

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 1994

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

AlliedSignal 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)

(201) 455-2000

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year,
if changed since last report)

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 the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at June 30, 1994
----- \$1 par value	----- 282,793,144 shares

AlliedSignal Inc.

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AlliedSignal Inc.
Consolidated Balance Sheet
(Unaudited)

	June 30, 1994	December 31, 1993
	-----	-----
	(Dollars in millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 688	\$ 892
Accounts and notes receivable - net	1,531	1,343
Inventories - net (Note 2)	1,694	1,745
Other current assets	616	587
	-----	-----
Total current assets	4,529	4,567
Investments and long-term receivables	538	553
Property, plant and equipment	8,342	8,168
Accumulated depreciation and amortization	(4,273)	(4,074)
Cost in excess of net assets of acquired companies - net	1,108	1,087
Other assets	544	528
	-----	-----
Total assets	\$10,788	\$10,829
	=====	=====
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,233	\$ 1,207
Short-term borrowings	90	57
Commercial paper	37	164
Current maturities of long-term debt	99	137
Accrued liabilities	1,789	1,924
	-----	-----
Total current liabilities	3,248	3,489
Long-term debt	1,531	1,602
Deferred income taxes	386	339
Postretirement benefit obligations other than pensions	1,725	1,689
Other liabilities	1,271	1,320
SHAREOWNERS' EQUITY		
Capital - common stock issued	358	358
- additional paid-in capital	2,455	2,453
Common stock held in treasury, at cost	(1,505)	(1,437)
Cumulative translation adjustment	10	(7)
Retained earnings	1,309	1,023
	-----	-----
Total shareowners' equity	2,627	2,390
	-----	-----
Total liabilities and shareowners' equity	\$10,788	\$10,829
	=====	=====

Notes to Financial Statements are an integral part of this statement.

AlliedSignal Inc.
Consolidated Statement of Income
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1994	1993	1994	1993
	(Dollars in millions except per share amounts)			
Net sales	\$3,187	\$3,055	\$6,173	\$5,956
Cost of goods sold	2,541	2,466	4,943	4,820
Selling, general and administrative expenses	346	336	660	650
Total costs and expenses	2,887	2,802	5,603	5,470
Income from operations	300	253	570	486
Equity in income of affiliated companies	30	24	60	49
Other income (expense)	(3)	(2)	(16)	(11)
Interest and other financial charges	(38)	(43)	(75)	(88)
Income before taxes on income	289	232	539	436
Taxes on income	93	65	174	123
Income before cumulative effect of change in accounting principle	196	167	365	313
Cumulative effect of change in accounting principle: Accounting for postemployment benefits, net of income taxes	-	-	-	(245)
Net income	\$ 196	\$ 167	\$ 365	\$ 68
Earnings per share of common stock: (Note 3)				
Before cumulative effect of change in accounting principle	\$.69	\$.59	\$ 1.29	\$ 1.10
Cumulative effect of change in accounting principle	-	-	-	(.86)
Net earnings	\$.69	\$.59	\$ 1.29	\$.24
Cash dividends per share of common stock	\$.1675	\$.145	\$.3125	\$.29

Notes to Financial Statements are an integral part of this statement.

AlliedSignal Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30	
	----- 1994 -----	1993 ----- -----
	(Dollars in millions)	
Cash flows from operating activities:		
Net income	\$ 365	\$ 68
Adjustments to reconcile net income to net cash flows from operating activities:		
Cumulative effect of change in accounting for postemployment benefits	-	245
Streamlining and restructuring	(84)	(112)
Depreciation and amortization (includes goodwill)	278	275
Undistributed earnings of equity affiliates	2	(2)
Deferred taxes	71	59
(Increase) in accounts and notes receivable	(168)	(48)
Decrease in inventories	46	16
(Increase) in other current assets	(31)	(4)
Increase (decrease) in accounts payable	15	(94)
(Decrease) in accrued liabilities	(85)	(9)
Other	(101)	(43)
	-----	-----
Net cash flow provided by operating activities	308	351
	-----	-----
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(255)	(283)
Proceeds from disposals of property, plant and equipment	15	15
Decrease in other investments	7	48
(Increase) in other investments	(9)	(15)
Decrease (increase) in marketable securities	14	(16)
Cash paid for acquisitions	(41)	(11)
Proceeds from sales of businesses	135	-
	-----	-----
Net cash flow (used for) investing activities	(134)	(262)
	-----	-----
Cash flows from financing activities:		
Net increase (decrease) in commercial paper	(127)	247
Net increase in short-term borrowings	27	27
Proceeds from issuance of common stock	30	91
Proceeds from issuance of long-term debt	2	-
Repurchases of long-term debt (including current maturities)	(122)	(233)
Repurchases of common stock	(94)	(193)
Cash dividends on common stock	(87)	(82)
Redemption of common stock purchase rights	(7)	-
	-----	-----
Net cash flow (used for) financing activities	(378)	(143)
	-----	-----
Net (decrease) in cash and cash equivalents	(204)	(54)
Cash and cash equivalents at beginning of year	892	931
	-----	-----
Cash and cash equivalents at end of period	\$ 688	\$ 877
	=====	=====

Notes to Financial Statements are an integral part of this statement.

AlliedSignal Inc.
Notes to Financial Statements
(Unaudited)
(Dollars in millions)

Note 1. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal adjustments, necessary to present fairly the financial position of AlliedSignal Inc. and its consolidated subsidiaries at June 30, 1994 and the results of operations for the three and six months ended June 30, 1994 and 1993 and the changes in cash flows for the six months ended June 30, 1994 and 1993. The results of operations for the three-and six-month periods ended June 30, 1994 should not necessarily be taken as indicative of the results of operations that may be expected for the entire year 1994.

In the fourth quarter of 1993 the Company adopted Financial Accounting Standards Board Statement No. 112 - "Employers' Accounting for Postemployment Benefits" effective as of January 1, 1993. The 1993 financial statements have been restated to include both ongoing and cumulative effects of the accounting change.

The financial information as of June 30, 1994 should be read in conjunction with the financial statements contained in the Company's Form 10-K Annual Report for 1993.

In July 1994 the Company amended its 3-Year Credit Agreement by extending the maturity by one year to July 7, 1997 and amended its 364-Day Credit Agreement changing the maturity to July 3, 1995. The amendments also included certain other minor changes in terms and conditions.

Note 2. Inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) method for certain qualifying domestic inventories and the first-in, first-out (FIFO) or the average cost method for other inventories.

Inventories consist of the following:

	June 30, 1994 -----	December 31, 1993 -----
Raw materials	\$ 467	\$ 504
Work in process	683	635
Finished products	780	824
Supplies and containers	53	51
	-----	-----
	1,983	2,014
Less - Progress payments	(172)	(154)
Reduction to LIFO		
cost basis	(117)	(115)
	-----	-----
	\$1,694	\$1,745
	=====	=====

Note 3. Based on the weighted average number of shares outstanding during each period: three months ended June 30, 1994, 283,264,305 shares, and 1993, 282,418,502 shares; and six months ended June 30, 1994, 283,856,928 shares, and 1993, 283,301,774 shares. No dilution results from outstanding common stock equivalents. Share and per share data for all periods reflect the March 1994 two-for-one stock split.

Report on Review by Independent Accountants

To the Board of Directors
of AlliedSignal Inc.

We have reviewed the accompanying consolidated balance sheet of AlliedSignal Inc. and its consolidated subsidiaries as of June 30, 1994, and the consolidated statements of income for the three-month and six-month periods ended June 30, 1994 and 1993, and of cash flows for the six month periods ended June 30, 1994 and 1993. This financial information is the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial information referred to above for it to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1993, and the related consolidated statements of income, of retained earnings, and of cash flows for the year then ended (not presented herein); and in our report dated February 3, 1994 except for Note 1 (Subsequent Events) which is as of February 7, 1994, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 1993, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Price Waterhouse LLP
Price Waterhouse LLP
4 Headquarters Plaza North
Morristown, NJ 07962

July 25, 1994

Results of Operations

Second Quarter 1994 Compared with Second Quarter 1993

Net sales in the second quarter of 1994 totaled \$3.2 billion, an increase of \$132 million, or 4 percent, compared with the second quarter of last year. Of this increase, \$191 million was due to higher sales volumes. A partial offset was a decrease in prices of \$27 million and a decrease of \$32 million due to the effect of foreign exchange rates on reported sales of automotive's European operations. Sales for engineered materials and automotive increased by \$77 and \$63 million, respectively, while sales for aerospace declined by \$8 million. Engineered materials' sales improved due to strong performances by laminates, carpet fibers, CFC substitutes, plastic resins, oximes and environmental catalysts. Automotive's sales increased due to higher volumes of air bags and braking systems for both cars and minivans. Sales for turbochargers were significantly higher because of strong diesel truck sales in North America and the increasing preference for turbo-diesel powered cars in Europe. North American aftermarket sales also increased. Although sales of heavy truck brake systems in North America were strong, reported worldwide sales of heavy truck brake systems were down, reflecting the transfer of the Company's European truck brake business to a joint venture with Knorr-Bremse AG in October 1993. Sales for a number of aerospace businesses were impacted by reduced military spending and continued weakness in the commercial aviation industry. However, sales were higher for commercial avionics products and aircraft landing systems, in part reflecting the contributions of recently acquired businesses, and for technical services.

Income from operations of \$300 million increased by \$47 million, or 19 percent, compared with last year's second quarter. Operating income for engineered materials improved by 25 percent, automotive by 17 percent and aerospace by 8 percent. Operating expenses for corporate were unchanged. The Company's operating margin for the second quarter of 1994 was 9.4 percent, compared with 8.3 percent for the same period last year. See the discussion of net income below for information by segment.

Equity in income of affiliated companies of \$30 million increased by \$6 million, or 25 percent, compared to last year mainly due to higher profits from the Paxon high-density polyethylene joint venture, partly offset by lower profits from the UOP process technology joint venture.

Interest and other financial charges of \$38 million decreased \$5 million, or 12 percent, from 1993's second quarter reflecting a lower level and a more favorable mix of debt outstanding.

The effective tax rate in the second quarter of 1994 was 32.3 percent. The 1993 rate was 28.0 percent. The 4.3 percentage point increase reflects a higher level of earnings subject to the statutory rate and the additional non-deductibility of certain expenses and a higher rate resulting from the 1993 tax act.

Net income for aerospace increased 17 percent primarily reflecting productivity measures, including business consolidations, materials management and manufacturing process improvements mainly in the engines group, as well as higher sales in aircraft landing systems and general aviation avionics, partly offset by the impact of lower sales due to reduced military spending and weakness in the commercial aviation industry. Automotive's income increased 32 percent due to the popularity of cars and minivans equipped with the Company's air bags and anti-lock brakes. Income for turbochargers was significantly higher due to higher sales in North America and Europe. Productivity gains also added to the income increase for automotive. Earnings for engineered materials improved by 21 percent reflecting higher sales volumes, manufacturing efficiencies and higher earnings from the Paxon joint venture.

Net income of \$196 million, or \$.69 a share, was higher than last year's \$167 million, or \$.59 a share, for the reasons discussed above.

Six Months 1994 Compared with Six Months 1993

Net sales in the first six months of 1994 totaled \$6.2 billion, an increase of \$217 million, or 4 percent, compared with the first six months of last year. Of this increase, \$343 million was due to increased sales volumes. Partly offsetting was a decrease in prices of \$54 million and a decrease of \$72 million due to the effect of foreign exchange rates on reported sales of automotive's European operations. Sales for engineered materials and automotive increased by \$141 and \$92 million, respectively, while sales for aerospace declined by \$16 million. Engineered materials' sales improved because of higher sales volumes of carpet fibers, laminates, CFC substitutes, industrial fibers and environmental catalysts. Automotive's sales increased due to higher volumes for turbochargers in both North America and Europe and for North American brakes and air bags. North American heavy truck brake systems sales increased, while worldwide sales declined, reflecting the joint venture with Knorr-Bremse AG. The aerospace decrease is mainly due to the effects of continued cutbacks in military spending and weakness in the commercial aviation industry. Aerospace sales include a \$68 million contract settlement with the U.S. Air Force in the first quarter of 1994. Sales from commercial avionics and landing systems were higher, in part reflecting the contributions of recently acquired businesses.

Income from operations of \$570 million increased by \$84 million, or 17 percent, compared with 1993's first six months. Operating income for automotive improved by 19 percent, engineered materials by 18 percent and aerospace by 9 percent. Operating expense for corporate decreased by 4 percent. The Company's operating margin for the first six months of 1994 was 9.2 percent, compared with 8.2 percent last year. See the discussion of net income below for information by segment.

Productivity (the constant-dollar-basis relationship of sales to costs) of the Company's businesses improved by 5.9 percent compared with last year's first six months.

Equity in income of affiliated companies of \$60 million increased by \$11 million, or 22 percent, compared to last year mainly due to higher profits

from the Paxon joint venture, partly offset by lower profits from the UOP joint venture.

Other income (expense) of \$(16) million was unfavorable by \$5 million, or 45 percent, compared to last year's first six months mainly due to a higher amount for minority interest as a result of the formation of a joint venture with Knorr-Bremse in the United States, along with reduced interest income. A partial offset resulted from reduced foreign exchange hedging costs.

Interest and other financial charges of \$75 million decreased \$13 million, or 15 percent, from last year reflecting a lower level and a more favorable mix of debt outstanding.

The effective tax rate for the first six months of 1994 was 32.4 percent. The 1993 rate was 28.2 percent. The 4.2 percentage point increase is due to a higher level of earnings subject to the statutory rate and the additional non-deductibility of certain expenses and a higher rate resulting from the 1993 tax act.

Earnings for aerospace increased 14 percent, primarily due to cost savings from business consolidations, materials management and other productivity programs. Income from general aviation avionics and landing systems was higher. Productivity improvements in the engines business contributed to significantly higher net income. A contraction of military spending and weakness in the commercial aviation industry resulted in lower earnings for many other aerospace businesses. The contract settlement with the Air Force had an insignificant impact on net income. Automotive's net income increased 25 percent reflecting productivity improvements throughout the business coupled with higher sales for air bags and turbochargers. Income for North American braking systems was lower due to higher costs. Earnings for engineered materials improved 18 percent, reflecting higher sales volumes, manufacturing efficiencies and a higher profit contribution from the Paxon joint venture.

Income before the cumulative effect of change in accounting principle of \$365 million was \$52 million higher than last year, and earnings per share of \$1.29 increased \$.19 for the reasons discussed above. Net income was \$365 million, or \$1.29 a share, compared to last year's \$68 million, or \$.24 a share. The first six months of 1993 includes a "catch-up" charge of \$245 million, or \$.86 a share, reflecting the adoption of Financial Accounting Standards Board Statement No. 112 - "Employers' Accounting for Postemployment Benefits."

Financial Condition

June 30, 1994 Compared with December 31, 1993

- -----

On June 30, 1994, the Company had \$688 million in cash and cash equivalents, compared with \$892 million at year-end 1993. The \$204 million decrease primarily reflects the pay down of debt. The current ratio at June 30, 1994 was 1.4X, compared with 1.3X at year-end 1993.

On June 30, 1994, the Company's long-term debt amounted to \$1,531 million, down \$71 million from year-end 1993. Total debt of \$1,757 million on June 30,

1994 was down from \$1,960 million at year-end, mainly reflecting a reduction in commercial paper outstanding. The Company's total debt as a percent of capital decreased from 42.7 percent at year-end to 37.7 percent at June 30, 1994.

During the first six months of 1994, the Company spent \$255 million for capital expenditures, compared with \$283 million in the corresponding period in 1993. Spending by the business segments and corporate for the 1994 six month period was as follows: aerospace-\$61 million; automotive-\$85 million; engineered materials-\$105 million, and corporate-\$4 million.

During the first six months of 1994, the Company repurchased 2.6 million shares of common stock for \$94 million. Common stock is repurchased to meet the requirements for shares issued under employee benefit plans and a shareowner dividend reinvestment plan. At June 30, 1994, the Company had remaining authority to repurchase 13.9 million shares of common stock.

During the second quarter of 1994, the Company completed the sales of its mechanical and hydraulic actuation business and of its general aviation hangar operations. The Company will continue to supply the hangar facilities with engine parts, technical support and quality assurance on engine-related maintenance. These dispositions will result in a reduction of annual sales of approximately \$180 million. As a result of the disposal of these two businesses, and the disposal of another small business in the first quarter, the Company realized cash proceeds of \$135 million.

In May 1994 the Company signed a memorandum of understanding with Textron Inc. to acquire Textron's Lycoming Turbine Engine Division (Lycoming Division) for approximately \$375 million plus the assumption of certain liabilities. The Lycoming Division's 1993 sales were approximately \$620 million. The Lycoming Division manufactures turbofan engines for regional airlines, helicopter engines for commercial, military and utility aircraft, military tank engines and marine propulsion engines.

Review by Independent Accountants
- - - - -

The "Independent Accountants' Report" included herein is not a "report" or "part of a Registration Statement" prepared or certified by an independent accountant within the meanings of Section 7 and 11 of the Securities Act of 1933, and the accountants' Section 11 liability does not extend to such report.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As a result of accepting and handling certain shipments of wastewaters to its plant in Fairfield, Alabama (a) the Company on July 14, 1994 agreed to pay a \$25,000 civil penalty to the Alabama Department of Environmental Management (ADEM) for alleged violations of the Clean Water Act, and (b) ADEM proposed on July 20, 1994 an additional civil penalty of \$250,000 for alleged violations of Alabama's hazardous waste management regulations.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits. The following exhibits are filed with this Form 10-Q:

- 10.1 Letter Amendment, dated as of July 5, 1994, to the Revolving Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents
- 10.2 Letter Amendment, dated as of July 5, 1994, to the 364-Day Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents
- 10.3 Amended and restated Agreement dated as of May 6, 1994 between the Company and Lawrence A. Bossidy
- 15 Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements

(b) Reports on Form 8-K. No reports on Form 8-K were filed during

the quarter ended June 30, 1994.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AlliedSignal Inc.

Date: August 15, 1994

By: /s/ G. Peter D'Aloia

G. Peter D'Aloia
Vice President and Controller
(on behalf of the Registrant
and as the Registrant's
Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
2	Omitted (Inapplicable)
4	Omitted (Inapplicable)
10.1	Letter Amendment, dated as of July 5, 1994, to the Revolving Credit Agreement, dated as of July 7, 1993, among the Company, certain banks, Citibank, N.A., as Administrative Agent for the banks, and ABN AMRO Bank N.V. and Morgan Guaranty Trust Company of New York, as Co-Agents
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10.3	Amended and restated Agreement dated as of May 6, 1994 between the Company and Lawrence A. Bossidy
11	Omitted (Inapplicable)
15	Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements
18	Omitted (Inapplicable)
19	Omitted (Inapplicable)
22	Omitted (Inapplicable)
23	Omitted (Inapplicable)
24	Omitted (Inapplicable)
27	Omitted (Inapplicable)
99	Omitted (Inapplicable)

LETTER AMENDMENT

TO: The Banks parties to the Credit Agreement referred to below Dated as of July 5, 1994

Gentlemen:

We refer to the Revolving Credit Agreement dated as of July 7, 1993 (the "Credit Agreement") among the undersigned, you and Citibank, N.A., as your Administrative Agent. Unless otherwise defined herein, the terms defined in the Credit Agreement, as amended by this letter amendment, shall be used herein as therein defined. It is hereby agreed by you and us as follows:

The Credit Agreement is, effective as of the date first above written, hereby amended as follows:

(a) The definition of "Applicable Percentage" contained in Section 1.01 is amended by deleting the chart therein and substituting for such chart the following:

Public Debt Rating S&P/Moody's	Facility Fee	Libor/CD Column A	Spread Column B
Level 1: AA-/Aa3 or higher	.075%	.175%	.2375%
Level 2: A/A2 or higher but less than Level 1	.10%	.2125%	.2750%
Level 3: A-/A3 or higher but less than Level 2	.125%	.25%	.3125%
Level 4: Less than A-/A3	.20%	.2750%	.40%

(b) By adding to Section 1.01 the following: "Notes" has the

meaning specified in Section 3.03.

(c) The definition of "Termination Date" contained in Section

1.01 is amended by deleting the date "July 7, 1996" therein
and substituting for such date the date "July 7, 1997".

(d) Section 3.03 is amended in full to read as follows:

Section 3.03. Evidence of Debt. The indebtedness of

each Borrower to each Bank shall be evidenced by a
promissory note in the form of Exhibit L hereto (each,
a "Note" and collectively, the "Notes").

(e) Section 7.01 is amended by (i) deleting the word "and"
at the end of subparagraph (v) thereof, (ii) deleting the
period at the end of subparagraph (vi) thereof and
substituting therefore "; and" and (iii) adding new subparagraph
(vii) as follows:

(vii) Duly executed Notes by each Borrower to
the order of each Bank.

(f) Section 8.02 is amended by adding the words "and the
applicable Notes" to the second line of such Section
following the word "Agreement".

(g) Article IX is amended by adding to the end thereof a
new Section 9.12, to read as follows:

Section 9.12. Change of Control. If a Change of Control

shall occur (i) the Company will, within ten calendar days
after the occurrence thereof, give the Administrative
Agent notice thereof and shall describe in reasonable
detail the facts and circumstances giving rise thereto
and (ii) each Bank may, by notice to the Company and
the Administrative Agent given not later than 50
calendar days after such Change of Control, terminate
its Commitment, which shall be terminated effective the
later of (A) the date which is 60 calendar days after
such Change of Control or (B) the end of the Interest
Period for any Loan outstanding at the time of such
Change of Control or for any Loan made pursuant to the
next sentence of this Section. Upon the occurrence of
a Change of Control, the Borrower's right to make
Borrowings under this Agreement shall be suspended for
a period of 60 calendar days, except for Loans having
an Interest Period ending not later than 90 calendar
days after such Change of Control. A notice of
termination pursuant to this Section shall not have the
effect of accelerating any outstanding Loan.

For purposes of this Section, the following terms have the following meanings:

A "Change of Control" shall occur if (i) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) (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 then outstanding shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30% or more in voting power of the outstanding Voting Stock of the Company or (ii) during any period of 12 consecutive calendar months, individuals who were directors of the Company on the first day of such period shall cease to constitute a majority of the board of directors of the Company.

"Voting Stock" means capital stock of any class or classes (however designated) having voting power for the election of directors of the Company, other than stock having such power only by reason of the happening of a contingency.

(h) Section 10.01 (i) is amended in full to read as follows:

(i) Default in payment when due of any amount of principal or interest required to be paid hereunder or under any Note; or

(i) Section 10.01 (iv) is amended by adding the words "or the applicable Note" after the word "Agreement".

(j) Section 12.16 is amended by adding the words "or the applicable Notes" after the word "Agreement" in the first sentence.

(k) The Exhibits are amended by adding to the Exhibits attached thereto "Exhibit L", the form of which is attached hereto as Exhibit A.

On and after the effective date of this letter amendment, each reference in the Credit Agreement and the Notes to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this letter amendment. The Credit Agreement, as amended by this letter amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least two counterparts of this letter amendment to Citibank N.A., 399 Park Avenue, 9th Floor, N.Y., N.Y. 10043, Attention of Rosemary Bell. This letter amendment shall become effective as of the date first above written when and if counterparts of this letter amendment shall have been executed by us and the Banks. This letter amendment is subject to the provisions of Section 12.06 of the Credit Agreement.

This letter amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same letter amendment.

Very truly yours,

AlliedSignal Inc.

By: /s/ Nancy A. Garvey

Title: Vice President and
Treasurer

THE ADMINISTRATIVE AGENT:

CITIBANK, N.A.
as Administrative Agent

By: /s/ Michael Mandracchia

Title: Vice President/Attorney
in Fact

Address for Notices:

399 Park Avenue
New York, New York 10043
Attention: Michael Mandracchia
Telephone: (212) 559-3245
Telecopier No.: (212) 826-2371

THE CO-AGENTS:

ABN AMRO BANK N.V.,
as Co-Agent

By: /s/ John W. Deegan

Title: Vice President

By: /s/ Duane P. Helkowski

Title: Corporate Banking Officer

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,
as Co-Agent

By: /s/ Sandra J.S. Kurek

Title: Associate

Commitment:

\$30,000,000

THE BANKS:

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By: /s/ John W. Deegan

Title: Vice President

By: /s/ Duane P. Helkowski

Title: Corporate Banking Officer

\$30,000,000

CITIBANK, N.A.

By: /s/ Michael Mandracchia

Title: Vice President/Attorney
in Fact

\$15,000,000

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OF NEW YORK

By: /s/ Sandra J.S. Kurek

Title: Associate

\$15,000,000

J.P. MORGAN DELAWARE

By: /s/ David J. Morris

Title: Vice President

\$20,000,000

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ Donald J. Chin

Title: Vice President

\$20,000,000

BANK OF MONTREAL

By: /s/ Thruston W. Pettus

Title: Director

\$20,000,000

BANQUE NATIONALE DE PARIS
NEW YORK BRANCH

By: /s/ Robert S. Taylor, Jr.

Title: Senior Vice President

By: /s/ Richard L. Sted

Title: Senior Vice President

By: /s/ Renaud Kohler

Title: Assistant Vice President

\$20,000,000

CANADIAN IMPERIAL BANK OF
COMMERCE

By: /s/ Dean T. Criares

Title:

\$20,000,000

CHEMICAL BANK

By: /s/ John C. Riordan

Title: Vice President

\$20,000,000
(Joint commitment)

DEUTSCHE BANK AG
NEW YORK BRANCH

By: /s/ Robert A. Maddux

Title: Director

By: /s/ Andreas J. Dirnagl

Title: Assistant Vice President

DEUTSCHE BANK AG
CAYMAN ISLANDS BRANCH

By: /s/ Robert A. Maddux

Title: Director

By: /s/ Christopher S. Hall

Title: Vice President

\$20,000,000

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\$20,000,000

NATIONAL WESTMINSTER BANK PLC

By: /s/ R.A. Stevens

Title: Vice President

\$20,000,000

NATIONSBANK OF NORTH CAROLINA,
N.A.

By: /s/ Scott Jackson

Title: Vice President

\$20,000,000

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By: /s/ A. Birr

Title: Senior Manager

\$20,000,000

THE BANK OF NEW YORK

By: /s/ Peter Angelica

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\$20,000,000

THE BANK OF TOKYO TRUST COMPANY

By: /s/ M.R. Marron

Title: Vice President

\$20,000,000

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By: /s/ Dawn Lee Lum

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\$20,000,000

THE FIRST NATIONAL BANK
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By: /s/ Judith L. Mayberry

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By: /s/ R. Forster

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Title: Senior Vice President

\$20,000,000

THE TORONTO-DOMINION BANK

By: /s/ Jano Mott

Title: Mgr. Cr. Admin.

\$20,000,000

UNION BANK OF SWITZERLAND
NEW YORK BRANCH

By: /s/ Daniel H. Perron

Title: Vice President

By: /s/ James P. Kelleher

Title: Assistant Treasurer

\$450,000,000

Total of the Commitments

Exhibit L

Promissory Note

Dated: _____, 19__

FOR VALUE RECEIVED, the undersigned, -----
 -----, a -----corporation (the "Borrower"), HEREBY
 PROMISES TO PAY to the order of ----- (the
 "Bank") for the account of its applicable Lending Office (as
 defined in the Credit Agreement referred to below), the aggregate
 of each Loan (as defined below) made by the Bank to the borrower
 pursuant to the Credit Agreement, as are specified in the Credit
 Agreement; provided, however, that the final payment shall be in

 the amount necessary to repay in full the aggregate unpaid principal
 amount of all such Loans.

The Borrower promises to pay interest on the unpaid
 principal amount of each Loan from the date of such Loan until
 such principal amount is paid in full, at such interest rates,
 and payable at such times, as are specified in the Credit
 Agreement.

Both principal and interest in respect of each Loan (i) in
 United States Dollars are payable in lawful money of the United
 State of America to the Administrative Agent (as defined below)
 at the office of Citibank, N.A., at 399 Park Avenue, New York,
 New York, United States of America, in same day funds and (ii) in
 any currency other than United States Dollars are payable in such
 currency at the Bank's office which the Bank shall designate for
 such payment in same day funds. Each Loan made to the Borrower
 pursuant to the Credit Agreement, and all payments made on
 account of the principal amount thereof, shall be recorded by the
 Bank and, prior to any transfer hereof, endorsed on the grid
 attached hereto which is a part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and
 is entitled to the benefits of, the Revolving Credit Agreement
 dated as of July 7, 1993, as it may be amended (the "Credit Agreement"),
 among the Borrower, the Bank and certain other lenders parties thereto,
 and Citibank N.A., as Administrative Agent for the Bank and such other
 lenders. The Credit Agreement, among other things (i) provides
 for the making of loans (the "Loans") by the Bank to the Borrower
 from time to time in an aggregate amount not to exceed at any
 time outstanding the Bank's Commitment (as defined in the Credit
 Agreement), the indebtedness of the Borrower resulting from each
 such Loan being evidenced by this Promissory Note, and (ii)
 contains provisions for acceleration of the maturity hereof upon
 the happening of certain stated events and also for prepayments
 on account of principal hereof prior to the maturity hereof upon
 the terms and conditions therein specified.

[NAME OF BORROWER]

By: _____

Title:

LETTER AMENDMENT

TO: The Banks parties to the Credit Agreement referred to below Dated as of July 5, 1994

Gentlemen:

We refer to the 364-Day Credit Agreement dated as of July 7, 1993 (the "Credit Agreement") among the undersigned, you and Citibank, N.A., as your Administrative Agent. Unless otherwise defined herein, the terms defined in the Credit Agreement, as amended by this letter amendment, shall be used herein as therein defined. It is hereby agreed by you and us as follows:

The Credit Agreement is, effective as of the date first above written, hereby amended as follows:

- (a) The first paragraph is amended by deleting the date "July 7, 1993" therein and substituting for such date the date "July 5, 1994".
- (b) Section 1.01 is amended by deleting the date "July 7, 1993" therein and substituting for such date the date "July 5, 1994".
- (c) The definition of "Applicable Percentage" contained in Section 1.01 is amended by deleting the chart therein and substituting for such chart the following:

Public Debt Rating S&P/Moody's -----	Facility Fee -----	Libor/CD ----- Column A -----	Spread ----- Column B -----
Level 1: AA-/Aa3 or higher	.06%	.19%	.2525%

Level 2: A/A2 or higher but less than Level 1	.08%	.2325%	.2950%

Level 3: A-/A3 or higher but less than	.10%	.2750%	.3375%

Level 2

Level 4:

Less than	.15%	.3250%	.45%
A-/A3			

(d) The definition of "Effective Date" is amended by

deleting the date "July 7, 1993" and substituting for such date
"July 5, 1994".

(e) Adding to Section 1.01 the following: "Notes" has the

meaning specified in Section 3.03.

(f) The definition of "Revolver Termination Date" contained

in Section 1.01 is amended by deleting the date "July 5, 1994" therein
and substituting for such date the date "July 3, 1995".

(g) The definition of "Termination Date" contained in

Section 1.01 is amended by deleting the date "July 5, 1995" therein and
substituting for such date the date "July 3, 1996".

(h) Section 3.03 is amended in full to read as follows:

Section 3.03. Evidence of Debt. The indebtedness of

each Borrower to each Bank shall be evidenced by a
promissory note in the form of Exhibit L hereto (each,
a "Note" and collectively, the "Notes").

(i) Section 7.01 is amended by (i) deleting the word "and"
at the end of subparagraph (v) thereof, (ii) deleting the
period at the end of subparagraph (vi) thereof and
substituting therefore "; and" and (iii) adding new subparagraph
(vii) as follows:

(vii) Duly executed Notes by each Borrower to
the order of each Bank.

(j) Section 8.02 is amended by adding the words "and the
applicable Notes" to the second line of such Section
following the word "Agreement".

(k) Article IX is amended by adding to the end thereof a
new Section 9.12, to read as follows:

Section 9.12. Change of Control. If a Change of Control

shall occur (i) the Company will, within ten calendar days
after the occurrence thereof, give the Administrative
Agent notice thereof and shall describe in reasonable
detail the facts and circumstances giving rise thereto
and (ii) each Bank may, by notice to the Company and

the Administrative Agent given not later than 50 calendar days after such Change of Control, terminate its Commitment, which shall be terminated effective the later of (A) the date which is 60 calendar days after such Change of Control or (B) the end of the Interest Period for any Loan outstanding at the time of such Change of Control or for any Loan made pursuant to the next sentence of this Section. Upon the occurrence of a Change of Control, the Borrower's right to make Borrowings under this Agreement shall be suspended for a period of 60 calendar days, except for Loans having an Interest Period ending not later than 90 calendar days after such Change of Control. A notice of termination pursuant to this Section shall not have the effect of accelerating any outstanding Loan.

For purposes of this Section, the following terms have the following meanings:

A "Change of Control" shall occur if (i) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) (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 then outstanding shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30% or more in voting power of the outstanding Voting Stock of the Company or (ii) during any period of 12 consecutive calendar months, individuals who were directors of the Company on the first day of such period shall cease to constitute a majority of the board of directors of the Company.

"Voting Stock" means capital stock of any class or classes (however designated) having voting power for the election of directors of the Company, other than stock having such power only by reason of the happening of a contingency.

(l) Section 10.01 (i) is amended in full to read as follows:

(i) Default in payment when due of any amount of principal or interest required to be paid hereunder or under any Note; or

(m) Section 10.01 (iv) is amended by adding the words "or the applicable Note" after the word "Agreement".

(n) Section 12.16 is amended by adding the words "or the applicable Notes" after the word "Agreement" in the first sentence.

(o) The Exhibits are amended by adding to the Exhibits attached thereto "Exhibit L", the form of which is attached hereto as Exhibit A.

On and after the effective date of this letter amendment, each reference in the Credit Agreement and the Notes to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this letter amendment. The Credit Agreement, as amended by this letter amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

If you agree to the terms and provisions hereof, please evidence such agreement by executing and returning at least two counterparts of this letter amendment to Citibank N.A., 399 Park Avenue, 9th Floor, N.Y., N.Y. 10043, Attention of Rosemary Bell. This letter amendment shall become effective as of the date first above written when and if counterparts of this letter amendment shall have been executed by us and the Banks. This letter amendment is subject to the provisions of Section 12.06 of the Credit Agreement.

This letter amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same letter amendment.

Very truly yours,

AlliedSignal Inc.

By: /s/ Nancy A. Garvey

Title: Vice President and
Treasurer

THE ADMINISTRATIVE AGENT:

CITIBANK, N.A.
as Administrative Agent

By: /s/ Michael Mandracchia

Title: Vice President/Attorney
in Fact

Address for Notices:

399 Park Avenue
New York, New York 10043
Attention: Michael Mandracchia
Telephone: (212) 559-3245
Telecopier No.: (212) 826-2371

THE CO-AGENTS:

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as Co-Agent

By: /s/ Duane P. Helkowski

Title: Corporate Banking Officer

By: /s/ John W. Deegan

Title: Vice President

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,
as Co-Agent

By: /s/ Sandra J.S. Kurek

Title: Associate

Commitment:

\$30,000,000

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Title: Senior Vice President

By: /s/ Richard L. Sted

Title: Senior Vice President

By: /s/ Renaud Kohler

Title: Assistant Vice President

\$20,000,000

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COMMERCE

By: /s/ Dean T. Criares

Title: Authorized Signatory

\$20,000,000

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By: /s/ John C. Riordan

Title: Vice President

\$20,000,000
(Joint commitment)

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By: /s/ Robert A. Maddux

Title: Director

By: /s/ Christopher S. Hall

Title: Vice President

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By: /s/ Scott Jackson

Title:

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By: /s/ A. Birr

Title: Senior Manager

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By: /s/ Daniel H. Perron

Title: Vice President

By: /s/ James P. Kelleher

Title: Assistant Treasurer

\$450,000,000

Total of the Commitments

Exhibit L

Promissory Note

Dated: _____, 19__

FOR VALUE RECEIVED, the undersigned, -----
-----, a -----corporation (the "Borrower"), HEREBY
PROMISES TO PAY to the order of ----- (the
"Bank") for the account of its applicable Lending Office (as
defined in the Credit Agreement referred to below), the aggregate
principal amount of the Loans (as defined below) made by the Bank
to the Borrower pursuant to the Credit Agreement outstanding on
the Revolver Termination Date (as defined in the Credit
Agreement), on the Termination Date (as defined in the Credit
Agreement); provided, however, that any such payment shall be in
the amount necessary to repay in full the unpaid principal amount
thereof.

The Borrower promises to pay interest on the unpaid
principal amount of each Loan from the date of such Loan until
such principal amount is paid in full, at such interest rates,
and payable at such times, as are specified in the Credit
Agreement.

Both principal and interest in respect of each Loan (i) in
United States Dollars are payable in lawful money of the United
State of America to the Administrative Agent (as defined below)
at the office of Citibank, N.A., at 399 Park Avenue, New York,
New York, United States of America, in same day funds and (ii) in
any currency other than United States Dollars are payable in such
currency at the Bank's office which the Bank shall designate for
such payment in same day funds. Each Loan made to the Borrower
pursuant to the Credit Agreement, and all payments made on
account of the principal amount thereof, shall be recorded by the
Bank and, prior to any transfer hereof, endorsed on the grid
attached hereto which is a part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and
is entitled to the benefits of, the 364-Day Credit Agreement
dated as of July 5, 1994, as it may be amended (the "Credit Agreement"),
among the Borrower, the Bank and certain other lenders parties thereto,
and Citibank N.A., as Administrative Agent for the Bank and such other
lenders. The Credit Agreement, among other things (i) provides
for the making of loans (the "Loans") by the Bank to the Borrower
from time to time in an aggregate amount not to exceed at any
time outstanding the Bank's Commitment (as defined in the Credit
Agreement), the indebtedness of the Borrower resulting from each
such Loan being evidenced by this Promissory Note, and (ii)
contains provisions for acceleration of the maturity hereof upon
the happening of certain stated events and also for prepayments
on account of principal hereof prior to the maturity hereof upon
the terms and conditions therein specified.

[NAME OF BORROWER]

By: _____

Title:

AGREEMENT

AGREEMENT, dated as of May 6, 1994 between AlliedSignal Inc., a Delaware corporation (the "Corporation"), and Lawrence A. Bossidy (the "Executive").

WHEREAS, the Corporation and Executive are parties to an Agreement dated as of December 19, 1991 (the "December 1991 Agreement") under which Executive has served the Corporation in the capacities of Chairman of the Board of Directors and Chief Executive Officer;

WHEREAS, the December 1991 Agreement was modified by letter agreement dated August 12, 1992;

WHEREAS, the Corporation desires to extend Executive's term of employment through April 1, 2000, the first day of the month immediately following Executive's attainment of age 65, and to provide an incentive for Executive to remain with the Corporation through retirement and achieve extraordinary operating results for the benefit of the Corporation and its shareowners; and

WHEREAS, Executive has committed that he will remain with the Corporation through retirement;

NOW, THEREFORE, in consideration of the execution and delivery of these presents, the mutual promises contained herein and other good and valuable consideration, the parties hereto hereby agree that the December 1991 Agreement as amended is further amended and restated to read in its entirety as follows:

Section 1. Term and Capacity of Employment

(a) The Corporation and Executive agree that Executive shall be employed by the Corporation from the date of this Agreement through April 1, 2000 under the terms set forth in this Agreement. Executive, for so long as he is elected a member of and Chairman of the Board of Directors of the Corporation, shall perform the duties of that office. Executive also shall continue as the Chief Executive Officer of the Corporation and shall serve in that capacity through the term of this Agreement at the pleasure of the Board of Directors of the Corporation.

(b) During the term of his employment under this Agreement, Executive shall have the powers, responsibilities and authorities of Chief Executive Officer and Chairman of the Board of Directors of the Corporation as established by custom and practice on the date first set forth herein.

(c) During the term of his employment under this Agreement, Executive shall during reasonable business hours perform his duties hereunder (reasonable sick leave and vacations excepted) and shall not during such term, without the consent of the Board of Directors, engage, directly or indirectly, in any other business for compensation or profit except that he may, with the approval of the Board of Directors of the Corporation, serve as a director of any other corporation which, on the advice of counsel for the Corporation, is not considered to be in competition with the Corporation for purposes of the antitrust laws, and he may receive compensation therefor.

Section 2. Compensation

(a) As compensation for Executive's services under this Agreement, the Corporation shall, commencing on June 1, 1994, pay Executive a salary at the rate of \$2,000,000 per year, payable in equal monthly installments. Executive's salary for the month of May 1994 shall be at the rate set by the Board of Directors of the Corporation in October, 1992.

(b) As further compensation, Executive shall be eligible for awards under the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees (the "Incentive Plan") (with a target bonus opportunity of at least 80 percent of salary) and any plan which is a successor to that plan. Executive's annual incentive bonus on account of service in calendar year 1994, in the event that the Corporation meets its financial targets for the year, shall be no less than \$1,850,000.

(c) As further compensation, Executive shall receive as of May 6, 1994 the following awards under the 1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (the "Stock Plan"):

(i) an award of 1,500,000 Stock Options with the terms set forth in Exhibit A hereto; and

(ii) awards of 250,000, 50,000, and 75,000 Units with the restrictions and conditions set forth, respectively, in Exhibits B through D hereto.

Section 3. Life Insurance and Long-Term Disability Benefits

The Corporation shall provide life insurance coverage for the benefit of Executive as set forth in Appendix E hereto. The Corporation shall also provide Executive with long-term disability benefits as set forth in Appendix F hereto.

Section 4. Retirement Benefits

(a) Upon termination of Executive's employment with the Corporation for any reason other than death, the Corporation shall pay to Executive a benefit equal to (i) an annuity for Executive's lifetime consisting of annual payments, each equal to 60 percent of Executive's final average compensation, reduced by the sum of the amounts of the comparable annuity payable under the Corporation's Salaried Employees' Pension Plan and Supplemental Retirement Plan for Executives and Key Executives ("Supplemental Retirement Plan") and the comparable annuity payable under the pension plans of Executive's predecessor employer determined in accordance with the provisions of paragraph (c) of this Section 4 and (ii) upon Executive's death, an annuity payable to his surviving spouse for her lifetime equal to 50 percent of the annuity payable for Executive's lifetime. The benefit payable under this paragraph (a) shall be reduced by three percentage points for each full year or a pro rata portion thereof on account of any period of less than a full year that termination of Executive's employment precedes Executive's sixty-second birthday.

(b) In the event Executive's employment with the Corporation is terminated by reason of death, the Corporation will pay a benefit equal to an annuity for the lifetime of his spouse, if she shall survive, equal to 50 percent of the monthly payments that would have been payable pursuant to paragraph (a)(i) of this Section 4 (without taking into account the reductions provided therein) for Executive's lifetime if his employment had terminated at or after age 62. The benefit payable under this paragraph shall be reduced by the sum of (i) the Survivor Benefit payable under the Corporation's Executive Benefit Program, and (ii) the Preretirement Survivor's Benefit payable under the Salaried Employees' Pension Plan and Supplemental Retirement Plan and (iii) any comparable benefit payable under the supplementary pension plan of Executive's predecessor employer (net after offsetting payments under the qualified pension plan and the excess benefit plan of such employer). Any reductions provided under the preceding sentence shall be determined on a comparable annuity basis. The benefit determined under this paragraph (b) shall be paid to Executive's surviving spouse, except to the extent he has made a beneficiary designation to the contrary under paragraph (d) of this Section 4.

(c) The amount of the benefits payable from the pension plans of Executive's predecessor employer comprising the

reduction described in paragraph (a)(i) of this Section 4 shall be determined as of the date Executive's employment with the Corporation terminates and shall be equal to the amount of the comparable annuity values of any periodic payments he is then receiving or may become eligible to receive and the comparable annuity value of any lump-sum payment previously received under the qualified pension plan, excess benefit plan and supplementary plan of such predecessor employer. With respect to any such benefits which are not then in payment status it shall be assumed for purposes of this determination that Executive has elected to receive such benefits in the form of a comparable annuity coincidental with termination of employment or the earliest possible date thereafter. Provided, however, that in the circumstances where Executive's employment with the Corporation terminates on or after his sixty-second birthday or Executive's employment is terminated by reason of death, or Executive is disabled or is the subject of an Involuntary Termination (as defined in Section 5 of this Agreement) while employed by the Corporation, the amount of the benefit subject to determination under this paragraph (c) of Section 4 shall be limited to the comparable annuity payable under the supplementary pension plan of Executive's predecessor employer (net after offsetting payments under the qualified pension plan and the excess benefit plan of such employer).

(d) Executive at any time prior to termination of his employment with the Corporation (i) may elect to have any benefit payable under paragraph (a) or (b) of this Section 4 paid in the form of a lump-sum payment and (ii) may designate a beneficiary other than his surviving spouse to receive any benefit payable under paragraph (b) of this Section 4. The elections provided by (i) and (ii) may be made at the same time or different times. The amount of such lump-sum payment shall be equal to the present value of the benefit determined to be payable to, or on behalf of, Executive under paragraph (a) or (b) of this Section 4 as of the date Executive's employment is terminated. For purposes of this paragraph (d), "present value" shall be determined by application of the interest rate and mortality assumptions utilized under the Corporation's Supplemental Retirement Plan. Any election by Executive under this paragraph (d) may be revoked any time prior to termination of his employment and a new election may be made at that time or any time thereafter prior to such termination. A designation or change of beneficiary under this paragraph (d) must be in writing on forms authorized by the Corporation, must be executed by the Executive and will not be effective until filed with the Corporation.

(e) Any benefit which becomes payable pursuant to this Section 4, shall be paid by the Corporation (i) in the case of a benefit determined pursuant to paragraph (a) or paragraph (b) of this Section 4, commencing on a date, and (ii) in the case of a lump-sum benefit described in paragraph (d) of this Section 4, on a date, which is not later than the first day of the month immediately following the month in which Executive's employment with the Corporation terminates.

(f) Solely for the purposes of this Section 4 and for no other purpose: "employment" or "while in the employ" of the Corporation shall include any period during which severance payments are payable under the Corporation's Severance Plan for Senior Executives (the "Severance Plan") or disability payments are payable under the arrangements described in Appendix F of this Agreement; references to employment being "terminated" refer to termination whether voluntary or involuntary on the part of Executive or at the request of the Corporation; "comparable annuity" means an annuity payable for the joint lifetimes of Executive and his spouse, with a benefit payable to Executive's surviving spouse for the period following his death which is equal to one-half of the benefit payable for Executive's lifetime; "total compensation" means salary, short term incentive compensation awards (which in the case of short term incentive compensation paid on account of service in 1991 shall be deemed to equal the greater of \$800,000 or the amount of short term incentive compensation actually paid to him by the Corporation on account of service in 1991), any additional payments in respect of incentive compensation, and annual severance payments pursuant to the Severance

Plan, but excluding in all circumstances any incentive compensation payments attributable to long-term awards; and "final average compensation" means the average of Executive's highest three calendar years' total compensation, provided that if Executive does not receive compensation from the Corporation for at least three calendar years, then "final average compensation" shall be the sum of the total compensation received by Executive in respect of the period he is employed by the Corporation divided by three; except that if prior to December 31, 1994 Executive's employment terminates due to death or Involuntary Termination (as such term is defined in the Severance Plan as modified in Executive's case by Section 5 of this Agreement) the average of Executive's highest three calendar years' of total compensation shall be deemed to be equal to the greater of \$1,800,000 or the average of the total compensation received by him for the full calendar years he is employed by the Corporation. The foregoing definitions shall not apply for purposes of computing the annual benefit payable to Executive under the Corporation's Salaried Executives' Pension Plan; such computation shall be made in accordance with the Corporation's usual policies.

Section 5. Early Termination

In the event of the termination of Executive's employment, the consequences of such termination shall be determined in accordance with the Severance Plan, which is incorporated by reference in this Agreement, with the additions and modifications in respect of the Executive as set forth below. "Severance Period" for purposes of the Severance Plan shall, in Executive's case, be thirty-six months. "Severance Pay Factor" for purposes of the Severance Plan shall, in Executive's case, be equal to the number of months of Executive's Severance Period. "Involuntary Termination" for purposes of the Severance Plan and this Agreement shall have the meaning set forth in Section 2.14, or if applicable Section 8.04, of the Severance Plan, as modified by application of the term "Gross Cause" as defined in this Section 5, and shall, in Executive's case, also mean termination of Executive's employment at the initiative of Executive within six months following (i) any act or failure to act by the Board of Directors of the Corporation which would cause Executive (A) to be removed from the office of Chief Executive Officer or the office of Chairman of the Board of Directors on a date earlier than Executive's sixty-fifth birthday or (B) to not be nominated for election as a director by the shareowners of the Corporation at any meeting of shareowners of the Corporation held for that purpose on a date earlier than Executive's sixty-fifth birthday; (ii) any significant diminution in the powers, responsibilities and authorities described in Section 1(b) of this Agreement; or (iii) the failure of the Corporation to obtain, within 45 days after a merger, consolidation, sale or similar transaction, the written assumption of its obligation to perform this Agreement by any successor. "Gross Cause" for purposes of the Severance Plan and this Agreement shall, in Executive's case mean (i) conviction of a felony; or (ii) willful gross neglect or willful gross misconduct in carrying out Executive's duties resulting, in either case, in material economic harm to the Corporation, unless Executive believed in good faith that such act or non-act was in the best interests of the Corporation. Notwithstanding the provisions of Sections 4.05 and 10.03 of the Severance Plan, Executive shall not forfeit any benefits unless he is guilty of Gross Cause as defined in this Section 5.

Section 6. Participation in Other Benefit Plans and Compensation Arrangements

While employed by the Corporation, Executive shall be entitled to participate in each of the Corporation's plans for the benefit of its salaried employees and in all other compensation arrangements or programs which are or may hereafter be made available to the senior executives of the

Corporation. It is anticipated that Executive will incur expenses necessary to the discharge of his duties hereunder, and the Corporation shall reimburse Executive for those expenses, in accordance with its established policies and such other arrangements as may be approved by the Corporation from time to time.

Section 7. Resolution of Disputes

Any disputes arising under or in connection with this Agreement shall, at the election of Executive, be resolved by arbitration, to be held in Manhattan, in accordance with the rules and procedures of the American Arbitration Association. All costs, fees and expenses of any arbitration in connection with this Agreement that results in any decision requiring the Corporation to make a payment to Executive shall be borne by, and be the obligation of, the Corporation.

Section 8. Survivorship

The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment to the extent necessary to effect the intended preservation of such rights and obligations.

Section 9. Entire Agreement, Governing Law

(a) This Agreement embodies the entire agreement of the parties hereto, and it may be modified only by an agreement in writing signed by both parties.

(b) This Agreement shall be interpreted and governed by the laws of the State of New York without reference to principles of conflict of laws.

Section 10. Undertaking by Corporation in Case of Sale or Liquidation of Assets

The Corporation agrees that, in the event of the sale or liquidation of all or substantially all of the assets of the Corporation, it shall take whatever action it legally can in order to cause the assignee or transferee of such assets expressly to assume the liabilities, obligations and duties of the Corporation hereunder.

IN WITNESS WHEREOF, AlliedSignal Inc. has caused this Agreement to be signed in its corporate name by one of its directors and its corporate seal to be hereunto affixed and to be attested by its General Counsel, and Lawrence A. Bossidy has hereunto set his hand, all as of the day and year first above written.

[Corporate Seal]

AlliedSignal Inc.

Attest:

/s/ Peter M. Kreindler

General Counsel

By: /s/ Delbert C. Staley

Delbert C. Staley,
Director and Chairman
of the Management
Development and
Compensation Committee

/s/ L. A. Bossidy

Lawrence A. Bossidy

APPENDIX A TO EMPLOYMENT AGREEMENT OF
LAWRENCE A. BOSSIDY

1993 Stock Plan for Employees
of AlliedSignal Inc. and its Affiliates

OPTION AGREEMENT
(With Limited Stock Appreciation Rights)

OPTION AGREEMENT made in Morris Township, New Jersey, as of the 6th day of May 1994 between AlliedSignal Inc., a Delaware corporation (the "Corporation") and Lawrence A. Bossidy, a regular full-time employee of the Corporation (the "Executive").

1. The Corporation has this day granted to the Executive the option (the "Option") to purchase all or any part of an aggregate of 1,500,000 shares of its common stock (the "Common Stock") and limited stock appreciation rights (the "Limited Rights") with respect to all such shares under the 1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (the "Stock Plan"), subject to the provisions of this Agreement. The Executive hereby accepts the grant and agrees to be bound by the terms and conditions of this Agreement with respect thereto.

2. The purchase price of the shares of Common Stock covered by the Option shall be \$34.38 per share.

3. The term of the Option and the Limited Rights shall be for a period of ten years from the date hereof, subject to earlier termination or cancellation as provided in the Stock Plan or this Agreement.

4. The Option is a non-qualified Option for federal income tax purposes.

5. The Option shall become exercisable as to 100% of the covered shares at the earliest of the Executive's attainment of age 65, the Executive's death or total disability (as defined in the Stock Plan) or on April 1st of the calendar year immediately following the occurrence of a Qualifying Event. For purposes of this Agreement "Qualifying Event" shall mean a series of three consecutive calendar years beginning after 1993, as to each of which the Corporation has reported an annual rate of growth in Consolidated Earnings Per Share equal to or greater than 15% over the prior year's Consolidated Earnings Per Share. For purposes of this Agreement "Consolidated Earnings Per Share" for a calendar year shall mean consolidated net income for that year as shown on the consolidated statement of income for the Corporation, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment (other than provisions for operating losses or income during the phase-out period), unusual or infrequently occurring events or transactions and the cumulative effects of changes in accounting principles, all as determined in accordance with generally accepted accounting principles; divided by the weighted average number of outstanding shares of Common Stock for the calendar year. Prior thereto, the Option shall become exercisable in cumulative installments as follows: to the extent of 10% of the number of shares specified in paragraph 1 of this Agreement on each of May 6, 1995, May 6, 1996, May 6, 1997, May 6, 1998 and May 6, 1999.

6. Exercise of the Option is subject to the conditions that to the extent required at the time of exercise (a) the shares of Common Stock covered by the Option shall be duly listed, upon official notice of issuance, upon the New York Stock Exchange and (b) a Registration Statement under the Securities Act of 1933 with respect to such shares shall be effective.

7. The Option and the Limited Rights shall not be transferable by the Executive otherwise than by will, the laws of descent and distribution, or by transfer to a member or members of the Executive's immediate family as provided in paragraph 14 of the Plan, and the Option may be exercised during the lifetime of the Executive only by the Executive, by the Executive's guardian or legal representative or by an immediate family member transferee.

8. If and to the extent that the Option is exercisable, upon the occurrence of an acceleration date (as defined in the Stock Plan) the Limited Rights shall entitle the Executive to receive a cash payment as described in the Stock Plan. The Option shall cease to be exercisable to the extent of the number of shares of Common Stock with respect to which the Executive receives such cash payment.

9. Nothing in this Agreement or the Stock Plan shall confer upon the Executive any right to continue in the employ of the Corporation, any of its subsidiaries or any parent or interfere in any way with the right of the Corporation, any such subsidiary or parent to terminate such employment at any time.

10. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Corporation, at 101 Columbia Road, Morristown, New Jersey 07962, attention of the Director-Compensation, Shared Services Department, who will also have forms available for any such exercise.

11. The Corporation shall have the right, prior to the payment of cash in connection with the Limited Rights or the issuance of any shares or the payment of cash in connection with the exercise of the Option, to withhold or require payment by the Executive of any amounts necessary to satisfy applicable tax requirements.

12. Except as otherwise provided in this Agreement, the exercise of the Option and the receipt of any cash payment as the holder of Limited Rights are subject to the provisions of the Stock Plan, as the Stock Plan may be amended from time to time, and any rules and regulations which may be prescribed thereunder, provided that, unless otherwise required by law, no amendment may, without the consent of the Executive, adversely affect the rights of the Executive under this Agreement. A copy of the Stock Plan, as in effect on the date hereof, and the prospectus, dated December 20, 1993, have been delivered to the Executive, receipt of which is hereby acknowledged by the Executive.

13. The Corporation and the Executive agree that the validity, performance, interpretation and other incidents of this Agreement shall be governed by the law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its Chairman of the Management Development and Compensation Committee, and the Executive has duly executed this Agreement, all as of the day and year first above written.

AlliedSignal Inc.

/s/ L.A. Bossidy

Lawrence A. Bossidy

By: /s/ Delbert C. Staley

Delbert C. Staley
Director and
Chairman, Management
Development and
Compensation
Committee

APPENDIX B TO EMPLOYMENT AGREEMENT OF
LAWRENCE A. BOSSIDY

1993 Stock Plan for Employees of
AlliedSignal Inc. and its Affiliates

RESTRICTED UNIT AGREEMENT

RESTRICTED UNIT AGREEMENT made in Morris Township, New Jersey as of the 6th day of May 1994 between AlliedSignal Inc., a Delaware corporation (the "Corporation") and Lawrence A. Bossidy, a regular full-time employee of the Corporation (the "Executive").

1. The Corporation hereby awards to the Executive 250,000 Restricted Units under the 1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (the "Plan"), subject to the provisions of this Agreement. The award shall be effective as of May 6, 1994. The Executive hereby accepts the award and agrees to be bound by the terms and conditions of this Agreement with respect thereto.

2. The Corporation shall establish and maintain a Restricted Unit account for and on behalf of the Executive and shall record in such account the number of Restricted Units awarded to the Executive. The Executive shall be paid currently an amount equal to the cash dividends paid by the Corporation upon one share of its common stock (the "Common Stock") for each Restricted Unit then credited to the Executive's account ("Dividend Equivalents"). Any Dividend Equivalents not paid currently to the Executive shall be credited to the Executive's account, shall not be subject to forfeiture and may bear interest at a rate and subject to such terms as determined by the Management Development and Compensation Committee (the "Committee"). No shares of Common Stock shall be issued to the Executive at the time the award is made, and the Executive shall not be, nor have any of the rights or privileges of, a shareowner of the Corporation with respect to any Restricted Units recorded in the account.

3. Unless otherwise provided by law, the Executive shall not have a disposable interest in the Restricted Unit account, and any attempted disposition of the account by the Executive, whether by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary, or involuntary, or by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), shall be null and void and have no effect.

4. The Executive shall not have any interest in any fund or specific asset of the Corporation by reason of this award or the Restricted Unit account established for the Executive.

5. The restrictions applicable to the Restricted Units shall lapse on April 1st of the calendar year immediately following the occurrence of a Qualifying Event. For purposes of this Agreement, "Qualifying Event" shall mean a series of three consecutive calendar years beginning after 1993, as to each of which the Corporation has reported an annual rate of growth in Consolidated Earnings Per Share equal to or greater than 15% over the prior year's Consolidated Earnings Per Share. For purposes of this Agreement "Consolidated Earnings Per Share" for a calendar year shall mean consolidated net income for that year as shown on the consolidated statement of income for the

Corporation, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment (other than provisions for operating losses or income during the phase-out period), unusual or infrequently occurring events and transactions and the cumulative effects of changes in accounting principles, all as determined in accordance with generally accepted accounting principles; divided by the weighted average number of outstanding shares of Common Stock for the calendar year. However, all restrictions applicable to the Restricted Units shall lapse or terminate upon the Executive's death, total disability (as defined in the Plan), attainment of age 65 or the occurrence of an acceleration date (as defined in the Plan). Nothing in this Agreement shall limit the discretion of the Committee to shorten or terminate the period during which restrictions shall be applicable to any of the Restricted Units or to waive any conditions for the lapse or termination of restrictions with respect to all or any portion of the Restricted Units.

6. Except as otherwise provided in this Agreement, if the Executive does not remain a regular full-time employee of the Corporation, any of its subsidiaries or any parent or any combination thereof until the lapse or termination of the restrictions applicable to the Restricted Units, the Restricted Units with respect to which the restrictions have not lapsed or terminated shall be forfeited and all rights of the Executive with respect to such Restricted Units shall terminate. Nothing in this Agreement or the Plan shall confer upon the Executive any right to continue in the employ of the Corporation, any of its subsidiaries or any parent or interfere in any way with the right of the Corporation, any such subsidiary or parent to terminate such employment at any time.

7. Except upon the occurrence of an acceleration date and except as otherwise provided in this Agreement, the Corporation shall, as soon as practicable following the lapse or termination of restrictions applicable to any portion of the Restricted Units, deliver to the Executive or the Executive's beneficiary or estate, as the case may be, one share of Common Stock for each Restricted Unit with respect to which the restrictions have lapsed ("vested unit") and cash equal to any Dividend Equivalents credited to the Executive's account with respect to each such vested unit and the interest thereon; provided, however, that the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only Common Stock for the vested units. If a cash payment is made in lieu of delivering Common Stock, the amount of such cash payment shall be equal to the mean between the highest and lowest sales prices of the Common Stock as reported on the New York Stock Exchange Composite Tape for the date on which payment is made, or if there are no sales on such date, on the next preceding day on which there were sales.

8. If the Executive desires that payment of vested units (and any Dividend Equivalents credited to the Executive's account with respect to such vested units and the interest thereon) be made at a date later than that provided in paragraph 7 of this Agreement, the Executive shall, prior to the date on which the restrictions applicable to such units lapse or terminate, make a request in writing to the Committee to have such payment deferred. The Executive shall submit a suggested payment schedule with the request for deferment. The Committee may, in its sole discretion, determine whether to permit such deferment of payment in the manner requested by the Executive. Should a deferred payment schedule not be accepted, then payment shall be made in accordance with the provisions of paragraph 7 of this Agreement. Any deferred payment schedule accepted by the Committee shall be binding on the Executive and may not thereafter be revoked. However, when circumstances are deemed justifiable by the Committee, it may, upon agreement with the Executive or the Executive's

estate, make payment of the account other than in strict compliance with the deferred payment schedule.

9. Upon the occurrence of an acceleration date (as defined in the Plan), all outstanding vested units (including Restricted Units whose restrictions have lapsed as a result of the occurrence of such acceleration date and vested units where payment was previously deferred) shall be converted into cash as soon as practicable but in no event later than 90 days after such acceleration date in an amount equal to the total number of vested units credited to the Executive's account multiplied by the "Multiplication Factor" (as defined in the Plan). All vested units and credited Dividend Equivalents (other than vested units and credited Dividend Equivalents where payment was previously deferred and no election was made for a lump sum payment) shall be payable in cash as soon as practicable but in no event later than 90 days after such acceleration date.

10. The Corporation shall have the right, prior to the crediting or payment of any Dividend Equivalent, the issuance or delivery of any shares of Common Stock or the payment of cash in lieu of shares hereunder, to withhold or require payment by the Executive of any amounts necessary to satisfy applicable tax requirements.

11. This Agreement is subject to the provisions of the Plan as it may be amended from time to time, and any rules and regulations which may be prescribed thereunder by the Committee, provided that, unless otherwise required by law, no amendment may, without the consent of the Executive, adversely affect the rights of the Executive under this Agreement. A copy of the Plan, as in effect on the date hereof, and the prospectus, dated December 20, 1993, have been delivered to the Executive, receipt of which is hereby acknowledged by the Executive.

12. The Corporation and the Executive agree that the validity, performance, interpretation and other incidents of this Agreement shall be governed by the law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its Chairman of the Management Development and Compensation Committee, and the Executive has duly executed this Agreement, all as of the day and year first above written.

AlliedSignal Inc.

/s/ L.A. Bossidy

Lawrence A. Bossidy

By: /s/ Delbert C. Staley

Delbert C. Staley
Director and Chairman,
Management Development
and Compensation
Committee

APPENDIX C TO EMPLOYMENT AGREEMENT OF
LAWRENCE A. BOSSIDY

1993 Stock Plan for Employees of
AlliedSignal Inc. and its Affiliates

RESTRICTED UNIT AGREEMENT

RESTRICTED UNIT AGREEMENT made in Morris Township, New Jersey as of the 6th day of May 1994 between AlliedSignal Inc., a Delaware corporation (the "Corporation") and Lawrence A. Bossidy, a regular full-time employee of the Corporation (the "Executive").

1. The Corporation hereby awards to the Executive 50,000 Restricted Units under the 1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (the "Plan"), subject to the provisions of this Agreement. The award shall be effective as of May 6, 1994. The Executive hereby accepts the award and agrees to be bound by the terms and conditions of this Agreement with respect thereto.

2. The Corporation shall establish and maintain a Restricted Unit account for and on behalf of the Executive and shall record in such account the number of Restricted Units awarded to the Executive. The Executive's Restricted Unit account shall be credited currently with an amount equal to the cash dividends paid by the Corporation upon one share of its common stock (the "Common Stock") for each Restricted Unit then credited to the Executive's account ("Dividend Equivalents"). Dividend Equivalents credited to the Executive's account shall be subject to the same restrictions applicable to the Restricted Units and bear interest at a rate and subject to such terms as determined by the Management Development and Compensation Committee (the "Committee"). No shares of Common Stock shall be issued to the Executive at the time the award is made, and the Executive shall not be, nor have any of the rights or privileges of, a shareowner of the Corporation with respect to any Restricted Units recorded in the account.

3. Unless otherwise provided by law, the Executive shall not have a disposable interest in the Restricted Unit account, and any attempted disposition of the account by the Executive, whether by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary, or involuntary, or by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), shall be null and void and have no effect.

4. The Executive shall not have any interest in any fund or specific asset of the Corporation by reason of this award or the Restricted Unit account established for the Executive.

5. Any provision of the Plan to the contrary notwithstanding, the restrictions applicable to the Restricted Unit account shall lapse solely on April 1st of the first calendar year immediately following the occurrence of a Qualifying Event. For purposes of this Agreement "Qualifying Event" shall mean a series of four consecutive calendar years beginning after 1993, as to each of which the Corporation has reported an annual rate of growth in Consolidated Earnings Per Share equal to or greater than 15% over the prior year's Consolidated Earnings Per Share. For purposes of this Agreement "Consolidated Earnings Per Share" for a calendar year shall mean consolidated net income for

that year as shown on the consolidated statement of income for the Corporation, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment (other than provisions for operating losses or income during the phase-out period), unusual or infrequently occurring events and transactions and the cumulative effects of changes in accounting principles, all as determined in accordance with generally accepted accounting principles; divided by the weighted average number of outstanding shares of Common Stock for the calendar year. Nothing in this Agreement shall limit the discretion of the Committee to shorten or terminate the period during which restrictions shall be applicable to the Restricted Unit account or to waive any conditions for the lapse or termination of restrictions with respect to all or any portion of the Restricted Unit account.

6. If the Executive does not remain a regular full-time employee of the Corporation, any of its subsidiaries or any parent or any combination thereof until the lapse or termination of the restrictions applicable to the Restricted Unit account, the Restricted Unit account shall be forfeited and all rights of the Executive thereto shall terminate. Nothing in this Agreement or the Plan shall confer upon the Executive any right to continue in the employ of the Corporation, any of its subsidiaries or any parent or interfere in any way with the right of the Corporation, any such subsidiary or parent to terminate such employment at any time.

7. Unless the Executive has made an election to the contrary as provided in paragraph 8, the Corporation shall, as soon as practicable following the lapse or termination of restrictions applicable to any portion of the Restricted Units, deliver to the Executive or the Executive's beneficiary or estate, as the case may be, one share of Common Stock for each Restricted Unit with respect to which the restrictions have lapsed ("vested unit") and cash equal to any Dividend Equivalents credited to the Executive's account with respect to each such vested unit and the interest thereon; provided, however, that the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only Common Stock for the vested units. If a cash payment is made in lieu of delivering Common Stock, the amount of such cash payment shall be equal to the mean between the highest and lowest sales prices of the Common Stock as reported on the New York Stock Exchange Composite Tape for the date on which payment is made, or if there are no sales on such date, on the next preceding day on which there were sales.

8. If the Executive desires that payment of vested units (and any Dividend Equivalents credited to the Executive's account with respect to such vested units and the interest thereon) be made at a date later than that provided in paragraph 7 of this Agreement, the Executive shall, prior to the date on which the restrictions applicable to such units lapse or terminate, make a request in writing to the Committee to have such payment deferred. The Executive shall submit a suggested payment schedule with the request for deferment. The Committee may, in its sole discretion, determine whether to permit such deferment of payment in the manner requested by the Executive. Should a deferred payment schedule not be accepted, then payment shall be made in accordance with the provisions of paragraph 7 of this Agreement. Any deferred payment schedule accepted by the Committee shall be binding on the Executive and may not thereafter be revoked. However, when circumstances are deemed justifiable by the Committee, it may, upon agreement with the Executive or the Executive's estate, make payment of the account other than in strict compliance with the deferred payment schedule.

9. Upon the occurrence of an acceleration date (as defined in the Plan), all outstanding vested units (including vested units where payment was previously

deferred) shall be converted into cash as soon as practicable but in no event later than 90 days after such acceleration date in an amount equal to the total number of vested units credited to the Executive's account multiplied by the "Multiplication Factor" (as defined in the Plan). All vested units and credited Dividend Equivalents (other than vested units and credited Dividend Equivalents where payment was previously deferred and no election was made for a lump sum payment) shall be payable in cash as soon as practicable but in no event later than 90 days after such acceleration date.

10. The Corporation shall have the right, prior to the crediting or payment of any Dividend Equivalent, the issuance or delivery of any shares of Common Stock or the payment of cash in lieu of shares hereunder, to withhold or require payment by the Executive of any amounts necessary to satisfy applicable tax requirements.

11. Except as otherwise provided herein, this Agreement is subject to the provisions of the Plan as it may be amended from time to time, and any rules and regulations which may be prescribed thereunder by the Committee, provided that, unless otherwise required by law, no amendment may, without the consent of the Executive, adversely affect the rights of the Executive under this Agreement. A copy of the Plan, as in effect on the date hereof, and the prospectus, dated December 20, 1993, have been delivered to the Executive, receipt of which is hereby acknowledged by the Executive.

12. The Corporation and the Executive agree that the validity, performance, interpretation and other incidents of this Agreement shall be governed by the law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its Chairman of the Management Development and Compensation Committee, and the Executive has duly executed this Agreement, all as of the day and year first above written.

AlliedSignal Inc.

/s/ L.A. Bossidy

By: /s/ Delbert C. Staley

Lawrence A. Bossidy

Delbert C. Staley
Director and
Chairman, Management
Development and
Compensation Committee

APPENDIX D TO EMPLOYMENT AGREEMENT OF
LAWRENCE A. BOSSIDY

1993 Stock Plan for Employees of
AlliedSignal Inc. and its Affiliates

RESTRICTED UNIT AGREEMENT

RESTRICTED UNIT AGREEMENT made in Morris Township, New Jersey as of the 6th day of May 1994 between AlliedSignal Inc., a Delaware corporation (the "Corporation") and Lawrence A. Bossidy, a regular full-time employee of the Corporation (the "Executive").

1. The Corporation hereby awards to the Executive 75,000 Restricted Units under the 1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates (the "Plan"), subject to the provisions of this Agreement. The award shall be effective as of May 6, 1994. The Executive hereby accepts the award and agrees to be bound by the terms and conditions of this Agreement with respect thereto.

2. The Corporation shall establish and maintain a Restricted Unit account for and on behalf of the Executive and shall record in such account the number of Restricted Units awarded to the Executive. The Executive's Restricted Unit account shall be credited currently with an amount equal to the cash dividends paid by the Corporation upon one share of its common stock (the "Common Stock") for each Restricted Unit then credited to the Executive's account ("Dividend Equivalents"). Dividend Equivalents credited to the Executive's account shall be subject to the same restrictions applicable to the Restricted Units and bear interest at a rate and subject to such terms as determined by the Management Development and Compensation Committee (the "Committee"). No shares of Common Stock shall be issued to the Executive at the time the award is made, and the Executive shall not be, nor have any of the rights or privileges of, a shareowner of the Corporation with respect to any Restricted Units recorded in the account.

3. Unless otherwise provided by law, the Executive shall not have a disposable interest in the Restricted Unit account, and any attempted disposition of the account by the Executive, whether by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary, or involuntary, or by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), shall be null and void and have no effect.

4. The Executive shall not have any interest in any fund or specific asset of the Corporation by reason of this award or the Restricted Unit account established for the Executive.

5. Any provision of the Plan to the contrary notwithstanding, the restrictions applicable to the Restricted Unit account shall lapse solely on April 1st of the first calendar year immediately following the occurrence of a Qualifying Event. For purposes of this Agreement, "Qualifying Event" shall mean a series of five consecutive calendar years beginning after 1993, as to each of which the Corporation has reported an annual rate of growth in Consolidated Earnings Per Share equal to or greater than 15% over the prior year's Consolidated Earnings Per Share. For purposes of this Agreement, "Consolidated Earnings Per Share" for a calendar year shall mean consolidated net

income for that year as shown on the consolidated statement of income for the Corporation, adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment (other than provisions for operating losses or income during the phase-out period), unusual or infrequently occurring events and transactions and the cumulative effects of changes in accounting principles, all as determined in accordance with generally accepted accounting principles; divided by the weighted average number of outstanding shares of Common Stock for the calendar year. Nothing in this Agreement shall limit the discretion of the Committee to shorten or terminate the period during which restrictions shall be applicable to the Restricted Unit account or to waive any conditions for the lapse or termination of restrictions with respect to all or any portion of the Restricted Unit account.

6. If the Executive does not remain a regular full-time employee of the Corporation, any of its subsidiaries or any parent or any combination thereof until the lapse or termination of the restrictions applicable to the Restricted Unit account, the Restricted Unit account shall be forfeited and all rights of the Executive thereto shall terminate. Nothing in this Agreement or the Plan shall confer upon the Executive any right to continue in the employ of the Corporation, any of its subsidiaries or any parent or interfere in any way with the right of the Corporation, any such subsidiary or parent to terminate such employment at any time.

7. Unless the Executive has made an election to the contrary as provided in paragraph 8, the Corporation shall, as soon as practicable following the lapse or termination of restrictions applicable to any portion of the Restricted Units, deliver to the Executive or the Executive's beneficiary or estate, as the case may be, one share of Common Stock for each Restricted Unit with respect to which the restrictions have lapsed ("vested unit") and cash equal to any Dividend Equivalents credited to the Executive's account with respect to each such vested unit and the interest thereon; provided, however, that the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only Common Stock for the vested units. If a cash payment is made in lieu of delivering Common Stock, the amount of such cash payment shall be equal to the mean between the highest and lowest sales prices of the Common Stock as reported on the New York Stock Exchange Composite Tape for the date on which payment is made, or if there are no sales on such date, on the next preceding day on which there were sales.

8. If the Executive desires that payment of vested units (and any Dividend Equivalents credited to the Executive's account with respect to such vested units and the interest thereon) be made at a date later than that provided in paragraph 7 of this Agreement, the Executive shall, prior to the date on which the restrictions applicable to such units lapse or terminate, make a request in writing to the Committee to have such payment deferred. The Executive shall submit a suggested payment schedule with the request for deferment. The Committee may, in its sole discretion, determine whether to permit such deferment of payment in the manner requested by the Executive. Should a deferred payment schedule not be accepted, then payment shall be made in accordance with the provisions of paragraph 7 of this Agreement. Any deferred payment schedule accepted by the Committee shall be binding on the Executive and may not thereafter be revoked. However, when circumstances are deemed justifiable by the Committee, it may, upon agreement with the Executive or the Executive's estate, make payment of the account other than in strict compliance with the deferred payment schedule.

9. Upon the occurrence of an acceleration date (as defined in the Plan), all outstanding vested units (including vested units where payment was previously

deferred) shall be converted into cash as soon as practicable but in no event later than 90 days after such acceleration date in an amount equal to the total number of vested units credited to the Executive's account multiplied by the "Multiplication Factor" (as defined in the Plan). All vested units and credited Dividend Equivalents (other than vested units and credited Dividend Equivalents where payment was previously deferred and no election was made for a lump sum payment) shall be payable in cash as soon as practicable but in no event later than 90 days after such acceleration date.

10. The Corporation shall have the right, prior to the crediting or payment of any Dividend Equivalent, the issuance or delivery of any shares of Common Stock or the payment of cash in lieu of shares hereunder, to withhold or require payment by the Executive of any amounts necessary to satisfy applicable tax requirements.

11. Except as otherwise provided herein, this Agreement is subject to the provisions of the Plan as it may be amended from time to time, and any rules and regulations which may be prescribed thereunder by the Committee, provided that, unless otherwise required by law, no amendment may, without the consent of the Executive, adversely affect the rights of the Executive under this Agreement. A copy of the Plan, as in effect on the date hereof, and the prospectus, dated December 20, 1993, have been delivered to the Executive, receipt of which is hereby acknowledged by the Executive.

12. The Corporation and the Executive agree that the validity, performance, interpretation and other incidents of this Agreement shall be governed by the law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its Chairman of the Management Development and Compensation Committee, and the Executive has duly executed this Agreement, all as of the day and year first above written.

AlliedSignal Inc.

/s/ L.A. Bossidy

Lawrence A. Bossidy

By: /s/ Delbert C. Staley

Delbert C. Staley
Director and
Chairman, Management
Development and
Compensation Committee

APPENDIX E TO EMPLOYMENT AGREEMENT OF
LAWRENCE A. BOSSIDY

Life Insurance
- - - - -

Corporation Insurance Plans
- - - - -

Salaried Employees Life Insurance Plan
Non-contributory--Two times base salary \$4,000,000(a)

Supplemental Life Insurance--
Four times base salary \$8,000,000(a)

Group Universal Life
Up to five times base salary
(as previously elected by Executive)

Split-Dollar Policies

Metropolitan Life Insurance
Company Flexible-Premium
Adjustable Life Policies(b)

#883215036U
#883215037U
#917590655U

Northwestern Mutual
Life Insurance Policies(c)

#7589713
#7945757
#8357499
#8441286
#8746278
#9369664

(a): Assumes a base annual salary of \$2,000,000.
Insurance to increase as salary increases, except that in
the case of the Supplemental Life Insurance the coverage
increases as salary increases only until Executive attains
age 60.

(b): Policies are currently owned by Executive's
Insurance Trust (the "Trust") and are subject to the terms
of the Insurance Agreement entered into with the Corporation
on July 26, 1991 and related Collateral Assignments of the
same date.

(c): Policies are owned by Executive and are
subject to the terms of the Insurance Agreement entered into
with the Corporation on July 26, 1991 and the related
Collateral Assignment of the same date.

APPENDIX F TO EMPLOYMENT AGREEMENT OF
LAWRENCE A. BOSSIDY

Long Term Disability Benefits

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After six months of salary continuation, Executive shall be paid a monthly benefit equal to \$166,666* for the first five years of his disability and \$83,333* for the next five years of his disability; provided, however, that no benefits will be paid after the date the Executive attains age 65. These benefits will be reduced by any benefits paid to Executive pursuant to the Executive Benefit Program, the Voluntary Employees' Beneficiary Association Long-Term Disability Income Plan or any other longterm disability program sponsored by the Corporation.

* These amounts assume a base annual salary of \$2,000,000. If base annual salary is increased, these amounts will increase proportionally.

August 15, 1994

Securities and Exchange Commission
450 Fifth Street
Washington, D.C. 20549

Ladies and Gentlemen:

We are aware that the June 30, 1994 Quarterly Report on Form 10-Q of AlliedSignal Inc. which includes our report dated July 25, 1994 (issued pursuant to the provisions of Statement on Auditing Standards Nos. 42 and 71) will be incorporated by reference in the Prospectuses constituting part of AlliedSignal Inc.'s Registration Statements, on Forms S-8 (Nos. 33-09896, 33-50314, 33-51031, 33-51455, 33-55410 and 33-65792), on Forms S-3 (Nos. 33-00631, 33-13211 and 33-14071) and on Form S-8 (filed as an amendment to Form S-14, No. 2-99416-01). We are also aware of our responsibilities under the Securities Act of 1933.

Very truly yours,

/s/ Price Waterhouse LLP
Price Waterhouse LLP