.

**NET SALES**  
(Dollars in Billions)

[BAR GRAPH]

97.....	\$4.2
98.....	\$4.2
99.....	\$4.0

**SEGMENT MARGIN**  
(Percent)

[BAR GRAPH]

97.....	12.7%
98.....	15.2%
99.....	11.0%

**SALES MIX**

[PIE CHART]

Performance Polymers ....	45%
Electronic Materials ....	19%
Specialty Chemicals .....	36%

MANAGEMENT'S DISCUSSION AND ANALYSIS

POWER & TRANSPORTATION PRODUCTS

**SALES OVERVIEW** Sales in 1999 were \$3,581 million, an increase of \$194 million, or 6 percent compared with 1998. Sales for the Transportation and Power Systems business were significantly higher driven by strong growth for the Turbocharging Systems business due primarily to continued strong sales in Europe reflecting the turbodiesel's increased penetration of the passenger car market. Sales for the Commercial Vehicle Systems business also increased due principally to increased North American truck builds. Sales for the Consumer Products Group business also increased, led by higher sales of Prestone's products and FRAM's filters. Lower sales for the Friction Materials business due to pricing pressures and weakness in the European market were a partial offset. Sales were also negatively impacted by foreign currency fluctuations due to the strong dollar.

Sales in 1998 were \$3,387 million, a decrease of \$382 million, or 10 percent compared with 1997, reflecting the disposition of the automotive Safety Restraints business. Excluding the divested Safety Restraints business, sales increased 11 percent. Sales for the Transportation and Power Systems business were strong led by higher sales for the Turbocharging Systems business which benefited from increased penetration of the turbocharged diesel passenger car market in Europe and the light truck market in North America. Sales for the Commercial Vehicle Systems business also improved significantly, driven by an improvement in truck builds and increased market penetration for anti-lock brake systems. The increase also reflects higher sales for the Consumer Products Group business due to the 1997 acquisitions of the Prestone's Products and Holt Lloyd car care products businesses. Sales for the Friction Materials business were moderately lower.

**SEGMENT PROFIT OVERVIEW** Segment profit in 1999 was \$322 million, an increase of \$88 million, or 38 percent compared with 1998. The increase reflects higher sales for the Transportation and Power Systems and Consumer Products Group businesses. Cost structure improvements in these businesses resulting from Six Sigma initiatives, materials procurement savings and census reductions also contributed to the increase.

Segment profit in 1998 was \$234 million, a decrease of \$74 million, or 24 percent compared with 1997. The decrease reflects the absence of segment profit from the divested Safety Restraints business. Segment profit from the Consumer Products Group business decreased substantially, due in part to the initial costs of new distribution facilities, higher advertising expense to increase brand awareness and other expenses to improve future operations. The Friction Materials business segment profit was also lower due primarily to decreased sales. Segment profit from the Transportation and Power Systems businesses was higher due principally to strong sales growth.

**NET SALES**  
(Dollars in Billions)

[BAR GRAPH]

97.....	\$3.8
98.....	\$3.4
99.....	\$3.6

**SEGMENT MARGIN**  
(Percent)

[BAR GRAPH]

97.....	8.2%
98.....	6.9%
99.....	9.0%

**SALES MIX**

[PIE CHART]

Turbocharging Systems .....	32%
Friction Materials .....	24%
Consumer Products Group .....	29%
Commercial Vehicle Systems ..	15%

SELECTED FINANCIAL DATA  
Honeywell International Inc.

YEARS ENDED DECEMBER 31	1999	1998	1997	1996	1995	1994
(Dollars and Shares in Millions Except Per Share Amounts)						
<b>RESULTS OF OPERATIONS</b>						
Net sales	\$ 23,735	\$ 23,555	\$ 22,499	\$ 21,283	\$ 21,077	\$ 18,874
Net income (1)	1,541	1,903	1,641	1,423	1,209	1,038
<b>EARNINGS PER COMMON SHARE</b>						
Net earnings:						
Basic	\$ 1.95	\$ 2.38	\$ 2.04	\$ 1.77	\$ 1.50	\$ 1.28
Assuming dilution	1.90	2.34	2.00	1.73	1.48	1.27
Dividends	0.68	0.60	0.52	0.45	0.39	0.3238
<b>FINANCIAL POSITION AT YEAR-END</b>						
Property, plant and equipment--net	\$ 5,630	\$ 5,600	\$ 5,380	\$ 5,353	\$ 5,841	\$ 5,360
Total assets	23,527	22,738	20,118	18,322	17,525	16,207
Short-term debt	2,609	2,190	1,238	867	956	624
Long-term debt	2,457	2,776	2,394	2,034	1,848	1,926
Total debt	5,066	4,966	3,632	2,901	2,804	2,550
Shareowners' equity	8,599	8,083	6,775	6,385	5,632	4,837
<b>FINANCIAL STATISTICS (2)</b>						
Return on net sales (segment profit)	13.8	12.4	10.9	10.2	8.8	8.7
Return on average investment (after-tax)	17.8	17.6	18.2	18.3	17.0	17.3
Return on average shareowners' equity (after-tax)	26.2	25.9	24.9	23.8	22.9	23.2
Total debt as a percent of total capital (cash adjusted)	26.6	32.5	30.2	19.1	27.6	29.1
Book value per share of common stock	10.82	10.17	8.52	7.95	7.01	6.01
<b>OTHER INFORMATION</b>						
Common shares outstanding at year-end	795.1	795.3	794.9	802.7	803.4	804.8
Shares used in computing per share amounts:						
Basic	792.0	798.4	803.0	803.1	805.3	809.6
Assuming dilution	809.0	814.0	822.1	823.2	819.3	818.1
Average investment (3)	\$ 12,843	\$ 11,589	\$ 9,717	\$ 8,301	\$ 7,858	\$ 6,637
Number of employees at year-end (4)	120,000	127,400	128,000	129,600	138,600	138,300

(1) In 1999, includes merger, repositioning and other charges and gains on the sales of our Laminate Systems business and our investment in AMP common stock resulting in a net after-tax charge of \$624 million, or \$0.78 per share. In 1998, includes repositioning charges, a gain on settlement of litigation claims and a tax benefit resulting from the favorable resolution of certain prior-year research and development tax claims resulting in a net after-tax charge of \$4 million, with no impact on the per share amount. In 1997, includes repositioning and other charges, gains on the sales of our automotive Safety Restraints and certain Industrial Control businesses and a charge related to the 1996 sale of our automotive Braking Systems business resulting in a net after-tax charge of \$5 million, or \$0.01 per share. In 1996, includes repositioning and other charges and a gain on the sale of our automotive Braking Systems business resulting in a net after-tax gain of \$9 million, or \$0.01 per share.

(2) The returns ratios exclude the impact of repositioning and other charges in 1999, 1998, 1997 and 1996, gains on the sales of our Laminate Systems business and our investment in AMP common stock in 1999, gain on settlement of litigation claims and a tax benefit resulting from the favorable resolution of certain prior-year research and development tax claims in 1998, gains on the sales of our automotive Safety Restraints and certain Industrial Control businesses and a charge related to the 1996 sale of our automotive Braking Systems business in 1997, and gain on the sale of our Braking Systems business in 1996.

(3) Investment is defined as shareowners' equity and non-current deferred taxes-net plus cash adjusted total debt.

(4) Includes employees at facilities operated for the U.S. Department of Energy.



MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATIONS

RESULTS OF OPERATIONS

(Dollars in Millions)	1999	1998	1997
-----			
NET SALES			
Aerospace Solutions	\$ 9,908	\$ 9,890	\$ 8,398
Automation & Asset Management	6,115	5,957	5,934
Performance Materials	4,007	4,169	4,248
Power & Transportation Products	3,581	3,387	3,769
Corporate	124	152	150
	\$ 23,735	\$ 23,555	\$ 22,499
-----			
SEGMENT PROFIT			
Aerospace Solutions	\$ 1,918	\$ 1,587	\$ 1,151
Automation & Asset Management	767	705	610
Performance Materials	439	634	541
Power & Transportation Products	322	234	308
Corporate	(175)	(248)	(167)
	\$ 3,271	\$ 2,912	\$ 2,443
-----			

Refer to Note 23 of Notes to Financial Statements for further information on our reportable segments.

Net sales in 1999 were \$23,735 million, an increase of \$180 million, or 1 percent compared with 1998. Excluding the effect of divestitures and a change from prime contractor to sub-contractor status on a government technical services contract, sales increased approximately 4 percent. This increase resulted principally from acquisitions. Fluctuations in foreign currency rates decreased sales approximately 1 percent. Net sales in 1998 were \$23,555 million, an increase of \$1,056 million, or 5 percent, compared with 1997. Acquisitions and higher sales volume increased sales approximately 6 percent each. The increase in sales volume includes a partial offset for lower selling prices. The effects of divestitures and fluctuations in foreign currency rates lowered sales by 6 percent and 1 percent, respectively.

Total segment profit in 1999 was \$3,271 million, an increase of \$359 million, or 12 percent compared with 1998. Segment profit margin for 1999 was 13.8 percent compared with 12.4 percent in 1998. The increase in segment profit in 1999 was led by a substantial improvement by the Aerospace Solutions segment with the Power & Transportation Products and Automation & Asset Management segments also contributing solid gains. Lower Corporate expenses also contributed to the increase. A substantial decrease in segment profit for the Performance Materials segment was a partial offset. Total segment profit in 1998 was \$2,912 million, an increase of \$469 million, or 19 percent compared with 1997. Segment profit margin for 1998 was 12.4 percent compared with 10.9 percent in 1997. The increase in segment profit in 1998 was led by a substantial improvement by the Aerospace Solutions segment with the Automation & Asset Management and Performance Materials segments also showing solid gains. A substantial decrease in segment profit for the Power & Transportation Products segment and higher Corporate expenses were partial offsets.

A discussion of net sales and segment profit by reportable segment can be found in the Segment section of Management's Discussion and Analysis appearing on pages 20, 24, 26 and 28 of this Annual Report.

Gain on sale of non-strategic businesses of \$106 million in 1999 reflects the pretax gain on the sale of our Laminate Systems business. The gain on sale of non-strategic businesses of \$303 million in 1997 was comprised of \$354 million representing the total gain on the sales of our automotive Safety Restraints business and certain Industrial Control businesses. This was partially offset by a charge of \$51 million related to the settlement of the 1996 sale of our automotive Braking Systems business. See Note 5 of Notes to Financial Statements for further information.

Equity in income of affiliated companies of \$76 million in 1999 decreased by \$86 million, or 53 percent compared with 1998. The decrease reflects a charge of \$40 million relating to the writedown of an equity investment and an equity investee's severance actions as well as lower earnings from our UOP process technology (UOP) joint venture. Equity in income of affiliated companies of \$162 million in 1998 decreased by \$29 million, or 15 percent, compared with 1997. The decrease resulted mainly from lower earnings from UOP, partially offset by a gain on the sale of a portion of our interest in our European Commercial Vehicle Systems joint venture.

[BAR GRAPH]

SEGMENT PROFIT  
(Dollars in Millions)

1997	1998	1999
-----	-----	-----
\$2,443	\$2,912	\$3,271

[BAR GRAPH]

SEGMENT MARGIN  
(Percent)

1997	1998	1999
-----	-----	-----
10.9%	12.4%	13.8%



MANAGEMENT'S DISCUSSION AND ANALYSIS

Other (income) expense, \$307 million of income in 1999, increased by \$280 million compared with 1998. The increase principally reflects the net gain of \$268 million on our disposition of our investment in AMP Incorporated (AMP) common stock. Other (income) expense, \$27 million of income in 1998, decreased by \$60 million compared with 1997, principally reflecting lower investment income and reduced benefits from foreign exchange hedging. A gain on litigation settlements was a partial offset. See Note 6 of Notes to Financial Statements for further information.

Interest and other financial charges of \$265 million in 1999 decreased by \$10 million, or 4 percent, compared with 1998. The decrease results from lower interest rates and tax interest expense somewhat offset by the effects of higher average debt outstanding during 1999. Interest and other financial charges of \$275 million in 1998 were basically flat compared with 1997.

The effective tax rate was 31.5 percent, 31.3 percent and 32.2 percent in 1999, 1998 and 1997, respectively. See Note 8 of Notes to Financial Statements for further information.

Net income in 1999 of \$1,541 million, or \$1.90 per share, was 19 percent lower than 1998 net income of \$1,903 million, or \$2.34 per share. Net income in 1999 included the gains on our dispositions of our Laminate Systems business and our investment in AMP and merger, repositioning and other charges. Net income in 1998 included repositioning charges, litigation settlements and a tax settlement. Adjusted for these items, net income in 1999 was \$624 million, or \$0.78 per share, higher than reported. This represents an increase of 14 percent over 1998 if both years are adjusted for these items. The higher net income in 1999 was the result of substantially improved earnings for the Aerospace Solutions, Automation & Asset Management and Power & Transportation Products segments. The Performance Materials segment had lower earnings. Net income in 1998 of \$1,903 million, or \$2.34 per share, was 16 percent higher than 1997 net income of \$1,641 million, or \$2.00 per share. Net income in 1997 included the gains on our dispositions of our automotive Safety Restraints and certain Industrial Control businesses and repositioning and other charges. Adjusted for repositioning charges, litigation settlements and a tax settlement, net income in 1998 was \$4 million more than reported and earnings per share were the same. This represents an increase of 16 percent over 1997 if both years are adjusted for repositioning and other charges and the specified settlements and gains. The higher net income in 1998 was the result of substantially improved earnings for the Aerospace Solutions and Automation & Asset Management segments. Earnings for the Performance Materials segment were also slightly higher. The Power & Transportation Products segment had lower earnings.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Total assets at December 31, 1999 were \$23,527 million, an increase of \$789 million, or 3 percent from December 31, 1998. Total assets at December 31, 1998 were \$22,738 million, an increase of \$2,620 million, or 13 percent from December 31, 1997. The increase from year-end 1997 to year-end 1998 primarily reflects acquisitions and our investment in AMP.

Cash provided by operating activities of \$2,374 million during 1999 increased by \$400 million compared with 1998 due principally to net income excluding the impact of the gains on our dispositions of our Laminate Systems business and our investment in AMP and merger, repositioning and other charges. Cash provided by operating activities of \$1,974 million during 1998 increased by \$40 million compared with 1997.

[BAR GRAPH]			[BAR GRAPH]			[BAR GRAPH]		
EARNINGS PER SHARE (Dollars Per Share)			RESEARCH AND DEVELOPMENT EXPENSE (Dollars in Millions)			FREE CASH FLOW (Dollars in Billions)		
1997	1998	1999	1997	1998	1999	1997	1998	1999
\$2.00	\$2.34	\$2.68	\$796	\$876	\$909	\$1.1	\$1.4	\$1.7

Cash used for investing activities of \$291 million during 1999 decreased by \$1,302 million compared with 1998. The decrease relates principally to the proceeds from the disposition of our investment in AMP. An increase in proceeds from sales of businesses, primarily Laminate Systems, also contributed to the decrease. Higher spending for acquisitions, mainly Johnson Matthey Electronics, and the liquidation in the prior year of short-term investments were partial offsets. Cash used for investing activities of \$1,593 million during 1998 decreased by \$403 million compared with 1997 due primarily to lower spending for acquisitions and the liquidation of short-term investments. This was partially offset by lower proceeds from the sales of businesses and our investment in AMP.

On February 3, 2000, we completed a tender offer acquiring substantially all of the outstanding shares of Pittway Corporation (Pittway) Common Stock and Class A Stock for approximately \$2.2 billion, including the assumption of the net debt of Pittway of approximately \$167 million. The acquisition was funded through the issuance of commercial paper. Pittway designs, manufactures and distributes security and fire systems for homes and buildings and had 1998 sales of \$1.3 billion.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position and profit contribution in order to upgrade our combined portfolio and identify operating units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify operating units that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These operating units are considered for potential divestiture, restructuring or other repositioning action subject to regulatory constraints.

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[BAR GRAPH]

DEBT AS A PERCENT  
OF TOTAL CAPITAL  
(Percent)

1997	1998	1999
----	----	----
30.2%	32.5%	26.6%

[BAR GRAPH]

CAPITAL EXPENDITURES  
(Dollars in Millions)

1997	1998	1999
----	----	----
\$1,015	\$1,037	\$986

Capital expenditures were \$986, \$1,037 and \$1,015 million in 1999, 1998 and 1997, respectively. Spending by the reportable segments and Corporate since 1997 is shown in Note 23 of Notes to Financial Statements. Our total capital expenditures in 2000 are currently projected at approximately \$1,050 million. These expenditures are expected to be financed principally by internally generated funds and are primarily planned for expansion and cost reduction.

Cash used for financing activities of \$1,110 million during 1999 increased by \$1,002 million compared with 1998. The increase relates principally to lower net issuances of debt of \$1,190 million. Cash dividends paid in 1999 were also \$46 million higher. Lower net stock repurchases of \$234 million were a partial offset. Total debt of \$5,066 million at year-end 1999 was \$100 million, or 2 percent higher than at December 31, 1998. Cash used for financing activities of \$108 million during 1998 decreased by \$677 million compared with 1997. The decrease relates to higher net issuances of debt of \$809 million somewhat offset by an increase in net stock repurchases of \$128 million and higher cash dividends paid of \$47 million. Total debt of \$4,966 million at year-end 1998 was \$1,334 million, or 37 percent higher than at December 31, 1997. The increase in total debt resulted principally from our investment in AMP, acquisitions and common stock repurchases.

In September 1999, a \$1 billion shelf registration filed with the Securities and Exchange Commission for the issuance of debt securities was declared effective. In December 1999, we entered into a \$3 billion bank revolving credit facility which is comprised of (a) a \$1 billion Five-Year Credit Agreement; and, (b) a \$2 billion 364-Day Credit Agreement, which reduces to \$1 billion on March 31, 2000 bringing the total bank revolving credit facility to \$2 billion. The credit agreements which replaced previous credit agreements maintained by AlliedSignal and the former Honeywell were established for general corporate purposes including support for the issuance of commercial paper. There was \$2,023 and \$1,773 million of commercial paper outstanding at year-end 1999 and 1998, respectively. See Note 15 of Notes to Financial Statements for details of long-term debt and a discussion of the Credit Agreements.

In January 2000, we entered into an additional \$1 billion bank revolving credit facility to be used to support the issuance of commercial paper to finance in part the acquisition of Pittway. This bank revolving credit facility expires on April 12, 2000 and has terms and conditions similar to the \$2 billion 364-Day Credit Agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We believe that our available cash, committed credit lines, and access to the public debt markets using debt securities and commercial paper, provide adequate short-term and long-term liquidity.

From 1997 to 1999, we purchased \$3.1 billion of treasury shares in connection with our stock repurchase programs. As of June 4, 1999, the date of the merger agreement between AlliedSignal and the former Honeywell, all share repurchase programs were rescinded.

The Board of Directors approved a quarterly dividend increase of 10.3 percent from \$0.17 to \$0.1875 per share. The dividend increase will be effective with the first quarter of 2000.

**MERGER AND REPOSITIONING CHARGES** Upon completion of the merger between AlliedSignal and the former Honeywell, we recognized a pretax charge of \$642 million for the cost of actions designed to improve our combined competitiveness and productivity and improve future profitability. The merger-related actions included the elimination of redundant corporate offices and functional administrative overhead; elimination of redundant and excess facilities and workforce in our combined aerospace businesses; adoption of six sigma productivity initiatives at the former Honeywell businesses; and the transition to a global shared services model. The components of the charge included severance costs of \$342 million, asset impairments of \$108 million, other exit costs of \$57 million and merger-related transaction and period expenses of \$135 million. Planned global workforce reductions consisted of approximately 6,500 administrative and manufacturing positions. Asset impairments principally related to the elimination of redundant or excess corporate and aerospace facilities and equipment.

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[BAR GRAPH]

DIVIDENDS PER SHARE  
(Dollars Per Share)

1997	1998	1999
----	----	----
\$0.52	\$0.60	\$0.68

[BAR GRAPH]

MARKET VALUE OF  
COMMON STOCK  
(Dollars Per Share)

1997	1998	1999
----	----	----
\$38.81	\$44.31	\$57.69

At year-end, approximately \$9 million of redundant assets were not able to be removed from service and are currently being depreciated over their shortened useful lives. Other exit costs related to lease terminations and contract cancellation losses negotiated or subject to reasonable estimation at year-end. Merger-related transaction and period expenses consisted of investment banking and legal fees, former Honeywell deferred compensation vested upon change in control and other direct merger-related expenses incurred in the period the merger was completed. All merger-related actions are expected to be completed by December 31, 2000.

In 1999, we also recognized a pretax charge of \$321 million for the costs of actions designed to reposition principally the AlliedSignal business units for improved productivity and future profitability. These repositioning actions included the organizational realignment of our aerospace businesses to strengthen market focus and simplify business structure; elimination of an unprofitable product line and rationalization of manufacturing capacity and infrastructure in the Performance Polymers business; a reduction in infrastructure in the Turbocharging Systems business; closing a wax refinery and carbon materials plant and rationalization of manufacturing capacity in the Specialty Chemicals business; elimination of two manufacturing facilities in our Electronic Materials business; a plant closure and outsourcing activity in our automotive Consumer Products Group business; and related and general workforce reductions in all AlliedSignal businesses and our Industrial Control business. The components of the charge included severance costs of \$140 million, asset impairments of \$149 million, and other exit costs of \$32 million. Global workforce reductions consisted of approximately 5,100 manufacturing, administrative, and sales positions. Asset impairments principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Other exit costs principally consisted of environmental exit costs associated with chemical plant shutdowns. All repositioning actions, excluding environmental remediation, are expected to be completed by December 31, 2000.

We expect that the merger and repositioning actions committed to in 1999 will generate incremental pretax savings of \$250 million in 2000, \$575 million in 2001 and \$750 million in 2002 principally from planned workforce reductions and facility consolidations. Cash expenditures for severance, other exit costs, and future period expenses necessary to execute these

actions will exceed \$500 million and will principally be incurred in 2000. Such expenditures will be funded through future operating cash flows, proceeds from government required divestitures resulting from the merger and sale of merger-related, excess or duplicate facilities and equipment. The government required divestitures will not materially affect our results of operations or financial position.

In 1998, we recognized a pretax charge of \$54 million related to productivity initiatives which included workforce reductions of 1,200 employees and facility consolidations principally in our Home and Building Control and Industrial Control businesses. These actions were completed by December 31, 1999, with substantially all reserve spending occurring in 1999.

In 1997, we recognized a pretax charge of \$215 million for costs to eliminate AlliedSignal's three sector administrative offices; consolidate our automotive Consumer Products Group business; close four performance materials manufacturing facilities; and, execute workforce reductions and facility consolidations in our Home and Building Control and Industrial Control businesses. The charge principally consisted of severance for approximately 2,900 employees and other cash exit costs. These actions were essentially completed by December 31, 1998, with substantially all reserve spending occurring in 1998.

The 1998 and 1997 actions generated over \$150 million in incremental pretax savings in 1999 and were funded through proceeds received from the sales of non-strategic businesses.

**ENVIRONMENTAL MATTERS** We are subject to various federal, state and local government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, are a party to lawsuits and claims and have incurred remedial response and voluntary cleanup costs associated with environmental matters. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. We continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for such matters when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally no later than the completion of feasibility studies.

Remedial response and voluntary cleanup expenditures were \$78, \$77 and \$90 million in 1999, 1998 and 1997, respectively, and are currently estimated to be approximately \$82 million in 2000. We expect that we will be able to fund such expenditures from operating cash flow. The timing of expenditures depends on a number of factors, including regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

At December 31, 1999 and 1998, the recorded liability for environmental matters was \$349 and \$406 million, respectively. In addition, in 1999 and 1998 we incurred operating costs for ongoing businesses of approximately \$89 and \$75 million, respectively, and capital expenditures of \$40 and \$52 million, respectively relating to compliance with environmental regulations.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they may be significant to our consolidated results of operations. We do not expect that environmental matters will have a material adverse effect on our consolidated financial position.

See Note 21 of Notes to Financial Statements for a discussion of our commitments and contingencies, including those related to environmental matters.

**FINANCIAL INSTRUMENTS** As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect our results of operations and financial position. We minimize our risks from interest and foreign currency exchange rate fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments. A discussion of our accounting policies for derivative financial instruments is included in Note 1 of Notes to Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our exposure to market risk from changes in interest rates relates primarily to our debt obligations. As described in Notes 15 and 17 of Notes to Financial Statements, we issue both fixed and variable rate debt and use interest rate swaps to manage our exposure to interest rate movements and reduce borrowing costs.

Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries and foreign currency denominated receivables, payables, and firm commitments arising from international transactions. We attempt to have all such transaction exposures hedged with internal natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. We also use derivative financial instruments to hedge the impact of exchange rate movements on the translated U.S. dollar value of the net income for a number of foreign subsidiaries. Foreign currency forward and option agreements used to hedge net income are marked to market, with gains or losses recognized immediately in income. Our principal foreign currency exposures relate to the Belgian franc, the French franc, the German mark (collectively the Euro countries), and the British pound, the Canadian dollar, and the U.S. dollar. At December 31, 1999, we held or had written foreign currency forward and option agreements, maturing through 2003. We write foreign currency options only in combination with purchased options as an integral transaction and economic alternative to using forward agreements.

Derivative financial instruments expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The following table illustrates the potential change in fair value for interest rate sensitive instruments based on a hypothetical immediate one-percentage-point increase in interest rates across all maturities and the potential change in fair value for foreign exchange rate sensitive instruments based on a 10 percent increase in U.S. dollar per local currency exchange rates across all maturities at December 31, 1999 and 1998.

(Dollars in Millions)	Face or Notional Amount	Carrying Value(1)	Fair Value(1)	Estimated Increase (Decrease) In Fair Value
December 31, 1999				
INTEREST RATE SENSITIVE INSTRUMENTS				
Long-term debt				
(including current maturities) (2)	\$ (2,712)	\$ (2,705)	\$ (2,702)	\$ (120)
Interest rate swaps	1,100	(4)	(36)	(22)
FOREIGN EXCHANGE RATE SENSITIVE INSTRUMENTS				
Foreign currency				
exchange contracts(3)	1,445	4	6	25
December 31, 1998				
INTEREST RATE SENSITIVE INSTRUMENTS				
Long-term debt				
(including current maturities) (2)	\$ (3,041)	\$ (3,018)	\$ (3,278)	\$ (162)
Interest rate swaps	1,450	3	6	(23)
FOREIGN EXCHANGE RATE SENSITIVE INSTRUMENTS				
Foreign currency				
exchange contracts(3)	2,087	1	(4)	74

(1) Asset or (liability).

(2) Excludes capitalized leases.

(3) Increases in the fair value of foreign currency exchange contracts are substantially offset by changes in the fair value of net underlying hedged foreign currency transactions.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. The methods used by us to assess and mitigate risk discussed above should not be considered projections of future events.

## OTHER MATTERS

LITIGATION On March 13, 1990, Litton Systems, Inc. filed a legal action against the former Honeywell in U.S. District Court, Central District of California, Los Angeles, with claims that were subsequently split into two separate cases. One alleges patent infringement under federal law for using an ion-beam process to coat mirrors incorporated in the former Honeywell's ring laser gyroscopes, and tortious interference under state law for interfering with Litton's prospective advantage with customers and contractual relationships with an inventor and his company, Ojai Research, Inc. The other case alleges monopolization and attempted monopolization under federal antitrust laws by the former Honeywell in the sale of inertial reference systems containing ring laser gyroscopes into the commercial aircraft market. The former Honeywell generally denied Litton's allegations in both cases. In the patent/tort case, the former Honeywell also contested the validity as well as the infringement of the patent, alleging, among other things, that the patent had been obtained by Litton's inequitable conduct before the United States Patent and Trademark Office.

In 1993 and 1995, trials were held in each case and juries initially awarded Litton significant monetary damages. However, those verdicts were set aside by the trial court judge who ordered, at a minimum, new trials on the issue of damages in each case.

Following cross-appeals by the parties of various issues to the Federal Circuit and the U.S. Supreme Court in the patent/tort case, it was remanded to the trial court for further legal and perhaps factual review with respect to both liability and damages. On September 23, 1999, the trial court issued dispositive rulings in the case, granting the former Honeywell's Motion for Judgment as a Matter of Law and Summary Judgment on the Patent claims on various grounds; granting the former Honeywell's Motion for Judgment as a Matter of Law on the State Law Claims on the grounds of insufficient evidence; and denying Litton's Motion for Partial Summary Judgment. We expect that Litton will appeal the trial court's rulings.

A retrial of damages in the antitrust case commenced October 29, 1998, and on December 9, 1998, a jury returned a verdict against Honeywell for actual damages in the amount of \$250 million. Following post trial motions, on September 24, 1999, the trial court issued rulings denying the former Honeywell's Motion for Judgment as a Matter of Law and Motion for New Trial and Remittitur as they related to Litton Systems, Inc., but granting the former Honeywell's Motion for Judgment as a Matter of Law as it relates to Litton Systems, Canada, Limited. The net effect of these rulings was to reduce the existing judgment against the former Honeywell of \$750 million to \$660 million, plus attorney fees and costs of approximately \$35 million. We believe that there is no factual or legal basis for the magnitude of the jury's award and believe that it should be overturned. We also believe we have very strong arguments that the liability portion of the jury verdict in the first antitrust trial was erroneous. Both parties have appealed this judgment, as to both liability and damages, to the U.S. Court of Appeals for the Ninth Circuit.

Although it is not possible at this time to predict the result of any further appeals in this case, potential does remain for an adverse outcome which could be material to our financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in the financial statements with respect to this contingent liability.

For a detailed discussion of this litigation, see Note 21 of Notes to the Financial Statements.

YEAR 2000 UPDATE In preparation for the transition to the calendar Year 2000, we completed extensive remediation efforts with respect to the various aspects of the Year 2000 problem, including information systems, production and facilities equipment, products, customers and suppliers. While there can be no assurances that future problems will not occur, these efforts resulted in a successful transition into the Year 2000 without any major complications being identified to date related to the Year 2000 problem.

Our total cost for Year 2000 compliance was approximately \$195 million. This amount does not include our share of costs for Year 2000 issues by partnerships and joint ventures in which we participate but are not the operator. Incremental spending was not material because most Year 2000 compliance costs were met with amounts that were normally budgeted for procurement and maintenance of our information systems and production and facilities equipment. The redirection of spending from procurement of information systems and production and facilities equipment to implementation of Year 2000 compliance plans may in some instances have delayed productivity improvements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**EURO CONVERSION** On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (Euro). The transition period for the introduction of the Euro is between January 1, 1999 and January 1, 2002. We have identified and are ensuring that all Euro conversion compliance issues are addressed. Although we cannot predict the impact of the Euro conversion at this time, we do not expect the Euro conversion will have a material adverse effect on our consolidated results of operations.

**SALES TO THE U.S. GOVERNMENT** Sales to the U.S. Government, acting through its various departments and agencies and through prime contractors, amounted to \$2,383, \$2,693 and \$2,655 million in 1999, 1998 and 1997, respectively. This included sales to the Department of Defense (DoD), as a prime contractor and subcontractor, of \$1,415, \$1,658 and \$1,618 million in 1999, 1998 and 1997, respectively. Sales to the DoD accounted for 6.0, 7.0 and 7.2 percent of our total sales in 1999, 1998 and 1997, respectively. We are affected by U.S. Government budget constraints for defense and space programs. U.S. defense spending increased slightly in 1999 and is also expected to increase slightly in 2000.

**BACKLOG** Our total backlog at year-end 1999 and 1998 was \$8,736 and \$9,400 million, respectively. We anticipate that approximately \$6,400 million of the 1999 backlog will be filled in 2000. We believe that backlog is not a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

**INFLATION** Highly competitive market conditions have minimized inflation's impact on the selling prices of our products and the cost of our purchased materials. Cost increases for materials and labor have generally been low, and productivity enhancement programs, including Six Sigma initiatives, have largely offset any impact.

**NEW ACCOUNTING PRONOUNCEMENTS** In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 requires derivatives to be recorded on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in values of derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137, which defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. We are currently completing an analysis of these standards and their impact on our results of operations and financial position.

[PRICEWATERHOUSECOOPERS LOGO]

To the Board of Directors and Shareowners of Honeywell International Inc.

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareowners' equity and of cash flows present fairly, in all material respects, the financial position of Honeywell International Inc. and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Honeywell Inc., a wholly-owned subsidiary, which statements reflect total assets of \$7,170.4 million as of December 31, 1998, and total sales of \$8,426.7 million and \$8,027.5 million for each of the two years in the period ended December 31, 1998. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Honeywell Inc. as of and for the two years ended December 31, 1998 is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Florham Park, New Jersey  
January 27, 2000, except as to Note 25  
which is as of February 4, 2000



CONSOLIDATED STATEMENT OF INCOME  
Honeywell International Inc.

Years Ended December 31

(Dollars in Millions Except Per Share Amounts)	1999	1998	1997
Net sales	\$ 23,735	\$ 23,555	\$ 22,499
Costs, expenses and other			
Cost of goods sold	18,495	17,689	17,444
Selling, general and administrative expenses	3,216	3,008	2,940
Gain on sale of non-strategic businesses	(106)	--	(303)
Equity in income of affiliated companies	(76)	(162)	(191)
Other (income) expense	(307)	(27)	(87)
Interest and other financial charges	265	275	277
	21,487	20,783	20,080
Income before taxes on income	2,248	2,772	2,419
Taxes on income	707	869	778
Net income	\$ 1,541	\$ 1,903	\$ 1,641
Earnings per share of common stock--basic	\$ 1.95	\$ 2.38	\$ 2.04
Earnings per share of common stock--assuming dilution	\$ 1.90	\$ 2.34	\$ 2.00

The Notes to Financial Statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET  
Honeywell International Inc.

December 31

(Dollars in Millions)	1999	1998
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,991	\$ 1,018
Accounts and notes receivable	3,896	3,899
Inventories	3,436	3,456
Other current assets	1,099	981
<b>Total current assets</b>	<b>10,422</b>	<b>9,354</b>
Investments and long-term receivables	782	1,792
Property, plant and equipment -- net	5,630	5,600
Goodwill and other intangible assets--net	4,660	4,365
Other assets	2,033	1,627
<b>Total assets</b>	<b>\$ 23,527</b>	<b>\$ 22,738</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 2,129	\$ 2,018
Short-term borrowings	302	133
Commercial paper	2,023	1,773
Current maturities of long-term debt	284	284
Accrued liabilities	3,534	3,437
<b>Total current liabilities</b>	<b>8,272</b>	<b>7,645</b>
Long-term debt	2,457	2,776
Deferred income taxes	864	861
Postretirement benefit obligations other than pensions	1,968	2,042
Other liabilities	1,367	1,331
<b>CONTINGENCIES</b>		
<b>SHAREOWNERS' EQUITY</b>		
Capital -- common stock -- Authorized 2,000,000,000 shares (par value \$1 per share): issued		
1999 -- 957,599,006 shares		
1998 -- 953,326,000 shares	958	953
-- additional paid-in capital	2,318	1,719
Common stock held in treasury, at cost:		
1999 -- 162,466,000 shares		
1998 -- 157,991,553 shares	(4,254)	(3,413)
Accumulated other nonowner changes	(355)	(94)
Retained earnings	9,932	8,918
<b>Total shareowners' equity</b>	<b>8,599</b>	<b>8,083</b>
<b>Total liabilities and shareowners' equity</b>	<b>\$ 23,527</b>	<b>\$ 22,738</b>

The Notes to Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

Honeywell International Inc.

(Dollars in Millions)	Years Ended December 31		
	1999	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$1,541	\$1,903	\$1,641
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of non-strategic businesses	(106)	--	(303)
Gain on disposition of investment in AMP Incorporated	(268)	--	--
Merger, repositioning and other charges	1,287	54	341
Depreciation and amortization	881	897	888
Undistributed earnings of equity affiliates	(39)	(24)	(65)
Deferred income taxes	(11)	221	116
Net taxes paid on sales of businesses and investments	(246)	(300)	(21)
Other	(165)	(176)	(535)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts and notes receivable	(54)	(154)	(165)
Inventories	90	(96)	(159)
Other current assets	(39)	3	(88)
Accounts payable	121	35	264
Accrued liabilities	(618)	(389)	20
<b>Net cash provided by operating activities</b>	<b>2,374</b>	<b>1,974</b>	<b>1,934</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Expenditures for property, plant and equipment	(986)	(1,037)	(1,015)
Proceeds from disposals of property, plant and equipment	67	150	149
Decrease in investments and long-term receivables	--	--	25
(Increase) in investments	(20)	(1)	(6)
Disposition (purchase) of investment in AMP Incorporated	1,164	(890)	--
Cash paid for acquisitions	(1,311)	(581)	(1,816)
Proceeds from sales of businesses	784	335	796
Decrease (increase) in short-term investments	11	431	(129)
<b>Net cash (used for) investing activities</b>	<b>(291)</b>	<b>(1,593)</b>	<b>(1,996)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in commercial paper	250	909	307
Net increase (decrease) in short-term borrowings	156	16	(11)
Proceeds from issuance of common stock	419	216	195
Proceeds from issuance of long-term debt	25	687	630
Payments of long-term debt	(375)	(366)	(489)
Repurchases of common stock	(1,058)	(1,089)	(940)
Cash dividends on common stock	(527)	(481)	(434)
Other	--	--	(43)
<b>Net cash (used for) financing activities</b>	<b>(1,110)</b>	<b>(108)</b>	<b>(785)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>973</b>	<b>273</b>	<b>(847)</b>
Cash and cash equivalents at beginning of year	1,018	745	1,592
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,991</b>	<b>\$1,018</b>	<b>\$ 745</b>

The Notes to Financial Statements are an integral part of this statement.



CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY

Honeywell International Inc.

(In Millions Except Per Share Amounts)	Common Stock Issued		Additional Paid-in Capital	Common Stock Held in Treasury		Accumulated Other Non- owner Changes	Retained Earnings	Total Shareowners' Equity
	Shares	Amount		Shares	Amount			
BALANCE AT DECEMBER 31, 1996	953.5	\$953	\$ 999	(150.8)	\$(1,953)	\$ 97	\$6,289	\$ 6,385
Net income							1,641	1,641
Foreign exchange translation adjustments						(293)		(293)
Minimum pension liability adjustment						(2)		(2)
Unrealized holding loss on marketable securities						(10)		(10)
Nonowner changes in shareowners' equity								1,336
Common stock issued for acquisitions			32	1.0	8			40
Common stock issued for employee benefit plans (including related tax benefits of \$100)	3.6	4	354	12.7	94			452
Repurchases of common stock	(4.2)	(4)	(150)	(21.0)	(814)			(968)
Cash dividends on common stock (\$.52 per share)							(434)	(434)
Other	0.2		(36)					(36)
BALANCE AT DECEMBER 31, 1997	953.1	953	1,199	(158.1)	(2,665)	(208)	7,496	6,775
Net income							1,903	1,903
Foreign exchange translation adjustments						34		34
Minimum pension liability adjustment						(10)		(10)
Unrealized holding gain on marketable securities						90		90
Nonowner changes in shareowners' equity								2,017
Common stock issued for acquisitions			322	11.1	98			420
Common stock issued for employee benefit plans (including related tax benefits of \$91)	3.8	4	348	11.0	96			448
Repurchases of common stock	(3.9)	(4)	(156)	(22.0)	(942)			(1,102)
Cash dividends on common stock (\$.60 per share)							(481)	(481)
Other	0.3		6					6
BALANCE AT DECEMBER 31, 1998	953.3	953	1,719	(158.0)	(3,413)	(94)	8,918	8,083
Net income							1,541	1,541
Foreign exchange translation adjustments						(126)		(126)
Minimum pension liability adjustment						(43)		(43)
Unrealized holding loss on marketable securities						(92)		(92)
Nonowner changes in shareowners' equity								1,280
Common stock issued for employee benefit plans (including related tax benefits of \$237)	4.7	5	602	14.5	125			732
Repurchases of common stock				(18.9)	(966)			(966)
Cash dividends on common stock (\$.68 per share)							(527)	(527)
Other	(0.4)		(3)					(3)
BALANCE AT DECEMBER 31, 1999	957.6	\$958	\$2,318	(162.4)	\$(4,254)	\$(355)	\$9,932	\$8,599

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HONEYWELL INTERNATIONAL INC. is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control technologies for buildings, homes and industry, automotive products, power generation systems, specialty chemicals, fibers, plastics and electronic and advanced materials. As described in Note 2, Honeywell International Inc. was formed upon the merger of AlliedSignal Inc. and Honeywell Inc. The following is a description of the significant accounting policies of Honeywell International Inc.

**PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of Honeywell International Inc. and all of its subsidiaries in which a controlling interest is maintained. All intercompany transactions and balances are eliminated in consolidation.

**INVENTORIES** Inventories are valued at the lower of cost or market using the first-in, first-out or the average cost method and the last-in, first-out (LIFO) method for certain qualifying domestic inventories.

**INVESTMENTS** Investments in affiliates over which we have a significant influence, but not a controlling interest, are accounted for using the equity method of accounting. Other investments are carried at market value, if readily determinable, or cost.

**PROPERTY, PLANT AND EQUIPMENT** Property, plant and equipment are recorded at cost less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment.

**GOODWILL AND OTHER INTANGIBLE ASSETS** Goodwill represents the excess of acquisition costs over the fair value of net assets of businesses acquired and is amortized on a straight-line basis over appropriate periods up to 40 years. Goodwill was \$4,282 and \$3,951 million, net, at December 31, 1999 and 1998, respectively. Accumulated amortization was \$804 and \$723 million at December 31, 1999 and 1998, respectively.

Other intangible assets includes patents, trademarks, customer lists and other items amortized on a straight-line basis over appropriate periods up to 24 years. Other intangible assets were \$378 and \$414 million, net, at December 31, 1999 and 1998, respectively. Accumulated amortization was \$398 and \$338 million at December 31, 1999 and 1998, respectively.

**LONG-LIVED ASSETS** We periodically evaluate the recoverability of the carrying amount of long-lived assets (including property, plant, and equipment, goodwill and other intangible assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. We also continually evaluate the estimated useful lives of all long-lived assets and periodically revise such estimates based on current events.

**SALES RECOGNITION** Product and service sales are recognized when an agreement of sale exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Sales under long-term contracts in the Aerospace Solutions and Automation & Asset Management segments are recorded on a percentage-of-completion method measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident.

**ENVIRONMENTAL EXPENDITURES** Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not provide future benefits, are expensed as incurred. Liabilities are recorded when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally no later than the completion of feasibility studies.

**FOREIGN CURRENCY TRANSLATION** Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates effective during the year. Foreign currency translation gains and losses are included as a component of Accumulated Other Nonowner Changes in shareowners' equity. For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are remeasured at the rate of exchange in effect on the date the assets are acquired, while monetary assets and liabilities are remeasured at year-end exchange rates. Remeasurement adjustments for these operations are included in net income.

**FINANCIAL INSTRUMENTS** Interest rate swap, foreign currency forward and option agreements are accounted for as a hedge of the related asset, liability, firm commitment or anticipated transaction when designated and effective as a hedge of such items. Agreements qualifying for hedge accounting are accounted for as follows:

- o Changes in the amount to be received or paid under interest rate swap agreements are recognized in Interest and Other Financial Charges.
- o Gains and losses on foreign currency exchange contracts used to hedge assets, liabilities and net income are recognized in Other (Income)

Expense.

- o Gains and losses on foreign currency exchange contracts to hedge net investments in foreign subsidiaries are recognized in the Cumulative Foreign Exchange Translation Adjustment.
- o Gains and losses on foreign currency exchange contracts used to hedge firm foreign currency commitments, and purchased foreign currency options used to hedge anticipated foreign currency transactions, are recognized in the measurement of the hedged transaction when the transaction occurs.

Changes in the fair value of agreements not qualifying for hedge accounting are recognized in Other (Income) Expense. Gains and losses on terminated interest rate swap agreements are amortized over the shorter of the remaining term of the agreement or the hedged liability.

The carrying value of each agreement is reported in Accounts and Notes Receivable, Other Current Assets, Accounts Payable or Accrued Liabilities, as appropriate.

INCOME TAXES Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely.

RESEARCH AND DEVELOPMENT Research and development costs for company-sponsored research and development projects are expensed as incurred. Such costs are classified as part of Cost of Goods Sold and were \$909, \$876 and \$796 million in 1999, 1998 and 1997, respectively.

EARNINGS PER SHARE Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. All earnings per share data in this report reflect earnings per share -- assuming dilution, unless otherwise indicated.

CASH AND CASH EQUIVALENTS Cash and cash equivalents includes cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less.

USE OF ESTIMATES The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures in the accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2  
ALLIEDSIGNAL-HONEYWELL MERGER

On December 1, 1999, AlliedSignal Inc. (AlliedSignal) and Honeywell Inc. (former Honeywell) completed a merger under an Agreement and Plan of Merger (Merger Agreement) dated as of June 4, 1999. Under the Merger Agreement, a wholly-owned subsidiary of AlliedSignal merged with and into the former Honeywell. As a result of the merger, the former Honeywell has become a wholly-owned subsidiary of AlliedSignal. At the effective time of the merger AlliedSignal was renamed Honeywell International Inc. (Honeywell).

The former Honeywell shareowners were entitled to receive 1.875 shares of Honeywell common stock for each share of the former Honeywell common stock with cash paid in lieu of any fractional shares. As a result, former Honeywell shareowners were entitled to receive approximately 241 million shares of Honeywell common stock valued at approximately \$15 billion at the merger date. In addition, outstanding former Honeywell employee stock options were converted at the same exchange factor into options to purchase approximately 10 million shares of Honeywell common stock.

The merger qualified as a tax-free reorganization and was accounted for under the pooling-of-interests accounting method. Accordingly, Honeywell's consolidated financial statements have been restated for all periods prior to the merger to include the results of operations, financial position and cash flows of the former Honeywell as though it had always been a part of Honeywell.

There were no material transactions between AlliedSignal and the former Honeywell prior to the merger and there were no material adjustments to conform the accounting policies of the combining companies.

The net sales and net income previously reported by the separate companies and the combined amounts presented in the accompanying Consolidated Statement of Income are as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 1999 (UNAUDITED)	Year Ended December 31, 1998	Year Ended December 31, 1997
-----			
NET SALES			
AlliedSignal	\$11,252	\$15,128	\$14,472
Former Honeywell	6,324	8,427	8,027
-----			
Combined	\$17,576	\$23,555	\$22,499
=====			
Net income			
AlliedSignal	\$ 1,121	\$ 1,331	\$ 1,170
Former Honeywell	413	572	471
-----			
Combined	\$ 1,534	\$ 1,903	\$ 1,641
=====			



As described in Note 4, fees and expenses related to the merger and costs to integrate the combined companies were expensed in the fourth quarter of 1999.

NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

NOTE 3  
ACQUISITIONS

In addition to the pooling-of-interests transaction discussed in Note 2, we acquired businesses for an aggregate cost of \$1,314,\$1,191 and \$2,180 million in 1999,1998 and 1997,respectively. The following table presents information about the more significant acquisitions:

1999	Acquisition Date	Aggregate Cost	Goodwill	Annual Net Sales
Johnson Matthey Electronics(1)	8/99	\$655	\$331	\$670
TriStar Aerospace Co.(2)	12/99	300	147	200
1998				
Banner Aerospace(3)	1/98	\$350	\$175	\$250
Pharmaceutical Fine Chemicals(4)	6/98	390	297	110
1997				
Measurex Corporation(5)	3/97	\$600	\$306	\$420
Prestone Products(6)	6/97	400	279	300
Grimes Aerospace Company(7)	7/97	475	416	230
Astor Holdings, Inc.(8)	10/97	370	271	300

(1) Johnson Matthey Electronics supplies wafer fabrication materials and interconnect products to the electronics and telecommunications industries.

(2) TriStar Aerospace Co. distributes fasteners, fastening systems and related hardware and provides customized inventory management services to original equipment manufacturers of aircraft and aircraft components, commercial airlines and aircraft maintenance, repair and overhaul facilities.

(3) Banner Aerospace distributes FAA-certified aircraft hardware principally to commercial air transport and general aviation markets.

(4) Pharmaceutical Fine Chemicals manufactures and distributes active and intermediate pharmaceutical chemicals.

(5) Measurex Corporation designs and supplies measurements, control and industrial automation systems that unify business and control information for the pulp and paper industry.

(6) Prestone Products supplies antifreeze/coolant and other car care products.

(7) Grimes Aerospace Company manufactures interior and exterior aircraft lighting systems.

(8) Astor Holdings, Inc. manufactures value-added, wax-based processing aids, sealants and adhesives.

All the acquisitions were accounted for under the purchase method of accounting, and accordingly, the assets and liabilities of the acquired businesses were recorded at their estimated fair values at the dates of acquisition. The excess of purchase price over the estimated fair values of the net assets acquired, of \$678, \$883 and \$1,478 million in 1999, 1998 and 1997, respectively, was recorded as goodwill and is amortized over estimated useful lives. In connection with these acquisitions the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material. The results of operations of the acquired businesses have been included in the consolidated results of Honeywell from their respective acquisition dates. The pro forma results for 1999, 1998 and 1997, assuming these acquisitions had been made at the beginning of the year, would not be materially different from reported results.

NOTE 4  
MERGER, REPOSITIONING AND OTHER CHARGES

Upon completion of the merger between AlliedSignal and the former Honeywell, we recognized a pretax charge of \$642 million for the cost of actions designed to improve our combined competitiveness and productivity and improve future profitability. The merger-related actions included the elimination of redundant corporate offices and functional administrative overhead; elimination of redundant and excess facilities and workforce in our combined aerospace businesses; adoption of six sigma productivity initiatives at the former Honeywell businesses; and, the transition to a global shared services model. The components of the charge included severance costs of \$342 million, asset impairments of \$108 million, other exit costs of \$57 million and merger-related transaction and period expenses of \$135 million. Planned global workforce reductions consisted of approximately 6,500 administrative and manufacturing positions. Asset impairments principally related to the elimination of redundant or excess corporate and aerospace facilities and equipment. At year-end, approximately \$9 million of redundant assets were not able to be removed from service and are currently being depreciated over their shortened useful lives. Other exit costs related to lease terminations and contract cancellation losses negotiated or subject to reasonable estimation at year-end. Merger-related

transaction and period expenses consisted of investment banking and legal fees, former Honeywell deferred compensation vested upon change in control and other direct merger-related expenses incurred in the period the merger was completed. All merger-related actions are expected to be completed by December 31, 2000.

In 1999, we also recognized a pretax charge of \$321 million for the cost of actions designed to reposition principally the AlliedSignal business units for improved productivity and future profitability. These repositioning actions included the organizational realignment of our aerospace businesses to strengthen market focus and simplify business structure; elimination of an unprofitable product line and rationalization of manufacturing capacity and infrastructure in the Performance Polymers business; a reduction in infrastructure in the Turbocharging Systems business; closing a wax refinery and carbon materials plant and rationalization of manufacturing capacity in the Specialty Chemicals business; elimination of two manufacturing facilities in our Electronic Materials business; a plant closure and outsourcing activity in our automotive Consumer Products Group business; and related and general workforce reductions in all AlliedSignal businesses and our Industrial Control business. The components of the charge included severance costs of \$140 million, asset impairments of \$149 million, and other exit costs of \$32 million. Global workforce reductions consisted of approximately 5,100 manufacturing, administrative, and sales positions. Asset impairments principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Other exit costs principally consisted of environmental exit costs associated with chemical plant shutdowns. All repositioning actions, excluding environmental remediation, are expected to be completed by December 31, 2000.

The following table summarizes planned workforce reductions, liabilities and asset impairments recognized in the 1999 merger and repositioning actions.

	Number of Employees	Severance Costs	Asset Impairments	Exit Costs	Merger Fees and Expenses	Total
1999 charges	11,600	\$482	\$ 257	\$89	\$135	\$ 963
1999 usage	(2,800)	(58)	(257)	(4)	(77)	(396)
Balance at December 31, 1999	8,800	\$424	\$ --	\$85	\$ 58	\$ 567

In 1999, we recognized other charges consisting of losses on aerospace engine maintenance contracts and a contract cancellation penalty totaling \$45 million, customer and employee claims of \$69 million, contract settlements and contingent liabilities of \$18 million, and other write-offs principally related to tangible and intangible assets removed from service, including inventory, of \$152 million. We also recognized a \$36 million charge resulting from an other than temporary decline in value of an equity investment due to a significant deterioration in market conditions and a \$4 million charge related to an equity investee's severance action involving approximately 220 employees. The investee's severance action was completed by year-end.

In 1998, we recognized a pretax charge of \$54 million related to productivity initiatives which included workforce reductions and facility consolidations principally in our Home and Building Control and Industrial Control businesses. The components of the charge included severance costs of \$46 million and other exit costs of \$8 million. Global workforce reductions included approximately 1,200 sales, marketing, manufacturing and other administrative positions. Other exit costs consisted of lease termination penalties to consolidate field office locations and other period costs incurred to rationalize product lines. These actions were completed by December 31, 1999, with substantially all reserve spending occurring in 1999.

In 1997, we recognized a pretax charge of \$215 million for costs to eliminate AlliedSignal's three sector administrative offices; consolidate our automotive Consumer Products Group business; close four performance materials manufacturing facilities; and, execute a workforce reduction and facility consolidations in our Home and Building Control and Industrial Control businesses. The components of the charge included severance costs of \$134 million, asset impairments of \$42 million, and other exit costs of \$39 million. Global workforce reductions included approximately 2,900 sales, marketing, manufacturing and other administrative positions. Asset impairments principally related to administrative and manufacturing facilities and equipment held for disposal. Other exit costs principally consisted of lease termination costs and other shut-down period expenses. These actions were essentially completed by December 31, 1998, with substantially all reserve spending and asset disposals occurring in 1998.

In 1997, we also recognized other charges consisting of a \$40 million write-off of capitalized business process reengineering costs associated with information technology projects as required by Emerging Issues Task Force Issue No. 97-13, customer claims and legal settlements of \$30 million, and other write-offs principally related to tangible and intangible assets removed from service, including inventory, of \$43 million. We also recognized a \$13 million charge related to an other than temporary decline in value of an equity investment resulting from the Asian economic downturn in late 1997.

The following table summarizes the pretax impact of total merger, repositioning and other charges by reportable business segment.

	1999	1998	1997
Aerospace Solutions	\$ 315	\$ 1	\$ 23
Automation & Asset Management	215	52	88
Performance Materials	251	--	110
Power & Transportation Products	129	--	77
Corporate	377	1	43
	\$1,287	\$ 54	\$341

The following table summarizes the pretax distribution of total merger, repositioning and other charges by income statement classification.

	1999	1998	1997
Cost of goods sold	\$ 947	\$ 54	\$328

Selling, general and administrative expenses	300	--	--
Equity in income of affiliated companies	40	--	13
	\$1,287	\$ 54	\$341

NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

NOTE 5  
GAIN ON SALE OF NON-STRATEGIC BUSINESSES

In 1999, we sold our Laminate Systems business for approximately \$425 million in cash resulting in a pretax gain of \$106 million. The Laminate Systems business had 1998 net sales of about \$400 million.

In 1997, we sold our automotive Safety Restraints business for \$710 million in cash resulting in a pretax gain of \$277 million. We also sold certain Industrial Control businesses for approximately \$126 million in cash and receivables, resulting in a total pretax gain of \$77 million. In 1997 we also recorded a charge of \$51 million related to the settlement of the 1996 sale of our automotive Braking Systems business. The total pretax impact of the gains on sales of non-strategic businesses in 1997, net of the Braking Systems business settlement, was \$303 million.

NOTE 6  
OTHER (INCOME) EXPENSE

Years ended December 31	1999	1998	1997
Interest income and other	\$ (76)	\$ (57)	\$ (105)
Minority interests	46	37	45
Foreign exchange (gain) loss	(9)	17	(27)
Gain on disposition of investment in AMP Incorporated	(268)	--	--
Litigation settlements	--	(24)	--
	\$ (307)	\$ (27)	\$ (87)

In April 1999, we reached an agreement with Tyco International Ltd. (Tyco) and AMP Incorporated (AMP), settling AMP's claim to the gain we would realize on the disposition of our investment in AMP common stock. We made a payment to AMP of \$50 million, and the parties released all claims that they had against each other relating to AMP. Subsequently, we converted our investment in AMP common stock into Tyco common stock and sold the Tyco common stock for net cash proceeds of \$1.2 billion resulting in a pretax gain of \$268 million, net of the settlement payment.

NOTE 7  
INTEREST AND OTHER FINANCIAL CHARGES

Years ended December 31	1999	1998	1997
Total interest and other financial charges	\$287	\$300	\$298
Less--Capitalized interest	(22)	(25)	(21)
	\$265	\$275	\$277

Cash payments of interest during the years 1999, 1998 and 1997 were \$328, \$426 and \$286 million, respectively.

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 1999 and 1998 was 5.97 and 5.78 percent, respectively.

NOTE 8  
TAXES ON INCOME

INCOME BEFORE TAXES ON INCOME			
Years ended December 31	1999	1998	1997
United States	\$1,742	\$2,085	\$1,903
Foreign	506	687	516
	\$2,248	\$2,772	\$2,419
TAXES ON INCOME			
Years ended December 31	1999	1998	1997
United States	\$ 531	\$ 616	\$ 602
Foreign	176	253	176

	\$ 707	\$ 869	\$ 778
Years ended December 31	1999	1998	1997
Taxes on income consist of:			
Current:			
United States	\$ 416	\$ 424	\$ 417
State	113	49	81
Foreign	189	175	164
	718	648	662
Deferred:			
United States	37	81	84
State	(35)	62	20
Foreign	(13)	78	12
	(11)	221	116
	\$ 707	\$ 869	\$ 778
Years ended December 31	1999	1998	1997
The U.S. statutory federal income tax rate is reconciled to our effective income tax rate as follows:			
Statutory U.S. federal income tax rate	35.0%	35.0%	35.0%
Taxes on foreign earnings over (under) U.S. tax rate	(1.2)	1.0	--
Asset basis differences	(1.6)	(1.5)	(1.7)
Nondeductible amortization	3.3	1.3	1.4
State income taxes	2.2	2.5	2.5
Tax benefits of Foreign Sales Corporation	(4.4)	(2.2)	(2.4)
ESOP dividend tax benefit	(.7)	(.6)	(.6)
Tax credits	(1.2)	(1.1)	(.2)
All other items--net	.1	(3.1)	(1.8)
	31.5%	31.3%	32.2%

## DEFERRED INCOME TAXES

December 31	1999	1998
-----		
Included in the following balance sheet accounts:		
Other current assets	\$ 789	\$ 694
	-----	-----
Other assets	143	103
	-----	-----
Accrued liabilities	(13)	(26)
	-----	-----
Deferred income taxes	(864)	(861)
	-----	-----
	\$ 55	\$ (90)
	=====	=====

## DEFERRED TAX ASSETS (LIABILITIES)

December 31	1999	1998
-----		
The principal components of deferred tax assets and (liabilities) are as follows:		
Property, plant and equipment basis differences	\$ (648)	\$ (715)
	-----	-----
Postretirement benefits other than pensions and postemployment benefits	869	918
	-----	-----
Investment and other asset basis differences	(328)	(390)
	-----	-----
Other accrued items	552	490
	-----	-----
Net operating losses	184	218
	-----	-----
Deferred foreign gain	(27)	(39)
	-----	-----
Undistributed earnings of subsidiaries	(33)	(55)
	-----	-----
All other items--net	(491)	(487)
	-----	-----
	78	(60)
	-----	-----
Valuation allowance	(23)	(30)
	-----	-----
	\$ 55	\$ (90)
	=====	=====

The amount of federal tax net operating loss carryforwards available at December 31, 1999 was \$166 million. The majority of these loss carryforwards were generated by certain subsidiaries prior to their acquisition in 1997 and have expiration dates through the year 2011. The use of pre-acquisition operating losses is subject to limitations imposed by the Internal Revenue Code. We do not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. We also have foreign net operating losses of \$434 million which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

Deferred income taxes have not been provided on approximately \$1.6 billion of undistributed earnings of foreign affiliated companies, which are considered to be permanently reinvested. It is not practicable to estimate the amount of tax that might be payable on the eventual remittance of such earnings.

Cash payments of income taxes during the years 1999, 1998 and 1997 were \$625, \$650 and \$473 million, respectively.

NOTE 9  
EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted earnings per share:

	Income	Average Shares	Per Share Amount
-----			
1999			
Earnings per share of common stock--basic	\$1,541	792,010,145	\$1.95
	-----	-----	-----
Dilutive securities issuable in connection with stock plans		16,979,863	
		-----	
Earnings per share of common			



stock--assuming dilution	\$1,541	808,990,008	\$1.90
-----			
1998			
Earnings per share of common stock--basic	\$1,903	798,390,836	\$2.38
-----			
Dilutive securities issuable in connection with stock plans		15,608,334	
-----			
Earnings per share of common stock--assuming dilution	\$1,903	813,999,170	\$2.34
-----			
1997			
Earnings per share of common stock--basic	\$1,641	803,029,575	\$2.04
-----			
Dilutive securities issuable in connection with stock plans		19,074,591	
-----			
Earnings per share of common stock--assuming dilution	\$1,641	822,104,166	\$2.00
-----			

The diluted earnings per share calculation excludes the effect of stock options when the options' exercise prices exceed the average market price of the common shares during the period. In 1999, 1998 and 1997, the number of stock options not included in the computations was 868,631, 3,688,074 and 3,826,900, respectively. These stock options were outstanding at the end of each of the respective years.

## NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

NOTE 10  
ACCOUNTS AND NOTES RECEIVABLE

December 31	1999	1998
Trade	\$3,545	\$3,469
Other	435	508
	3,980	3,977
Less--Allowance for doubtful accounts and refunds	(84)	(78)
	\$3,896	\$3,899

Unbilled receivables related to long-term contracts were \$359 and \$387 million at December 31, 1999 and 1998, respectively, and are generally billable and collectible within one year.

We are a party to agreements under which we can sell undivided interests in designated pools of trade accounts receivable. At both December 31, 1999 and 1998, trade accounts receivable on the Consolidated Balance Sheet have been reduced by approximately \$500 million reflecting such sales. We act as an agent for the purchasers in the collection and administration of the receivables.

NOTE 11  
INVENTORIES

December 31	1999	1998
Raw materials	\$1,027	\$ 996
Work in process	973	1,095
Finished products	1,589	1,555
	3,589	3,646
Less-- Progress payments and customer advances	(44)	(83)
Reduction to LIFO cost basis	(109)	(107)
	\$3,436	\$3,456

Inventories valued at LIFO amounted to \$167 and \$214 million at December 31, 1999 and 1998, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately \$109 and \$107 million higher at December 31, 1999 and 1998, respectively.

Inventories related to long-term contracts, net of progress payments and customer advances, were \$271 and \$260 million at December 31, 1999 and 1998, respectively.

NOTE 12  
INVESTMENTS AND LONG-TERM RECEIVABLES

December 31	1999	1998
Investment in AMP Incorporated(1)	\$ --	\$ 1,041
Investments	664	640
Long-term receivables	118	111
	\$ 782	\$ 1,792

(1) Investment in AMP was liquidated in 1999. See Note 6. Includes unrealized holding gain of \$151 million at December 31, 1998.

NOTE 13  
PROPERTY, PLANT AND EQUIPMENT

December 31	1999	1998
Land and improvements	\$ 371	\$ 407

Machinery and equipment	9,574	9,471
Buildings and improvements	2,192	2,174
Construction in progress	566	605
	12,703	12,657
Less--Accumulated depreciation and amortization	(7,073)	(7,057)
	\$ 5,630	\$ 5,600

NOTE 14  
ACCRUED LIABILITIES

December 31	1999	1998
Compensation and benefit costs	\$ 828	\$ 849
Customer advances	511	466
Income taxes	186	384
Environmental costs	104	128
Other	1,905	1,610
	\$ 3,534	\$ 3,437

Note 15  
LONG-TERM DEBT AND CREDIT AGREEMENTS

December 31	1999	1998
6.75% notes due 2000	\$ --	\$ 100
6.60% notes due 2001	100	100
6.75% notes due 2002	200	200
9 7/8% debentures due 2002	171	171
8 5/8% debentures due 2006	100	100
7.0% notes due 2007	350	350
7 1/8% notes due 2008	200	200
6.20% notes due 2008	200	200
Zero coupon bonds and money multiplier notes, 13.0%-14.26%, due 2000-2009	100	174
5 3/4% dealer remarketable securities due 2011	200	200
Industrial development bond obligations, 3.15%-6.75%, maturing at various dates through 2027	107	99
6 5/8% debentures due 2028	216	250
9.065% debentures due 2033	51	51
Other (including capitalized leases), 1.54%-12.42%, maturing at various dates through 2016	462	581
	\$2,457	\$2,776

The schedule of principal payments on long-term debt is as follows:

At December 31, 1999	Long-term Debt
2000	\$284
2001	176
2002	402
2003	88
2004	37
Thereafter	1,754
	2,741
Less--Current portion	284
	\$2,457

In December 1999, we entered into a \$3 billion bank revolving credit facility with a group of 25 banks which is comprised of: (a) a \$1 billion Five-Year Credit Agreement and (b) a \$2 billion 364 Day Credit Agreement which reduces to \$1 billion on March 31, 2000, bringing the total revolving credit facility to \$2 billion. The credit agreements which replaced previous credit agreements maintained by AlliedSignal and the former Honeywell were established for general corporate purposes including support for the issuance of commercial paper. We had no balance outstanding under either agreement at December 31, 1999.

Neither of the credit agreements restrict our ability to pay dividends and neither contain financial covenants. The failure to comply with customary conditions or the occurrence of customary events of default contained in the credit agreements would prevent any further borrowings and would generally require the repayment of any outstanding borrowings under such credit agreements. Such events of default include (a) non-payment of credit agreement debt and interest thereon, (b) non-compliance with the terms of the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (e) defaults upon obligations under the Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend under the credit agreements if any person or group acquires beneficial ownership of 30 percent or more of our voting stock or,

during any 12-month period, individuals who were directors of Honeywell at the beginning of the period cease to constitute a majority of the Board of Directors (the Board).

Loans under the Five-Year Credit Agreement are required to be repaid no later than December 2, 2004. We have agreed to pay a facility fee of 0.065 percent per annum on the aggregate commitment for the Five-Year Credit Agreement, subject to increase or decrease in the event of changes in our long-term debt ratings.

Interest on borrowings under the Five-Year Credit Agreement would be determined, at our option, by (a) an auction bidding procedure; (b) the highest of the floating base rate of the agent bank, 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate or (c) the average Eurocurrency rate of three reference banks plus 0.135 percent (applicable margin). The applicable margin over the Eurocurrency rate on the Five-Year Credit Agreement is subject to increase or decrease if our long-term debt ratings change.

The commitments under the 364-Day Credit Agreement terminate on November 30, 2000. Annually, prior to the Agreement's anniversary date, we may request that the termination date of the 364-Day Credit Agreement be extended by 364 days. We have agreed to pay a facility fee of 0.055 percent per annum on the aggregate commitment for the 364-Day Credit Agreement.

Interest on borrowings under the 364-Day Credit Agreement would be determined, at our option, by (a) an auction bidding procedure; (b) the highest of the floating base rate of the agent bank, 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate or (c) the average Eurocurrency rate of three reference banks plus 0.145 percent (applicable margin).

In January 2000, we entered into an additional \$1 billion bank revolving credit facility to be used to support the issuance of commercial paper to finance in part the acquisition of Pittway Corporation. This bank revolving credit facility expires on April 12, 2000 and has terms and conditions similar to the \$2 billion 364-Day Credit Agreement.

NOTE 16  
LEASE COMMITMENTS

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

At December 31, 1999	Lease Payments
2000	\$ 248
2001	193
2002	149
2003	108
2004	79
Thereafter	260
	\$1,037

Rent expense was \$291, \$262 and \$251 million in 1999, 1998 and 1997, respectively.

NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

NOTE 17  
FINANCIAL INSTRUMENTS

As a result of our global financing and operating activities, we are exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate fluctuations through our normal financing and operating activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments.

Interest rate swap agreements are used to manage interest rate risk by adjusting our ratio of fixed to floating interest rates payable on our outstanding debt. At December 31, 1999 and 1998, interest rate swap agreements effectively changed \$850 and \$1,000 million, respectively, of fixed rate debt at an average rate of 6.6 and 7.0 percent, respectively, to LIBOR and commercial paper based floating rate debt. Other interest rate swaps at December 31, 1999 and 1998 effectively changed \$250 and \$450 million, respectively, of LIBOR and commercial paper based floating rate swaps and debt to fixed rate swaps and debt with an average fixed rate of 6.3 and 6.4 percent, respectively. Our interest rate swaps mature through the year 2007.

Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, and foreign currency denominated receivables, payables, and firm commitments arising from international transactions. We attempt to have all such transaction exposure hedged with internal natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. We also use derivative financial instruments to hedge the impact of exchange rate movements on the translated U.S. dollar value of the net income for a number of foreign subsidiaries. Foreign currency forward and option agreements used to hedge net income are marked-to-market, with gains or losses recognized immediately in income. Our principal foreign currency exposures relate to the Belgian franc, the French franc, the German mark (collectively the Euro countries), and the British pound, the Canadian dollar, and the U.S. dollar.

At December 31, 1999, we held or had written foreign currency forward and option agreements maturing through 2003. We write foreign currency options only in combination with purchased options as an integral transaction and economic alternative to using forward agreements.

Derivative financial instruments expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The values of our outstanding derivative financial instruments at December 31, 1999 and 1998 follows:

	Notional Principal Amount	Carrying Value	Fair Value(1)
-----			
DECEMBER 31, 1999			
Interest rate swap agreements	\$1,100	\$(4)	\$(36)
-----			
Foreign currency exchange contracts	1,445	4	6
=====			
DECEMBER 31, 1998			
Interest rate swap agreements	\$1,450	\$ 3	\$ 6
-----			
Foreign currency exchange contracts	2,087	1	(4)
-----			

(1) The fair value of financial instruments is based on quoted market prices or other valuation techniques, as appropriate.

Other financial instruments that are not carried on the Consolidated Balance Sheet at amounts, which approximate fair values, are certain debt instruments. The carrying value of long-term debt and related current maturities (excluding capitalized leases of \$36 and \$42 million at December 31, 1999 and 1998, respectively) were \$2,705 and \$3,018 million and the fair values were \$2,702 and \$3,278 million at December 31, 1999 and 1998, respectively. The fair values are estimated based on the quoted market price for the issues (if traded) or based on current rates offered to us for debt of the same remaining maturity and characteristics.



NOTE 18  
CAPITAL STOCK

We are authorized to issue up to 2,000,000,000 shares of common stock, with a par value of one dollar. Common shareowners are entitled to receive such dividends as may be declared by the Board, are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of Honeywell which are available for distribution to the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There are no restrictions on us relative to dividends or the repurchase or redemption of common stock. As of June 4, 1999, the date of the Merger Agreement between AlliedSignal and the former Honeywell, all share repurchase programs were rescinded.

We are authorized to issue up to 40,000,000 shares of preferred stock without par value and may establish series of preferred stock having such number of shares and such terms as we may determine.

NOTE 19  
OTHER NONOWNER CHANGES IN SHAREOWNERS' EQUITY

Total nonowner changes in shareowners' equity are included in the Consolidated Statement of Shareowners' Equity. The components of Accumulated Other Nonowner Changes are as follows:

	Pretax	Tax	After-Tax
-----			
YEAR ENDED DECEMBER 31, 1999			
Unrealized gains on securities available for sale	\$ --	\$ --	\$ --
-----			
Reclassification adjustment for gains on securities available for sale included in net income	(152)	60	(92)
-----			
Net unrealized losses arising during the year	(152)	60	(92)
-----			
Foreign exchange translation adjustments	(126)	--	(126)
-----			
Minimum pension liability adjustment	(70)	27	(43)
-----			
	\$ (348)	\$ 87	\$ (261)
=====			

	Pretax	Tax	After-Tax
-----			
YEAR ENDED DECEMBER 31, 1998			
Unrealized gains on securities available for sale	\$ 149	\$ (59)	\$ 90
-----			
Reclassification adjustment for gains on securities available for sale included in net income	--	--	--
-----			
Net unrealized gains arising during the year	149	(59)	90
-----			
Foreign exchange translation adjustments	34	--	34
-----			
Minimum pension liability adjustment	(16)	6	(10)
-----			
	\$ 167	\$ (53)	\$ 114
=====			

	Pretax	Tax	After-Tax
-----			
YEAR ENDED DECEMBER 31, 1997			
Unrealized (losses) on securities available for sale	\$ (5)	\$ 2	\$ (3)
-----			
Reclassification adjustment for losses on securities available for sale included in net income	(13)	6	(7)
-----			
Net unrealized losses arising during the year	(18)	8	(10)
-----			
Foreign exchange translation adjustments	(293)	--	(293)
-----			
Minimum pension liability adjustment	(3)	1	(2)
-----			
	\$ (314)	\$ 9	\$ (305)
=====			



The components of Accumulated Other Nonowner Changes are as follows:

December 31	1999	1998	1997
Cumulative foreign exchange translation adjustment	\$ (295)	\$ (169)	\$ (203)
Unrealized holding gains on securities available for sale	--	92	2
Minimum pension liability	(60)	(17)	(7)
	\$ (355)	\$ (94)	\$ (208)

NOTE 20  
STOCK-BASED COMPENSATION PLANS

We have stock plans available to grant incentive stock options, non-qualified stock options and stock appreciation rights to officers and employees.

**FIXED STOCK OPTIONS** The exercise price, term and other conditions applicable to each option granted under the stock plans are generally determined by the Management Development and Compensation Committee of the Board. The options are granted at a price equal to the stock's fair market value on the date of grant. The options generally become exercisable over a three-year period and expire after ten years.

NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

The following table summarizes information about stock option activity for the three years ended December 31, 1999:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 1996	59,572,251	18.25
Granted	11,753,454	37.49
Assumed	1,258,125	27.73
Exercised	(11,712,796)	16.13
Lapsed or canceled	(908,254)	28.45
Outstanding at December 31, 1997	59,962,780	22.47
Granted	9,819,362	34.33
Exercised	(10,708,194)	20.28
Lapsed or canceled	(4,352,142)	26.33
Outstanding at December 31, 1998	54,721,806	25.66
Granted	20,580,611	54.93
Exercised	(16,956,945)	23.04
Lapsed or canceled	(2,304,969)	35.38
Outstanding at December 31, 1999	56,040,503	36.81

The following table summarizes information about stock options outstanding at December 31, 1999:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Life(1)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 7.18-\$17.79	12,323,028	3.7	\$16.11	10,823,028	\$15.88
\$17.81-\$34.19	10,211,074	5.5	23.55	8,541,514	23.18
\$34.20-\$42.29	18,511,527	8.0	38.56	9,627,702	38.56
\$42.32-\$66.73	14,994,874	9.7	60.68	1,935,460	51.90
	56,040,503	7.1	36.81	30,927,704	27.21

(1) Average remaining contractual life in years.

There were 33,530,799 and 37,012,857 options exercisable at weighted average exercise prices of \$20.38 and \$18.01 at December 31, 1998 and 1997, respectively. There were 11,182,210 shares available for future grants under the terms of our stock option plans at December 31, 1999.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) requires that the cost of stock based compensation be measured using a fair value based method. As permitted by SFAS No. 123, we elected to continue to account for stock-based compensation using the intrinsic value based method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for our fixed stock option plans. The following table sets forth pro forma information, including related assumptions, as if compensation cost had been determined consistent with the requirements of SFAS No. 123.

	1999	1998	1997
Weighted average fair value per share of options granted during the year(1)	\$12.70	\$ 9.24	\$ 9.15

Reduction of:			
Net income	\$ 65	\$ 48	\$ 48
-----			
Earnings per share of common stock--basic	\$ .08	\$ .06	\$ .06
-----			
Earnings per share of common stock-- assuming dilution	\$ .08	\$ .06	\$ .06
-----			
Assumptions:			
Historical dividend yield	1.3%	1.6%	1.8%
-----			
Historical volatility	24.6%	20.7%	19.1%
-----			
Risk-free rate of return	5.2%	5.3%	6.4%
-----			
Expected life (years)	5.0	5.0	5.0
-----			

(1) Estimated on date of grant using Black-Scholes option-pricing model.

RESTRICTED STOCK UNITS Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSU's are issued to certain key employees as compensation and as incentives tied directly to the achievement of certain performance objectives.

RSU's issued were 1,175,127 in 1999, 942,143 in 1998 and 660,912 in 1997. There were 2,657,561, 3,117,736 and 3,242,472 RSU's outstanding, with a weighted average grant date fair value per share of \$37.81, \$28.84 and \$24.83 at December 31, 1999, 1998 and 1997, respectively.

NON-EMPLOYEE DIRECTORS' PLAN We also have a Stock Plan for Non-Employee Directors (Directors' Plan) under which restricted shares and options are granted. New directors receive grants of 3,000 shares of common stock, subject to certain restrictions. In addition, each director will be granted an option to purchase 2,000 shares of common stock each year on the date of the annual meeting of shareowners. We have set aside 450,000 shares for issuance under the Directors' Plan. Options generally become exercisable over a three-year period and expire after ten years.

EMPLOYEE STOCK MATCH PLANS We sponsor employee savings plans under which we match, in the form of our common stock, certain eligible U.S. employee savings plan contributions. Shares issued under the stock match plans were 2.6, 3.4 and 3.4 million in 1999, 1998 and 1997, respectively at a cost of \$142, \$139 and \$132 million, respectively.

NOTE 21  
COMMITMENTS AND CONTINGENCIES

LITTON LITIGATION On March 13, 1990, Litton Systems, Inc. (Litton) filed a legal action against the former Honeywell in U.S. District Court, Central District of California, Los Angeles (the trial court) with claims that were subsequently split into two separate cases. One alleges patent infringement under federal law for using an ion-beam process to coat mirrors incorporated in the former Honeywell's ring laser gyroscopes, and tortious interference under state law for interfering with Litton's prospective advantage with customers and contractual relationships with an inventor and his company, Ojai Research, Inc. The other case alleges monopolization and attempted monopolization under federal antitrust laws by the former Honeywell in the sale of inertial reference systems containing ring laser gyroscopes into the commercial aircraft market. The former Honeywell generally denied Litton's allegations in both cases. In the patent/tort case, the former Honeywell also contested the validity as well as the infringement of the patent, alleging, among other things, that the patent had been obtained by Litton's inequitable conduct before the United States Patent and Trademark Office.

Patent/Tort Case U.S. District Court Judge Mariana Pfaelzer presided over a three month patent infringement and tortious interference trial in 1993. On August 31, 1993, a jury returned a verdict in favor of Litton, awarding damages against the former Honeywell in the amount of \$1.2 billion on three claims. The former Honeywell filed post-trial motions contesting the verdict and damage award. On January 9, 1995, the trial court set them all aside, ruling, among other things, that the Litton patent was invalid due to obviousness, unenforceable because of Litton's inequitable conduct before the Patent and Trademark Office, and in any case, not infringed by the former Honeywell's current process. It further ruled that Litton's state tort claims were not supported by sufficient evidence. The trial court also held that if its rulings concerning liability were vacated or reversed on appeal, the former Honeywell should at least be granted a new trial on the issue of damages because the jury's award was inconsistent with the clear weight of the evidence and based upon a speculative damage study.

The trial court's rulings were appealed to the U.S. Court of Appeals for the Federal Circuit, and on July 3, 1996, in a two to one split decision, a three judge panel of that court reversed the trial court's rulings of patent invalidity, unenforceability and non-infringement, and also found the former Honeywell to have violated California law by intentionally interfering with Litton's consultant contracts and customer prospects. However, the panel upheld two trial court rulings favorable to the former Honeywell, namely that the former Honeywell was entitled to a new trial for damages on all claims, and also to a grant of intervening patent rights which are to be defined and quantified by the trial court. After unsuccessfully requesting a rehearing of the panel's decision by the full Federal Circuit appellate court, the former Honeywell filed a petition with the U.S. Supreme Court on November 26, 1996, seeking review of the panel's decision. In the interim, Litton filed a motion and briefs with the trial court seeking injunctive relief against the former Honeywell's commercial ring laser gyroscope sales. After the former Honeywell and certain aircraft manufacturers filed briefs and made oral arguments opposing the injunction, the trial court denied Litton's motion on public interest grounds on December 23, 1996, and then scheduled the patent/tort damages retrial for May 6, 1997.

On March 17, 1997, the U.S. Supreme Court granted the former Honeywell's petition for review and vacated the July 3, 1996 Federal Circuit panel decision. The case was remanded to the Federal Circuit panel for reconsideration in light of a recent decision by the U.S. Supreme Court in the Warner-Jenkinson vs. Hilton Davis case, which refined the law concerning patent infringement under the doctrine of equivalents. On March 21, 1997, Litton filed a notice of appeal to the Federal Circuit of the trial court's December 23, 1996 decision to deny injunctive relief, but the Federal Circuit stayed any briefing or consideration of that matter until such time as it completed its reconsideration of liability issues ordered by the U.S. Supreme Court.

The liability issues were argued before the same three judge Federal Circuit panel on September 30, 1997. On April 7, 1998, the panel issued its decision:

- (i) affirming the trial court's ruling that the former Honeywell's hollow cathode and RF ion-beam processes do not literally infringe the asserted claims of Litton's '849 reissue patent (Litton's patent);
- (ii) vacating the trial court's ruling that the former Honeywell's RF ion-beam process does not infringe the asserted claims of Litton's patent under the doctrine of equivalents, but also vacating the jury's verdict on that issue and remanding that issue to the trial court for further proceedings in accordance with the Warner-Jenkinson decision;
- (iii) vacating the jury's verdict that the former Honeywell's hollow cathode process infringes the asserted claims of Litton's patent under the doctrine of equivalents and remanding that issue to the trial court for further proceedings;
- (iv) reversing the trial court's ruling with respect to the torts of intentional interference with contractual relations and intentional interference with prospective economic advantage, but also vacating the jury's verdict on that issue, and remanding the issue to the trial court for further proceedings in accordance with California state law;
- (v) affirming the trial court's grant of a new trial to the former Honeywell on damages for all claims, if necessary;

- (vi) affirming the trial court's order granting intervening rights to the former Honeywell in the patent claim;
- (vii) reversing the trial court's ruling that the asserted claims of Litton's patent were invalid due to obviousness and reinstating the jury's verdict on that issue; and
- (viii) reversing the trial court's determination that Litton had obtained Litton's patent through inequitable conduct.

NOTES TO FINANCIAL STATEMENTS

Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

Litton's request for a rehearing of the panel's decision by the full Federal Circuit court was denied and its appeal of the denial of an injunction was dismissed. The case was remanded to the trial court for further legal and perhaps factual review. The parties filed motions with the trial court to dispose of the remanded issues as matters of law, which were argued before the trial court on July 26, 1999. On September 23, 1999, the trial court issued dispositive rulings in the case, granting the former Honeywell's Motion for Judgment as a Matter of Law and Summary Judgment on the Patent claims on various grounds; granting the former Honeywell's Motion for Judgment as a Matter of Law on the State Law Claims on the grounds of insufficient evidence; and denying Litton's Motion for Partial Summary Judgment. We expect that Litton will appeal the trial court's rulings.

When preparing for the patent/tort damages retrial that was scheduled for May 1997, Litton had submitted a revised damage study to the trial court, seeking damages as high as \$1.9 billion. We believe that our ion-beam processes do not infringe Litton's patent, and further, that Litton's damage study remains flawed and speculative for a number of reasons. We expect that the trial court's latest rulings in the case will eventually be affirmed since they are consistent with the Federal Circuit's most recent opinions in this case and others which deal with alleged patent infringement under the doctrine of equivalence, and since, absent any patent infringement, Litton has not proven any tortious behavior by the former Honeywell which interfered with its contracts or business prospects. We also believe that it is reasonably possible that no damages will ultimately be awarded to Litton.

Although it is not possible at this time to predict the result of any further appeals in this case, potential does remain for an adverse outcome which could be material to our financial position or results of operations. We believe however, that any potential award of damages for an adverse judgment of infringement or interference should be based upon a reasonable royalty reflecting the value of the ion-beam coating process, and further that such an award would not be material to our financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in the financial statements with respect to this contingent liability.

Antitrust Case Preparations for, and conduct of, the trial in the antitrust case have generally followed the completion of comparable proceedings in the patent/tort case. The antitrust trial did not begin until November 20, 1995. Judge Pfaelzer also presided over the trial, but it was held before a different jury. At the close of evidence and before jury deliberations began, the trial court dismissed, for failure of proof, Litton's contentions that the former Honeywell had illegally monopolized and attempted to monopolize by:

- (i) engaging in below-cost predatory pricing;
- (ii) tying and bundling product offerings under packaged pricing;
- (iii) misrepresenting its products and disparaging Litton products; and
- (iv) acquiring the Sperry Avionics business in 1986.

On February 2, 1996, the case was submitted to the jury on the remaining allegations that the former Honeywell had illegally monopolized and attempted to monopolize by:

- (i) entering into certain long-term exclusive dealing and penalty arrangements with aircraft manufacturers and airlines to exclude Litton from the commercial aircraft market, and
- (ii) failing to provide Litton with access to proprietary software used in the cockpits of certain business jets.

On February 29, 1996, the jury returned a \$234 million single damages verdict against the former Honeywell for illegal monopolization, which verdict would have been automatically trebled. On March 1, 1996, the jury indicated that it was unable to reach a verdict on damages for the attempt to monopolize claim, and a mistrial was declared as to that claim.

The former Honeywell subsequently filed a motion for judgment as a matter of law and a motion for a new trial, contending, among other things, that the jury's partial verdict should be overturned because the former Honeywell was prejudiced at trial, and Litton failed to prove essential elements of liability or submit competent evidence to support its speculative, all-or-nothing \$298.5 million damage claim. Litton filed motions for entry of judgment and injunctive relief. On July 24, 1996, the trial court denied the former Honeywell's alternative motions for judgment as a matter of law or a complete new trial, but concluded that Litton's damage study was seriously flawed and granted the former Honeywell a retrial on damages only. The court also denied Litton's two motions. At that time, Judge Pfaelzer was expected to conduct the retrial of antitrust damages sometime following the retrial of patent/tort damages. However, after the U.S. Supreme Court remanded the patent/tort case to the Federal Circuit in March 1997, Litton moved to have the trial court expeditiously schedule the antitrust damages retrial. In September 1997, the trial court rejected that motion, indicating that it wished to know the outcome of the current patent/tort appeal before scheduling retrials of any type.

Following the April 7, 1998 Federal Circuit panel decision in the patent/tort case, Litton again petitioned the trial court to schedule the retrial of antitrust damages. The trial court tentatively scheduled the trial to commence in the fourth quarter of 1998, and reopened limited discovery and other pretrial preparations. Litton then filed another antitrust damage claim of

nearly \$300 million.

The damages only retrial began October 29, 1998 before Judge Pfaelzer and a new jury. On December 9, 1998, the jury returned verdicts against the former Honeywell totaling \$250 million, \$220 million of which is in favor of Litton and \$30 million of which is in favor of its sister corporation, Litton Systems, Canada, Limited.

On January 27, 1999, the court vacated its prior mistrial ruling with respect to the attempt to monopolize claim and entered a treble damages judgment in the total amount of \$750 million for actual and attempted monopolization. The former Honeywell filed appropriate post-judgment motions with the trial court and Litton filed motions seeking to add substantial attorney's fees and costs to the judgment. A hearing on the post-judgment motions was held before the trial court on May 20, 1999. On September 24, 1999, the trial court issued rulings denying the former Honeywell's Motion for Judgment as a Matter of Law and Motion for New Trial and Remittitur as they related to Litton Systems Inc., but granting the former Honeywell's Motion for Judgment as a Matter of Law as it relates to Litton Systems, Canada, Limited. The net effect of these rulings was to reduce the existing judgment against the former Honeywell of \$750 million to \$660 million, plus attorney fees and costs of approximately \$35 million. Both parties have appealed the judgment, as to both liability and damages, to the U.S. Court of Appeals for the Ninth Circuit. Execution of the trial court's judgment will be stayed pending resolution of the former Honeywell's post-judgment motions and the disposition of any appeals filed by the parties.

We expect to obtain substantial relief from the current adverse judgment in the antitrust case by an appeal to the Ninth Circuit, based upon sound substantive and procedural legal grounds. We believe that there was no factual or legal basis for the magnitude of the jury's award in the damages retrial and that, as was the case in the first trial, the jury's award should be overturned. We also believe there are serious questions concerning the identity and nature of the business arrangements and conduct which were found by the first antitrust jury in 1996 to be anti-competitive and damaging to Litton, and the verdict of liability should be overturned as a matter of law.

Although it is not possible at this time to predict the result of any eventual appeals in this case, potential remains for an adverse outcome which could be material to our financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in the financial statements with respect to this contingent liability. We also believe that it would be inappropriate for Litton to obtain recovery of the same damages, e.g. losses it suffered due to the former Honeywell's sales of ring laser gyroscope-based inertial systems to OEMs and airline customers, under multiple legal theories, claims, and cases, and that eventually any duplicative recovery would be eliminated from the antitrust and patent/tort cases.

In the fall of 1996, Litton and the former Honeywell commenced a court ordered mediation of the patent, tort and antitrust claims. No claim was resolved or settled, and the mediation is currently in recess.

**ENVIRONMENTAL MATTERS** In accordance with our accounting policy (see Note 1), liabilities are recorded for environmental matters generally no later than the completion of feasibility studies. Although we do not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon future completion of studies, they may be significant to the consolidated results of operations, but we do not expect that they will have a material adverse effect on our consolidated financial position. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 1999 were \$104 and \$245 million, respectively, and at December 31, 1998 were \$128 and \$278 million, respectively.

**OTHER MATTERS** We are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. With respect to all these other matters, including those relating to commercial transactions, government contracts, product liability and non-environmental health and safety matters, while the ultimate results of these lawsuits, investigations and claims cannot be determined, we do not expect that these matters will have a material adverse effect on our consolidated results of operations or financial position.

We have issued or are a party to various direct and indirect guarantees, bank letters of credit and customer guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations or financial position.



NOTE 22  
PENSION AND OTHER POSTRETIREMENT BENEFITS

We provide separate pension and retiree medical benefit plans for employees of both AlliedSignal and the former Honeywell. Pension benefits for substantially all U.S. employees are provided through non-contributory, defined benefit pension plans. Employees in foreign countries, who are not U.S. citizens, are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes. Our retiree medical plans cover U.S. and Canadian employees who retire with pension eligibility for hospital, professional and other medical services. Most of the U.S. retiree medical plans require deductibles and copayments and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. The retiree medical and life insurance plans are not funded. Claims and expenses are paid from our general assets.

The following disclosures present financial information for the combined AlliedSignal and former Honeywell significant pension and retiree medical benefit plans using weighted-average assumptions to calculate benefit costs and obligations.

Net periodic pension and other postretirement benefit costs (income) include the following components:

	Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 229	\$ 233	\$ 212	\$ 32	\$ 30	\$ 29
Interest cost	710	721	707	125	121	129
Assumed return on plan assets	(1,062)	(951)	(849)	--	--	--
Amortization of prior service cost	50	45	43	(18)	(18)	(14)
Other	(48)	(40)	(17)	(79)	(52)	(17)
Benefit cost (income)	\$ (121)	\$ 8	\$ 96	\$ 60	\$ 81	\$ 127

The following table summarizes the balance sheet impact, including the benefit obligations, assets, funded status and weighted average rate assumptions associated with our significant pension and retiree medical benefit plans.

	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 11,101	\$ 10,118	\$ 1,867	\$ 1,880
Service cost	229	233	32	30
Interest cost	710	721	125	121
Participant contributions	7	7	--	--
Plan amendments	29	94	(16)	5
Actuarial (gains) losses	(1,223)	621	(114)	8
Acquisitions	95	91	--	--
Benefits paid	(794)	(723)	(144)	(145)
Settlements and curtailments	(128)	(65)	(42)	(32)
Translation effect	(88)	4	--	--
Benefit obligation at end of year	9,938	11,101	1,708	1,867
Change in plan assets				
Fair value of plan assets				

at beginning of year	11,560	11,072	--	--
Actual return on plan assets	2,232	1,016	--	--
Company contributions	108	183	--	--
Participant contributions	8	7	--	--
Acquisitions	57	63	--	--
Settlements	(80)	(48)	--	--
Benefits paid	(794)	(723)	--	--
Translation effect	(69)	(10)	--	--
Fair value of plan assets at end of year	13,022	11,560	--	--
Funded status of plans	3,084	459	(1,708)	(1,867)
Unrecognized transition (asset)	(27)	(37)	--	--
Unrecognized net (gain)	(2,742)	(402)	(257)	(143)
Unrecognized prior service cost (credit)	305	360	(145)	(184)
(Accrued) prepaid benefit cost	\$ 620	\$ 380	\$ (2,110)	\$ (2,194)
Assumptions at December 31:				
Discount rate	8.00%	6.75%	8.00%	6.75%
Assumed rate of return on plan assets	10.00%	9.80%	--	--
Assumed annual rate of compensation increase	4.00%	4.60%	--	--

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$608, \$534, and \$210 million, respectively, as of December 31, 1999 and \$623, \$540 and \$216 million, respectively, as of December 31, 1998.

For measurement purposes, we assumed an annual health-care cost trend rate of 6 percent for 2000 and beyond. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One-Percentage- Point Increase	One-Percentage- Point Decrease
Effect on total of service and interest cost components	\$ 14	\$ (12)
Effect on postretirement benefit obligation	\$135	\$(120)

NOTE 23  
SEGMENT FINANCIAL DATA

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), establishes standards for reporting information about operating segments. The following information is provided in accordance with the requirements of SFAS No. 131 and is consistent with how business results are reported internally to management.

We globally manage our business operations through strategic business units (SBUs) offering products and services to the aerospace, automation and control, chemicals, and automotive industries. Based on similar economic and operational characteristics, our SBUs are aggregated into the following four reportable segments:

Aerospace Solutions includes Engines & Systems (auxiliary power units; propulsion engines; environmental control systems; engine controls; and power generation systems); Aerospace Electronic Systems (flight safety communications, navigation, radar and surveillance systems; aircraft and airfield lighting; and advanced systems and instruments); Aerospace Services (repair and overhaul services; hardware; logistics; and management and technical services); and Aircraft Landing Systems (aircraft wheels and brakes).

Automation & Asset Management includes Home and Building Control (controls for heating, ventilating, humidification and air-conditioning equipment; energy-efficient lighting controls; home consumer products; security and fire alarm systems; home automation systems; and building management systems and services); and Industrial Control (systems for the automation and control of process operations; solid-state sensors for position, pressure, air flow, temperature and current; precision electromechanical switches; control products; advanced vision-based sensors; and fiber-optic components).

Performance Materials includes Performance Polymers (fibers; plastic resins; specialty films; and intermediate chemicals); Specialty Chemicals (fluorine-based products; pharmaceutical and agricultural chemicals; specialty waxes, adhesives and sealants; and process technology); and Electronic Materials (wafer fabrication materials and services; printed circuit boards; advanced chip packaging and amorphous metals).

Power & Transportation Products includes Transportation & Power Systems (turbochargers; charge-air coolers; portable power systems; air brake and anti-lock braking systems); the Consumer Products Group (car care products including anti-freeze, filters, spark plugs, cleaners, waxes and additives); and Friction Materials (friction material and related brake system components).

The accounting policies of the segments are the same as those described in Note 1. We evaluate segment performance based on segment profit, which excludes general corporate unallocated expenses, gains on sales of non-strategic businesses, equity income, other income (expense), interest and other financial charges and merger, repositioning and other charges, and other. We do not disaggregate assets on a products and services basis for internal management reporting and, therefore, such information is not presented. Intersegment sales approximate market and are not significant. Reportable segment data were as follows:

NOTES TO FINANCIAL STATEMENTS  
Honeywell International Inc. (Dollars in Millions Except Per Share Amounts)

	1999	1998	1997
Net sales			
Aerospace Solutions	\$ 9,908	\$ 9,890	\$ 8,398
Automation & Asset Management	6,115	5,957	5,934
Performance Materials	4,007	4,169	4,248
Power & Transportation Products	3,581	3,387	3,769
Corporate	124	152	150
	\$23,735	\$23,555	\$22,499
Depreciation and amortization			
Aerospace Solutions	\$ 291	\$ 304	\$ 267
Automation & Asset Management	192	194	191
Performance Materials	214	212	240
Power & Transportation Products	106	111	123
Corporate	78	76	67
	\$ 881	\$ 897	\$ 888
Segment profit			
Aerospace Solutions	\$ 1,918	\$ 1,587	\$ 1,151
Automation & Asset Management	767	705	610
Performance Materials	439	634	541
Power & Transportation Products	322	234	308
Corporate	(175)	(248)	(167)
	\$ 3,271	\$ 2,912	\$ 2,443
Capital expenditures			
Aerospace Solutions	\$ 270	\$ 287	\$ 269
Automation & Asset Management	212	212	194
Performance Materials	282	308	309
Power & Transportation Products	143	149	161
Corporate	79	81	82
	\$ 986	\$ 1,037	\$ 1,015

A reconciliation of segment profit to consolidated income before taxes on income is as follows:

	1999	1998	1997
Segment profit	\$ 3,271	\$2,912	\$2,443
Gain on sale of non-strategic businesses	106	--	303
Equity in income of affiliated companies	116	162	204
Other income (expense)	39	3	87
Interest and other financial charges	(265)	(275)	(277)
Merger, repositioning and other charges	(1,287)	(54)	(341)
Other(1)	268	24	--
Income before taxes			

on income \$ 2,248 \$2,772 \$2,419  
=====

(1) Other represents the gain on our disposition of our investment in AMP common stock in 1999 and litigation settlements in 1998.

NOTE 24  
GEOGRAPHIC AREAS-- FINANCIAL DATA

		United States	Europe	Other International	Total
Net sales(1)	1999	\$16,913	\$4,608	\$2,214	\$23,735
	1998	17,082	4,510	1,963	\$23,555
	1997	16,162	4,308	2,029	\$22,499
Long-lived assets(2)	1999	\$ 7,837	\$1,840	\$ 613	\$10,290
	1998	7,346	1,944	675	\$ 9,965
	1997	7,250	1,288	483	\$ 9,021

(1) Sales between geographic areas approximate market and are not significant. Net sales are classified according to their country of origin. Included in United States net sales are export sales of \$3,715, \$3,824, and \$3,632 million in 1999, 1998 and 1997, respectively. Our sales are not materially dependent on a single customer or a small group of customers.

(2) Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

NOTE 25  
SUBSEQUENT EVENT

On February 3, 2000, we completed a tender offer acquiring substantially all of the outstanding shares of Pittway Corporation (Pittway) Common Stock and Class A Stock for approximately \$2.2 billion, including the assumption of the net debt of Pittway of approximately \$167 million. The acquisition was funded through the issuance of commercial paper. Pittway designs, manufactures and distributes security and fire systems for homes and buildings and had 1998 sales of \$1.3 billion.

NOTE 26  
UNAUDITED QUARTERLY FINANCIAL INFORMATION

	1999					1998				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Net sales	\$5,582	\$5,958	\$6,036	\$6,159	\$23,735	\$5,569	\$5,904	\$5,861	\$6,221	\$23,555
Gross profit	1,390	1,333 (1)	1,462 (3)	1,055 (5)	5,240	1,320	1,454	1,491	1,601 (7)	5,866
Net income	440	540 (1,2)	554 (3,4)	7 (5,6)	1,541	396	476	474	557 (7,8,9)	1,903
Earnings per share--basic	.55	.68	.70	.01	1.95	.49	.60	.60	.70	2.38
Earnings per share-- assuming dilution	.55	.67 (1,2)	.68 (3,4)	.01 (5,6)	1.90	.48	.58	.58	.69 (7,8,9)	2.34
Dividends paid(10)	.17	.17	.17	.17	.68	.15	.15	.15	.15	.60
Market price(11)										
High	50.94	68.63	67.56	63.75	68.63	43.81	47.56	46.69	45.13	47.56
Low	37.81	49.25	57.50	52.38	37.81	34.63	39.63	32.63	33.06	32.63

(1) Includes \$222 million, after-tax \$156 million, or \$0.19 per share for repositioning and other charges. See Note 4 of Notes to Financial Statements for further information.

(2) Includes an after-tax gain of \$161 million, or \$0.20 per share on the disposition of our investment in AMP common stock. See Note 6 of Notes to Financial Statements for further information.

(3) Includes \$103 million, after-tax \$65 million, or \$0.08 per share for repositioning and other charges. See Note 4 of Notes to Financial Statements for further information.

(4) Includes an after-tax gain of \$59 million, or \$0.07 per share on the sale of our Laminate Systems business. See Note 5 of Notes to Financial Statements for further information.

(5) Includes \$622 million, after-tax \$395 million, or \$0.49 per share for repositioning and other charges. See Note 4 of Notes to Financial Statements for further information.

(6) Includes \$300 million, after-tax \$228 million, or \$0.28 per share for repositioning and other charges. See Note 4 of Notes to Financial Statements for further information.

(7) Includes \$54 million, after-tax \$35 million, or \$0.04 per share for repositioning charges. See Note 4 of Notes to Financial Statements for further information.

(8) Includes an after-tax gain of \$14 million, or \$0.02 per share for a settlement of litigation claims.

(9) Includes a tax benefit of \$17 million, or \$0.02 per share resulting from the favorable resolution of certain prior-year research and development tax claims.

(10) Represents the historical dividends of AlliedSignal.

(11) Represents the historical market price of AlliedSignal up to December 1, 1999, and of Honeywell subsequent to that date. From composite tape-- stock is primarily traded on the New York Stock Exchange.

## SUBSIDIARIES OF THE REGISTRANT

NAME -----	COUNTRY OR STATE OF INCORPORATION -----	SECURITIES OWNED -----	
		CLASS -----	PERCENT OWNERSHIP -----
Honeywell Inc.....	Delaware	Common Stock	100
AlliedSignal International Finance Corporation.....	Delaware	Common Stock	100
Honeywell Technology Solutions Inc.....	Delaware	Common Stock	100
Honeywell Intellectual Properties Inc.....	Arizona	Common Stock	100
Honeywell Specialty Wax & Additives Inc.....	Delaware	Common Stock	100
ASI Specialty Chemicals, L.L.C.....	Delaware	Common Stock	100
Grimes Holdings Inc.....	Delaware	Common Stock	100
Prestone Holdings Inc.....	Delaware	Common Stock	100

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The names of the Registrant's other consolidated subsidiaries, which are primarily totally-held by the Registrant, are not listed because all such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in Honeywell International Inc.'s Registration Statements on Form S-8 (Nos. 33-09896, 33-51455, 33-55410, 33-58347, 33-60261, 33-62963, 333-14673, 333-57509, 333-57515, 333-57517, 333-57519, 333-83511 and 333-88141), on Form S-3 (Nos. 33-14071, 33-55425, 33-64245, 333-22355, 333-49455, 333-68847, 333-74075 and 333-86157) and on Form S-4 (No. 333-82049) of our report dated January 27, 2000, except as to the subsequent event described in Note 25 which is as of February 4, 2000, relating to the financial statements, which appears in the Annual Report to Shareowners, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Florham Park, New Jersey  
February 22, 2000



## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-09896, 33-51455, 33-55410, 33-58347, 33-60261, 33-62963, 333-14673, 333-57509, 333-57515, 333-57517, 333-57519, 333-83511 and 333-88141 of Honeywell International Inc. on Form S-8 and Registration Statement Nos. 33-14071, 33-55425, 33-64245, 333-22355, 333-49455, 333-68847, 333-74075 and 333-86157 of Honeywell International Inc. on Form S-3 and Registration Statement No. 333-82049 of Honeywell International Inc. on Form S-4 of our report dated February 10, 1999, appearing in this Annual Report on Form 10-K of Honeywell International Inc. for the year ended December 31, 1999.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Parsippany, New Jersey  
February 21, 2000

POWER OF ATTORNEY

I, Lawrence A. Bossidy, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Lawrence A. Bossidy

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Lawrence A. Bossidy

Dated: January 28, 2000

POWER OF ATTORNEY

I, Michael R. Bonsignore, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Michael R. Bonsignore

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Michael R. Bonsignore

Dated: January 28, 2000

POWER OF ATTORNEY

I, Hans W. Becherer, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Hans W. Becherer

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Hans W. Becherer

Dated: January 28, 2000

POWER OF ATTORNEY

I, Gordon M. Bethune, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Gordon M. Bethune

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Gordon M. Bethune

Dated: January 28, 2000

POWER OF ATTORNEY

I, Marshall N. Carter, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Marshall N. Carter

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Marshall N. Carter

Dated: January 28, 2000

POWER OF ATTORNEY

I, Jaime Chico Pardo, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Jaime Chico Pardo

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Jaime Chico Pardo

Dated: January 28, 2000

POWER OF ATTORNEY

I, Ann M. Fudge, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Ann M. Fudge

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Ann M. Fudge

Dated: January 28, 2000



POWER OF ATTORNEY

I, James J. Howard, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/James J. Howard

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James J. Howard

Dated: January 28, 2000

POWER OF ATTORNEY

I, Bruce Karatz, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Bruce Karatz

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Bruce Karatz

Dated: January 28, 2000

POWER OF ATTORNEY

I, Robert P. Luciano, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Robert P. Luciano

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Robert P. Luciano

Dated: January 28, 2000

POWER OF ATTORNEY

I, Russell E. Palmer, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Russell E. Palmer

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Russell E. Palmer

Dated: January 28, 2000

POWER OF ATTORNEY

I, Ivan G. Seidenberg, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Ivan G. Seidenberg

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Ivan G. Seidenberg

Dated: January 28, 2000

POWER OF ATTORNEY

I, Andrew C. Sigler, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Andrew C. Sigler

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Andrew C. Sigler

Dated: January 28, 2000

POWER OF ATTORNEY

I, John R. Stafford, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/John R. Stafford

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John R. Stafford

Dated: January 28, 2000

POWER OF ATTORNEY

I, Michael W. Wright, a director of Honeywell International Inc., a Delaware corporation (the "Company"), hereby appoint Lawrence A. Bossidy, Michael R. Bonsignore, Peter M. Kreindler, Richard F. Wallman, Kathleen M. Gibson, Richard J. Diemer, Jr. and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead, in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1999,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/Michael W. Wright

-----  
Michael W. Wright

Dated: January 28, 2000



This schedule contains summary financial information extracted from the consolidated balance sheet at December 31, 1999 and the consolidated statement of income for the year ended December 31, 1999 and is qualified in its entirety by reference to such financial statements.

1,000,000

	12-MOS	
	DEC-31-1999	
	DEC-31-1999	1,991
		0
	3,545	84
		3,436
	10,422	12,703
	7,073	
	23,527	
8,272		2,457
0		0
		958
		7,641
23,527		23,735
	23,735	18,495
	18,495	
	0	
	0	
	265	
	2,248	
		707
1,541		0
		0
		0
	1,541	
	1.95	
	1.90	

This schedule contains summary financial information extracted from the consolidated balance sheets at September 30, 1999, June 30, 1999 and March 31, 1999, and the consolidated statements of income for the 9 months ended September 30, 1999, 6 months ended June 30, 1999 and 3 months ended March 31, 1999 and is qualified in its entirety by reference to such financial statements.

1,000,000

	9-MOS DEC-31-1999 SEP-30-1999	6-MOS DEC-31-1999 JUN-30-1999	3-MOS DEC-31-1999 MAR-31-1999	
		1,125	796	869
	0	0	0	
	3,568	3,375	3,325	
	84	75	76	
	3,481	3,507	3,478	
	9,318	8,794	8,795	
	12,805	12,573	12,609	
	7,120	7,059	7,051	
	22,212	21,160	22,224	
7,017	6,334	7,209		
	2,480	2,677	2,757	
0	0	0	0	
	953	953	953	
	7,634	7,030	7,123	
22,212	21,160	22,224		
	17,576	11,540	11,540	5,582
17,576	11,540	5,582		
	13,391	8,817	8,817	5,582
	0	0	0	4,192
	0	0	0	0
192	132	73		
2,265	1,442	646		
	731	462	206	
1,534	980	440		
0	0	0	0	
0	0	0	0	
	0	0	0	0
	1,534	980	440	
	1.94	1.23	0.55	
	1.90	1.22	0.55	

This schedule contains summary financial information extracted from the consolidated balance sheets at December 31, 1998, September 30, 1998, June 30, 1998, March 31, 1998 and December 31, 1997 and the consolidated statements of income for the year ended December 31, 1998, 9 months ended September 30, 1998, 6 months ended June 30, 1998, 3 months ended March 31, 1998 and year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

1,000,000

	12-MOS DEC-31-1998	9-MOS DEC-31-1998 SEP-30-1998	6-MOS DEC-31-1998 JUN-30-1998	3-MOS DEC-31-1998 MAR-31-1998	12-MOS DEC-31-1997	
		1,018	632	570	530	745
	0	0	31	91	455	
	3,469	3,331	3,229	3,299	3,342	
	78	78	71	68	75	
	3,456	3,647	3,568	3,437	3,121	
	9,354	8,688	8,486	8,508	8,831	
	12,657		12,672	12,315	12,263	12,234
	7,057	7,174	6,943	6,907	6,854	
	22,738	20,871	20,402	20,014	20,118	
7,645	6,373	6,000	6,052	6,755		
	2,776	2,795	3,058	2,765	2,392	
0	0	0	0	0	0	
	953	953	953	953	953	
22,738	7,130	6,645	6,315	6,198	5,823	
	20,871	20,402	20,014	20,118		
	23,555	17,334	11,473	5,569	22,499	22,499
	17,689	13,069	8,699	4,249	17,444	17,444
	0	0	0	0	0	
	0	0	0	0	0	
	275	188	122	60	277	
	2,772	1,978	1,281	582	2,419	
	869	632	409	186	778	
1,903	1,346	872	396	1,641		
	0	0	0	0	0	
	0	0	0	0	0	
	0	0	0	0	0	
	1,903	1,346	872	396	1,641	
	2.38	1.69	1.09	0.49	2.04	
	2.34	1.64	1.04	0.48	2.00	