

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 March 31, 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

(State or other jurisdiction of
incorporation or organization)

22-2640650

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

101 Columbia Road
P. O. Box 4000

Morristown, New Jersey

(Address of principal executive offices)

07962-2497

(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

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
\$1 par value

Outstanding at
March 31, 1994
284,529,209 shares

AlliedSignal Inc.
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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

AlliedSignal Inc.
Consolidated Balance Sheet
(Unaudited)

	March 31, 1994	December 31, 1993
	-----	-----
	(Dollars in Millions)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 811	\$ 892
Accounts and notes receivable -- net.....	1,451	1,343
Inventories -- net (Note 2).....	1,744	1,745
Other current assets.....	588	587
	-----	-----
Total current assets.....	4,594	4,567
Investments and long-term receivables.....	550	553
Property, plant and equipment.....	8,274	8,168
Accumulated depreciation and amortization.....	(4,187)	(4,074)
Cost in excess of net assets of acquired companies -- net.....	1,084	1,087
Other assets.....	535	528
	-----	-----
Total assets.....	\$10,850	\$10,829
	-----	-----
LIABILITIES		
Current Liabilities		
Accounts payable.....	\$ 1,200	\$ 1,207
Short-term borrowings.....	113	57
Commercial paper.....	165	164
Current maturities of long-term debt.....	115	137
Accrued liabilities.....	1,840	1,924
	-----	-----
Total current liabilities.....	3,433	3,489
Long-term debt.....	1,552	1,602
Deferred income taxes.....	359	339
Postretirement benefit obligations other than pensions.....	1,726	1,689
Other liabilities.....	1,251	1,320
SHAREOWNERS' EQUITY		
Capital -- common stock issued.....	358	358
-- additional paid-in capital.....	2,453	2,453
Common stock held in treasury, at cost.....	(1,440)	(1,437)
Cumulative translation adjustment.....	1	(7)
Retained earnings.....	1,157	1,023
	-----	-----
Total shareowners' equity.....	2,529	2,390
	-----	-----
Total liabilities and shareowners' equity.....	\$10,850	\$10,829
	-----	-----

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

AlliedSignal Inc.
Consolidated Statement of Income
(Unaudited)

	Three Months Ended March 31	
	1994	1993
	(Dollars in Millions Except Per Share Amounts)	
Net sales.....	\$2,986	\$2,901
Cost of goods sold.....	2,402	2,354
Selling, general and administrative expenses.....	314	314
Total costs and expenses.....	2,716	2,668
Income from operations.....	270	233
Equity in income of affiliated companies.....	30	25
Other income (expense).....	(13)	(9)
Interest and other financial charges.....	(37)	(45)
Income before taxes on income.....	250	204
Taxes on income.....	81	58
Income before cumulative effect of change in accounting principle.....	169	146
Cumulative effect of change in accounting principle:		
Accounting for postemployment benefits, net of income taxes.....	--	(245)
Net income (loss).....	\$ 169	\$ (99)
Earnings (loss) per share of common stock:		
(Note 3)		
Before cumulative effect of change in accounting principle.....	\$.60	\$.51
Cumulative effect of change in accounting principle.....	--	(.86)
Net earnings (loss).....	\$.60	\$ (.35)
Cash dividends per share of common stock.....	\$.145	\$.145

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

AlliedSignal Inc.
Consolidated Statement of Cash Flows
(Unaudited)

	Three Months Ended March 31	
	1994	1993 (a)
	(Dollars in Millions)	
Cash flows from operating activities:		
Net income (loss).....	\$169	\$ (99)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Cumulative effect of change in accounting for:		
Postemployment benefits.....	--	245
Streamlining and restructuring.....	(44)	(55)
Depreciation and amortization (includes goodwill).....	135	135
Undistributed earnings of equity affiliates.....	(7)	(8)
Deferred taxes.....	35	21
(Increase) in accounts and notes receivable.....	(105)	(72)
Decrease in inventories.....	1	6
(Increase) in other current assets.....	(1)	(6)
(Decrease) in accounts payable.....	(11)	(119)
(Decrease) in accrued liabilities.....	(50)	(25)
Other.....	(56)	(7)
Net cash flow provided by operating activities.....	66	16
Cash flows from investing activities:		
Expenditures for property, plant and equipment.....	(111)	(119)
Proceeds from disposals of property, plant and equipment.....	7	7
Decrease in other investments.....	--	48
(Increase) in other investments.....	(5)	(9)
Cash paid for acquisitions.....	(22)	(12)
Proceeds from sales of businesses.....	27	--
Decrease (increase) in marketable securities.....	16	(13)
Net cash flow (used for) investing activities.....	(88)	(98)
Cash flows from financing activities:		
Net increase in commercial paper.....	1	100
Net increase in short-term borrowings.....	57	74
Proceeds from issuance of common stock.....	24	57
Proceeds from issuance of long-term debt.....	1	--
Repurchases of long-term debt (including current maturities).....	(79)	(165)
Repurchases of common stock.....	(15)	(72)
Cash dividends on common stock.....	(41)	(41)
Redemption of common share purchase rights.....	(7)	--
Net cash flow (used for) financing activities.....	(59)	(47)
Net (decrease) in cash and cash equivalents.....	(81)	(129)
Cash and cash equivalents at beginning of year.....	892	931
Cash and cash equivalents at end of period.....	\$811	\$ 802

(a) Reclassified for comparative purposes.

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 March 31, 1994 and the results of operations and the changes in cash flows for the three months ended March 31, 1994 and 1993. The results of operations for the three month period ended March 31, 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 numbers have been restated to include both ongoing and cumulative effects of the accounting change.

The financial information as of March 31, 1994 should be read in conjunction with the financial statements contained in the Company's Form 10-K Annual Report for 1993.

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:

	March 31, 1994	December 31, 1993
	-----	-----
Raw materials.....	\$ 494	\$ 504
Work in process.....	657	635
Finished products.....	822	824
Supplies and containers.....	52	51
	-----	-----
	2,025	2,014
Less -- Progress payments.....	(166)	(154)
Reduction to LIFO cost basis.....	(115)	(115)
	-----	-----
	\$1,744	\$1,745
	-----	-----
	-----	-----

Note 3. Based on the weighted average number of shares outstanding during each period, as follows: 1994, 284,456,136 shares; and 1993, 284,185,046 shares. No dilution results from outstanding common stock equivalents. Share and per share data for both periods reflects 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 March 31, 1994, and the consolidated statements of income and of cash flows for the three month periods ended March 31, 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.

Price Waterhouse
4 Headquarters Plaza North
Morristown, NJ 07962

April 21, 1994

Results of Operations

First Quarter 1994 Compared with First Quarter 1993

Net sales in the first quarter of 1994 totaled \$3.0 billion, an increase of \$85 million, or 3 percent, compared with the first quarter of last year. Of this increase, \$152 million was due to higher volumes. Partly offsetting was a decrease in prices of \$27 million and a decrease reflecting the impact of a stronger U.S. dollar which resulted in lower sales, as expressed in U.S. dollars, in Europe of \$40 million for automotive. Sales for engineered materials and automotive increased by \$64 and \$29 million, respectively, while sales for aerospace declined by \$8 million. Engineered materials' sales improved because of higher sales volumes of nylon carpet fibers, industrial fibers, CFC substitutes, amorphous metals, circuit board laminates and engineered plastics. Automotive's sales increased, despite the impact of the strong dollar and sluggish economic conditions in Europe, due to higher volumes for safety restraints (mainly air bags), turbochargers in both North America and Europe and North American brakes. Competitive pricing pressures in this year's first quarter and heavy promotional sales in last year's first quarter resulted in an unfavorable sales comparison for aftermarket products. Although sales of heavy truck brake systems in North America were strong, 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. The aerospace decrease is mainly due to continued cutbacks in military spending and lower sales to commercial airlines reflecting poor economic conditions. Aerospace sales in the first quarter of 1994 include a \$68 million contract settlement with the U.S. Air Force. Sales from commercial avionics and landing systems were higher, in part reflecting the contributions of recently acquired businesses. The engines business experienced lower sales.

Income from operations of \$270 million was favorable by \$37 million, or 16 percent, compared with last year's first quarter. Automotive's operating income improved by 20 percent, engineered materials by 10 percent and aerospace by 10 percent. Operating expense for corporate decreased by 8 percent. The Company's operating margin for the first quarter of 1994 was 9.0 percent compared with 8.0 percent for the same period 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 quarter.

Equity in income of affiliated companies of \$30 million was favorable by \$5 million, or 20 percent, compared to last year mainly due to increased profits from Paxon, the high-density polyethylene joint venture.

Other income (expense) of \$(13) million was unfavorable by \$4 million compared to last year's first quarter mainly due to a higher amount for minority interest reflecting a joint venturing with Knorr-Bremse in the United States.

Interest and other financial charges of \$37 million decreased \$8 million, or 18 percent, from 1993's first quarter reflecting a lower level and a more favorable mix of debt outstanding.

The effective tax rate in the first quarter of 1994 was 32.4 percent. The 1993 rate was 28.4 percent. The 4.0 percentage point increase reflects a higher level of earnings subject to the statutory rate and the additional non-deductibility of items and a higher rate resulting from the 1993 tax act.

Income before the cumulative effect of change in accounting principle of \$169 million, or \$.60 a share, was favorable to last year's \$146 million, or \$.51 a share. Earnings for aerospace increased 11 percent primarily due to cost savings from business consolidations, materials management and other productivity programs. Income from commercial avionics and landing systems was higher. Productivity improvements in the engines business contributed to significantly higher net income, while continued contraction of military spending and poor economic conditions among many of the Company's commercial airline customers resulted in lower earnings for most other aerospace businesses. The contract settlement with the Air Force had an insignificant impact on the quarter's net income. Automotive's income increased 17 percent reflecting productivity improvements throughout the business coupled with strong passenger car and light truck sales in North America, which more than offset the effects of Europe's continued weak economic conditions. Higher sales for safety restraints and turbochargers also contributed to the earnings increase. Income for North American Braking Systems was slightly lower due to the higher costs associated with new product launches. Income for aftermarket products was down due to lower sales. Earnings for engineered materials improved 15 percent reflecting higher sales volumes, manufacturing efficiencies, slightly lower raw material costs, and substantially higher profit contributions from the UOP process technology and Paxon high-density polyethylene joint ventures.

Net income of \$169 million, or \$.60 a share, was favorable compared to last year's loss of \$99 million, or \$.35 a share. The first quarter 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

March 31, 1994 Compared with December 31, 1993

On March 31, 1994, the Company had \$811 million in cash and cash equivalents, compared with \$892 million at year-end 1993. The \$81 million decrease primarily reflects funding of working capital requirements. The current ratio at March 31, 1994 was 1.3X, the same as at year-end 1993.

On March 31, 1994, the Company's long-term debt amounted to \$1,552 million, down \$50 million from year-end 1993. Total debt of \$1,945 million on March 31, 1994

was down from \$1,960 million at year-end, mainly reflecting a net decrease in borrowings outstanding. The Company's total debt as a percent of capital decreased from 42.7 percent at year-end to 41.1 percent at March 31, 1994.

During the first three months of 1994, the Company spent \$111 million for capital expenditures, compared with \$119 million in the corresponding period in 1993. Spending by the business segments and corporate for the 1994 three month period was as follows: aerospace \$30 million; automotive \$34 million; engineered materials \$46 million; and corporate \$1 million.

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 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareowners of the Company held on April 25, 1994, the following matters set forth in the Company's Proxy Statement dated March 10, 1994, which was filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, were voted upon with the results indicated below. Since the Annual Meeting record date preceded the distribution of shares pursuant to the March 1994 two-for-one stock split, the votes were calculated and are reported on a pre-split basis.

(1) The nominees listed below were elected directors for a three-year term ending in 1997 with the respective votes set forth opposite their names:

	FOR -----	WITHHELD -----
Lawrence A. Bossidy.....	114,827,989	2,103,560
Ann M. Fudge.....	114,763,236	2,168,313
Paul X. Kelley.....	114,713,937	2,217,612
Robert C. Winters.....	114,789,364	2,142,185

The nominees listed below were elected directors for a one-year term ending in 1995 with the respective votes set forth opposite their names:

	FOR -----	WITHHELD -----
William R. Haselton.....	114,698,477	2,233,072
Delbert C. Staley.....	114,788,472	2,143,077

(2) A proposal seeking approval of amendments to the 1993 Stock Plan for Employees of AlliedSignal Inc. and its Affiliates was approved, with 97,165,208 votes cast FOR, 18,321,160 votes cast AGAINST and 1,445,181 abstentions;

(3) A proposal seeking approval of amendments to the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees was approved, with 95,727,450 votes cast FOR, 19,722,889 votes cast AGAINST and 1,481,210 abstentions;

(4) A proposal seeking approval of amendments to the Restricted Stock Plan for Non-Employee Directors of AlliedSignal Inc. was approved, with 106,052,342 votes cast FOR, 8,847,249 votes cast AGAINST and 2,031,958 abstentions;

(5) A proposal seeking approval of the appointment of Price Waterhouse as independent accountants for 1994 was approved, with 114,266,585 votes cast FOR, 1,643,427 votes cast AGAINST and 1,021,537 abstentions;

(6) A shareowner proposal recommending that steps be taken to limit the tenure of outside directors to six years was not approved, with 8,755,960 votes cast FOR, 93,253,344 votes cast AGAINST, 2,579,771 abstentions and 12,342,474 broker non-votes; and

(7) A shareowner proposal recommending that no senior executive officer or director receive combined salary and other compensation which is more than twice the salary provided to the President of the United States was not approved, with 8,710,128 votes cast FOR, 93,038,130 votes cast AGAINST, 2,840,817 abstentions and 12,342,474 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

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

- 10.1 AlliedSignal Inc. Severance Plan for Senior Executives, as amended
- 10.2 Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates
- 15 Independent Accountants' Acknowledgment Letter as to the incorporation of their report relating to unaudited interim financial statements

(b) Reports on Form 8-K. The following Reports on Form 8-K were filed by the Company during the quarter ended March 31, 1994:

1. A Report dated February 8, 1994 reported the declaration of a two-for-one split of the Company's common stock and the redemption of Common Share Purchase Rights accompanying the Company's common stock.

2. A Report dated March 30, 1994 reported that the Company and BASF Corporation ended their talks to create a joint venture of their textile and carpet fibers businesses.

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: May 6, 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	AlliedSignal Inc. Severance Plan for Senior Executives, as amended
10.2	Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates
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)

AlliedSignal Inc. Severance Plan
For Senior Executives

Restated
as of
1/1/94

PART I
GENERAL PROVISIONS

ARTICLE I -- PURPOSE AND AUTHORITIES

- 1.01 The purpose of this Plan is to provide for the payment of severance related benefits to selected employees of AlliedSignal Inc. and its subsidiaries in the event of an involuntary Termination.
- 1.02 This Plan is comprised of Part I -- general provisions relating to the operation of the Plan and Part II -- special provisions which become effective only upon Change in Control.
- 1.03 As set forth herein, this Plan constitutes an amendment and restatement as of January 1, 1994, of the Severance Plan for Senior Executives established by Allied Corporation on March 31, 1983 and amended and restated by AlliedSignal Inc. as of April 25, 1988, January 1, 1990 and April 29, 1991.
- 1.04 This Plan was established and has been amended and restated by Allied Corporation and its successor AlliedSignal Inc. by authority of the respective Boards of Directors as set forth in resolutions dated March 31, 1983, April 25, 1988, December 15, 1989, April 29, 1991 and February 4, 1994.
- 1.05 This Plan is intended to be an unfunded plan for a select group of management and highly compensated employees.
- 1.06 Interpretation of this Plan and the effect of its provisions shall be governed by the laws of the State of New Jersey.
- 1.07 If any provision of this Plan is held illegal or invalid for any reason, the other provisions of this Plan shall not be affected.

ARTICLE II -- DEFINITIONS

- 2.01 AlliedSignal -- means AlliedSignal Inc., a Delaware corporation and its subsidiaries.
- 2.02 Annual Base Salary -- means an amount equal to the product of Base Salary and twelve.

- 2.03 Annual Incentive Compensation -- Except as provided in Section 8.01, means
(A) For employees who either become Participants after April 29, 1991 or who are Participants as of April 29, 1991, are not in pay status and elect prior to June 30, 1991 to have Annual Incentive Compensation calculated based on the following formula, the product of (a) times (b) where (a) is the target percentage which would be utilized in determining the Incentive Award for the Participant in the calendar year in which Participant's Involuntary Termination occurs and (b) is Annual Base Salary.
- 2.04 Base Salary -- means the monthly base salary payable to a Participant at the highest rate in effect during any of the thirty-six months preceding Involuntary Termination.
- 2.05 Board of Directors means the Board of Directors of AlliedSignal.
- 2.06 Career Band -- means the salary and position classification adopted by AlliedSignal for use after January 1, 1994.
- 2.07 Change in Control -- is deemed to occur at the time (i) when any entity, person or group (other than AlliedSignal, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of AlliedSignal or its subsidiaries) which theretofore beneficially owned less than 30% of the Common Stock then outstanding acquires shares of Common Stock in a transaction or series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than an offer by AlliedSignal) for all, or any part of, the Common Stock, (iii) of a merger in which AlliedSignal will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of AlliedSignal's assets, (iv) of a substantial change in the composition of the Board of Directors during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of AlliedSignal, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Management Development and Compensation Committee of the Board of Directors, in its discretion, determines to be a change in control for purposes of this Plan.
- 2.08 Code -- means the Internal Revenue Code of 1986, as amended from time to time.
- 2.09 Common Stock -- means the Common Stock of AlliedSignal or such other stock into which the Common Stock may be changed as a result of split-ups, recapitalizations, reclassifications and the like.

- 2.10 Determination Year -- means a calendar year within which performance is measured for purposes of determining the amount of Incentive Awards payable for that year.
- 2.11 Effective Date -- means March 31, 1983.
- 2.12 Gross Cause -- Except as provided in Section 8.02, means conduct by a Participant which is fraud, misappropriation of AlliedSignal property or intentional misconduct damaging to such property or business of AlliedSignal, or the commission of a crime.
- 2.13 Incentive Award -- means an Incentive Compensation Award or any other annual incentive award determined under the Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Affiliates and any predecessor or successor plan but shall not include any Performance Improvement Award or any other long-term incentive award under any such plan.
- 2.14 Involuntary Termination -- Except as provided in Section 8.04, means severance of the employment relationship at AlliedSignal's initiative for reasons other than death or Gross Cause. Notwithstanding the preceding sentence, in the event of a sale or transfer of a facility or line of business that causes a severance of the employment relationship with AlliedSignal, an Involuntary Termination shall be deemed to have occurred only if the Participant is not offered substantially comparable employment with the new employer, all as determined by the Named Fiduciary, in his or her sole discretion.
- 2.15 Named Fiduciary -- means the person defined in Sections 5.01 and 11.01.
- 2.16 (a) Participant -- means an Existing Participant, an Officer Participant or a New Participant.
(b) Existing Participant -- Except as further defined in Section 3.01, means an individual who, on July 1, 1993, was an employee of AlliedSignal in Salary Grade 20 or above or an employee of any other Plan Sponsor who had adopted the Plan with respect to the employee and the employee was on that date in a position comparable to a position with AlliedSignal of Salary Grade 20 or above.
(c) Officer Participant -- Except as further defined in Section 3.01, means an individual (other than an Existing Participant) who is an officer of AlliedSignal as determined by the Named Fiduciary in his or her sole discretion.
(d) New Participant -- Except as further defined in Section 3.01, means an individual (other than an Existing Participant) who is employed by AlliedSignal in a position evaluated in Career Band 6 or above or employed by another Plan Sponsor who has adopted the Plan with respect to the employee in a position comparable to a position with AlliedSignal of Career Band 6 or above, all as determined by the Named Fiduciary in his or her sole discretion.

- 2.17 Plan -- means the AlliedSignal Inc. Severance Plan for Senior Executives.
- 2.18 Plan Administrator -- means AlliedSignal or such other entity or person as AlliedSignal may designate to administer the terms and conditions of the Plan.
- 2.19 Plan Sponsor -- means AlliedSignal, any successor to or affiliate of AlliedSignal (or a principal subsidiary) including, but only following Change in Control, any other person, organization or entity that agrees in writing to be a Plan Sponsor for a period of time which extends at least throughout the two-year period following Change in Control.
- 2.20 Pro Rata Factor -- means, (i) for the Determination Year in which Involuntary Termination occurs, a fraction the numerator of which is equal to the number of calendar months which have elapsed from the first day of the calendar month following Involuntary Termination through December 31st of the Determination Year and the denominator of which is twelve, and (ii) for any subsequent Determination Year shall mean a fraction, the numerator of which is equal to the Severance Pay Factor, reduced by the number of calendar months which have elapsed from the first day of the calendar month following Involuntary Termination through December 31st of the year preceding the Determination Year and the denominator of which is twelve. Provided, however, that the Pro Rata Factor shall never be greater than 1.0.
- 2.21 Salary Grade -- means the salary and position classification used by AlliedSignal prior to January 1, 1994 or any comparable salary and position classification used by any other Plan Sponsor.
- 2.22 Severance Pay Factor -- means, with respect to any Participant, the relevant factor specified in Section 4.02.
- 2.23 Severance Period -- means the period, commencing on the first day of the first month following Involuntary termination, which is comprised of the number of consecutive months equal to the lesser of (i) the Severance Pay Factor or (ii) the number of months occurring before the first day of the month following the Participant's attainment of age 65 or, if later, eligibility to receive an unreduced retirement benefit under a plan or program maintained by a Plan Sponsor.

ARTICLE III -- PARTICIPATION

- 3.01 An employee of a Plan Sponsor who is at any time a Participant shall continue to be a Participant in the Plan until the employment relationship with the Plan Sponsor is severed for reasons other than an Involuntary Termination, or if earlier in time, the employee ceases to be employed in a position

equivalent to Career Band 6 or above. Provided, however, that any employee who ceases to be employed in a position equivalent to Career Band 6 or above on or after Change in Control shall nevertheless continue to be a Participant in the Plan.

- 3.02 A Participant in the Plan who is at any time the subject of an Involuntary Termination and, therefore, entitled to benefits under Article IV shall continue to be a Participant until all of the benefits for which he or she is entitled under Article IV, as of the date of his or her Involuntary Termination, have been paid.

ARTICLE IV -- BENEFITS

- 4.01 Eligibility for Pay, Benefit and Pension Service Continuation -- A Participant who is the subject of an Involuntary Termination shall receive the benefits described in this Article IV.

- 4.02 Pay, Benefit and Pension Service Continuation for Existing Participants

(A) Pay Continuation

(i) An Existing Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by the relevant Severance Pay Factor determined as follows:

SALARY GRADE AS OF JULY 1, 1993 -----	SEVERANCE PAY FACTOR -----
20 and 21	18
22 and 23	24
24 and above	36

provided, however, that the Severance Pay Factor of an Existing Participant, whose Salary Grade is reduced after a Change in Control, shall not be reduced.

- (ii) An Officer Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by a Severance Pay Factor of 18.
- (iii) A New Participant shall receive a benefit in an amount equal to his or her Base Salary multiplied by a Severance pay factor of 12.
- (B) Annual Incentive Compensation -- An Existing Participant or an Officer Participant shall receive a benefit in an amount equal to Annual Incentive Compensation multiplied by the relevant Pro Rata Factor. The Pro Rata Factor shall be determined for the calendar year in which Involuntary Termination occurs and each

calendar year thereafter through the end of the calendar year in which the Severance Period ends.

- (C) Benefit Continuation -- For the Severance Period, the Plan Sponsor will continue the Participant's employee benefits, including, without limitation, continuation of the Participant's savings plan participation (to the extent permissible under Section 401(a) of the Code) and basic and contributory life and medical insurance (including qualified dependents), at the active employee coverage level and prevailing employee contribution rate, if any, provided, however, (i) that such level of continued benefits shall not exceed the level of benefits in effect on the date of the Participant's Involuntary Termination, (ii) that such continuation of benefits will cease on the date similar benefits are provided the Participant by a subsequent employer, (iii) executive perquisites, such as automobiles or memberships, will be governed by the terms of the particular program, and (iv) that no employee benefit shall be continued for a longer period of time than that provided by the terms of the controlling employee benefit plan applicable to the Participant on the date of the Participant's Involuntary Termination.
- (D) Pension Service Continuation -- Except as otherwise provided by an applicable pension plan, and, subject to the requirements for qualification of Section 401(a) of the Code, only the first twelve (12) months of the Severance Period, Pay Continuation and Annual Incentive Compensation will be recognized for purposes of the vesting and pension calculation provisions of the AlliedSignal Retirement Program or any other plan sponsored by a Plan Sponsor and in which the Participant participates. The normal policy for qualifying leaves remains applicable thereafter.

4.03 Benefit Limitations

- (A) Except as provided in paragraph (B) of this Section 4.03, any benefit determined to be payable to a Participant under any other severance plan sponsored or funded by a Plan Sponsor shall be reduced by the amount of any similar benefit payable to the Participant under the Plan (excluding any benefit payable under Section 9.01) regardless of whether the benefit determined under the Plan is payable at an earlier or a later date than payments under such other severance plan.

- (B) Any benefit determined to be payable under the Plan, except any benefit payable under Section 9.01, to a Participant who was not eligible to participate in this Plan prior to April 25, 1988 will be reduced to the extent of any duplication of benefits between the Plan and any benefits that may be payable to the Participant under arrangements existing prior to April 25, 1988.

- 4.04 Benefit Payments -- Except as provided in Sections 10.01 and 10.02, the benefit described in Section 4.02(A) shall be paid in equal monthly installments during the Severance Period, and the benefit described in Section 4.02(B) shall be paid annually

as soon after the end of the Determination Year as is practical. No benefit shall be payable under Section 4.02(B) for any Determination Year with respect to which the Pro Rata Factor is less than or equal to zero.

- 4.05 Forfeiture of Benefits -- Notwithstanding anything to the contrary in the Plan and except as provided in Section 10.03, a Participant receiving benefits or entitled to receive benefits under the Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, as determined by the Named Fiduciary, (i) is convicted of a felony, (ii) commits any fraud or misappropriates property, proprietary information, intellectual property or trade secrets of AlliedSignal or any successor thereto for personal gain or for the benefit of another party, (iii) actively recruits and offers employment to any management employee of AlliedSignal or any successor thereto, or (iv) engages in intentional misconduct substantially damaging to the property or business of AlliedSignal or any successor thereto.
- 4.06 Payment of Benefits Upon Incompetence or Death -- In the event the Named Fiduciary is presented with evidence satisfactory to it that a Participant receiving benefits or entitled to receive benefits is adjudged to be legally incompetent, the remainder of such Participant's unpaid benefits shall be paid to the Participant's conservator, legal representative or any other person deemed by the Named Fiduciary to have assumed responsibility for the maintenance of such person receiving or entitled to receive benefits. In the event a Participant receiving benefits or entitled to receive benefits dies, the remainder of such Participant's unpaid benefits shall be paid to the Participant's designated beneficiary. A Participant may designate a beneficiary in the form and manner prescribed by the Named Fiduciary. Any designation of a beneficiary may be revoked by filing a later designation or revocation. In the absence of an effective designation of a beneficiary by a Participant or upon the death of all beneficiaries on or before a Participant's death, the remainder of the Participant's unpaid benefits shall be paid to the Participant's spouse or, if none, to the Participant's estate. Any payment made pursuant to this Section 4.06 shall be a discharge of any liability under the Plan therefor.

ARTICLE V -- ADMINISTRATION

- 5.01 Authorities. Except as provided in Section 11.01, the Plan shall be administered by AlliedSignal acting through a Named Fiduciary who shall have the powers and authorities as described in this Section. The Named Fiduciary shall be the Senior Vice President-Human Resources, or such other person as the Board of Directors may appoint, and he shall have full discretionary authority to manage and control the operation and administration of the Plan, including the power to interpret provisions of the Plan, promulgate regulations, determine benefit eligibility, delegate his powers and duties hereunder and take such other action as may be necessary to implement the provisions of the Plan.

The Named Fiduciary may retain attorneys, consultants, accountants or other persons (who may be employees of AlliedSignal) to render advice and assistance and may delegate any of the authorities conferred on him under this Plan to such persons as he shall determine to be necessary to effect the discharge of his duties hereunder. The Named Fiduciary, AlliedSignal and its officers and directors shall be entitled to rely upon the advice, opinions and determinations of any such persons. Any exercise of the authorities set forth in this Section, whether by the Named Fiduciary or his delegee, shall be final and binding upon AlliedSignal and the Participants.

5.02 Benefit Claims. Except as provided in Sections 11.03, 11.04 and 11.05, all claims for benefit payments under the Plan shall be submitted in writing by Participants to the person designated by the Named Fiduciary to make determinations as to eligibility for benefits under the Plan and such person shall notify the Participant in writing within 60 days after receipt as to whether the claim has been granted or denied. In the event the claim is denied, such notice shall (i) set forth the specific reason or reasons for denial, (ii) make reference to the pertinent Plan provisions on which the denial is based, (iii) describe any additional material or information necessary before the Participant's request may be acted upon favorably, and (iv) explain the procedure for appealing the adverse determination.

5.03 Benefit Appeals. Except as provided in Sections 11.04, 11.05 and 11.06, a Participant whose claim for benefits has been denied may, within 60 days of receipt of any adverse benefit determination, appeal such denial to the Named Fiduciary. All appeals shall be in the form of a written statement and shall (i) set forth all of the reasons in support of favorable action on the appeal, (ii) identify those provisions of the Plan upon which the claimant is relying, and (iii) include copies of any other documents or other materials which may support favorable consideration of the claim. The Named Fiduciary shall decide the issues presented within 60 days after receipt of such request, but this period may be extended for up to an additional 60 days in unusual cases provided that written notice of the extension is furnished to the claimant prior to the commencement of the extension. The decision of the Named Fiduciary shall be set forth in writing, include specific reasons for the decision, refer to pertinent Plan provisions on which the decision is based, and shall be binding on all persons affected thereby.

ARTICLE VI -- PLAN AMENDMENTS

6.01 AlliedSignal reserves the right to amend the Plan from time to time subject only to the limitations set forth in this Section. No amendment shall have the effect of reducing a benefit that would otherwise be payable to an employee who is a Participant on the date any such amendment is made.

PART II
SPECIAL PROVISIONS
WHICH BECOME EFFECTIVE ONLY UPON CHANGE IN CONTROL

ARTICLE VII -- CHANGE IN CONTROL

- 7.01 The provisions of this Part II become effective upon Change in Control and, in addition to the provisions of Part I that are not superseded by provisions of this Part II, shall control (i) the determination of eligibility for, the amount of, and the time of payment of benefits under the Plan to any Existing Participant or Officer Participant who is the subject of an Involuntary Termination which occurs within the two year period following the Change in Control, (ii) the terms of payment for any Existing Participant or Officer Participant whose Severance Period extends beyond the Change in Control and (iii) the determination of eligibility for, the amount of, and the time of payment of benefits under Article IX of the Plan to any Existing Participant or Officer Participant.
- 7.02 Without derogation to the effect the provisions of this Part may have on the determination of any Participant's eligibility for benefits under the Plan or the amount of such benefits, it is intended that this Part will assure that the purposes of this Plan, as they may affect Existing Participants and Officer Participants will not be adversely affected by the unique circumstances which may exist following Change in Control. The provisions of this Part will have no effect whatsoever prior to a Change in Control.

ARTICLE VIII -- DEFINITIONS

- 8.01 Annual Incentive Compensation -- Notwithstanding the provisions of Section 2.03, means the product of Annual Base Salary and the greater of (i) the target percentage utilized in determining Incentive Awards as in effect for employees within the same Salary Grade as the Participant for the Determination Year preceding Change in Control or (ii) the average of the percentages applied in determining the Participant's Incentive Award in the last three Determination Years prior to the date of Involuntary Termination (or such lesser period as the Participant may have been employed).
- 8.02 Gross Cause -- Notwithstanding the provisions of Section 2.11, means any act or acts constituting a felony committed against a Plan Sponsor, its property or business.
- 8.03 Good Reason -- means any one or more of the following:
(A) A material change in the Participant's duties and responsibilities as they existed in the period immediately preceding Change in Control.

- (B) Any significant reduction in Base Salary or Annual Incentive Compensation.
- (C) Any significant reduction in benefit coverages available to the Participant under AlliedSignal's medical benefit plans for active employees or comparable medical benefit plans of any other Plan Sponsor or any significant increase in premiums to be paid by the Participant for such benefits.
- (D) Any reduction in the economic value of awards granted under AlliedSignal's long term incentive plan or comparable long-term incentive plan of any other Plan Sponsor in which the Participant participates.
- (E) Any significant reduction in the rate of AlliedSignal's contribution to its savings plan or of any other Plan Sponsor's contribution to a savings plan comparable to AlliedSignal's savings plans or any significant reduction in the rate of benefit accrual under the Allied Corporation Salaried Employees' Pension Plan or any other comparable pension plan sponsored by a Plan Sponsor in which the Participant participates.
- (F) Any significant reduction in the benefit coverages available to the Participant under the Long Term Disability Plan of AlliedSignal or any comparable long term disability plan of any other Plan Sponsor or any significant increase in premiums to be paid by the Participant for such benefits.
- (G) Any significant reduction in the life insurance benefits available to the Participant including any change affecting AlliedSignal's Executive Life Insurance Program or comparable program of any other Plan Sponsor, or any significant increase in premiums to be paid by the Participant for such benefits.
- (H) Any geographic relocation of the Participant's position to a new location which is more than seventy-five (75) miles from the location of the Participant's position immediately prior to a Change in Control.
- (I) Any action by a Plan Sponsor that under applicable law constitutes constructive discharge.

(J) Any failure to pay the benefit determined under Section 9.02 within the time required under Sections 10.01 or 10.02.

For purposes of this section the term 'significant reduction' shall mean a reduction or series of reductions with respect to the same form of benefit or remuneration which are greater than 10% or which do not affect all persons covered by the plan or program in question. For purposes of this section the term 'significant increase' shall mean an increase or a series of increases in the Participant's percentage of total premiums for a benefit which are greater than 10% or which do not affect all persons covered by the plan or program in question.

- 8.04 Involuntary Termination -- Notwithstanding the provisions of Section 2.13, means severance of the employment relationship (i) at the initiative of the Participant for Good Reason or (ii) at a Plan Sponsor's initiative for reasons other than death or Gross Cause. Notwithstanding the preceding sentence, in the event of a sale or transfer of a facility or line of business that causes a severance of the employment relationship, an Involuntary Termination shall be deemed to have occurred only if the new employer has not agreed in writing to be a Plan Sponsor with respect to the Participant or the Participant is not employed by the new employer.
- 8.05 Participant -- For purposes of this Part II, means an Existing Participant or an Officer Participant.

ARTICLE IX -- ENHANCEMENT BENEFIT

- 9.01 If, following Change in Control, any payment to a Participant from a Plan Sponsor or from any benefit or compensation plan or program sponsored or funded by a Plan Sponsor is determined to be an 'excess parachute payment' pursuant to Section 280G or any successor or substitute provision of the Code, with the effect that either the Participant is liable for the payment of the tax described in Section 4999 or any successor or substitute provision of the Code (hereafter the 'Section 4999 tax') or the Plan Sponsor has withheld the amount of the Section 4999 tax, an additional benefit (hereafter the 'Enhancement Benefit') shall be paid from this Plan to such affected Participant.
- 9.02 The Enhancement Benefit payable shall be an amount, which when added to all payments constituting 'parachute payments' for purposes of Section 280G or any successor or substitute provision of the Code, is sufficient to cause the remainder of (i) the sum of the 'parachute payments', including any Enhancement Benefit, less (ii) the amount of all state, local and federal income taxes and the Section 4999 tax attributable to such payments and penalties and interest on any amount of Section 4999 tax, other than penalties and interest on any amount of Section 4999 tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant's federal income tax return on which such Section 4999 tax should have been paid, to be equal to the remainder of (iii) sum of the 'parachute

payments', excluding any Enhancement Benefit, less (iv) the amount of all state, local and federal income taxes attributable to such payments determined as though the Section 4999 tax and penalties and interest on any amount of Section 4999 tax, other than penalties and interest on any amount of Section 4999 tax with respect to which an Enhancement Benefit was paid to the Participant on or before the due date of the Participant's federal income tax return on which such Section 4999 tax should have been paid, did not apply.

ARTICLE X -- BENEFIT PAYMENTS AND FORFEITURES

- 10.01 Benefit Payments -- Notwithstanding the provisions of Section 4.04, benefits which are determined to be payable to a Participant under Sections 4.02(A) and 4.02(B) on or after a Change in Control shall be paid within thirty days following the later of the Change in Control or the Involuntary Termination, in a single payment equal to the sum of (i) the total amount of the benefit remaining payable under Section 4.02(A) and (ii) the amount of the benefit remaining payable under Section 4.02(B) for all Determination Years which are coextensive, in whole or part, with the Severance Period. Benefits which are determined to be payable to a Participant under Section 9.01 shall be paid within thirty days following the later of a Change in Control or the date the 'parachute payments' referred to in Section 9.01 are made in a single payment equal to the amount of the benefit determined under Section 9.02. If any benefit is paid later than the time provided in this Section 10.01, such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the new Named Fiduciary, plus six percentage points.
- 10.02 Subsequent Benefit Payments -- Notwithstanding the provisions of Section 4.04, in the event the Internal Revenue Service assesses a Section 4999 tax due which is in excess of the amount determined by the Plan Sponsor under Section 9.02, a Participant shall be paid within thirty days following the date the Participant gives notice to the new Named Fiduciary of proof of payment of the Section 4999 tax in a single payment equal to the amount of the additional benefit determined under Section 9.02, based upon the amount of the Section 4999 tax paid in excess of any Section 4999 tax with respect to which any Enhancement Benefit was previously paid. If any benefit is paid later than the time provided in this Section 10.02, such late payment shall be credited with interest for the period from the date payment should have been made to the date actually made at a rate equal to the average quoted rate for three-month U.S. Treasury Bills for the week preceding the date of payment, as determined by the new Named Fiduciary, plus six percentage points.
- 10.03 Forfeiture of Benefits -- Notwithstanding the provisions of Section 4.05, a Participant receiving benefits or entitled to receive benefits under the Plan shall cease to receive such benefits under the Plan and the right to receive any benefits in the future under the Plan shall be forfeited, in the event the Participant, as determined by the new

Named Fiduciary, (i) is convicted of a felony committed against a Plan Sponsor, its property or business, (ii) commits any fraud or misappropriates property, proprietary information, intellectual property or trade secrets of AlliedSignal or any successor thereto for personal gain or for the benefit of another party, or (iii) actively recruits and offers employment to any management employee of AlliedSignal or any successor thereto.

ARTICLE XI -- ADMINISTRATION

- 11.01 New Named Fiduciary -- On or before a Change in Control, AlliedSignal, its successors, or persons operating under its control or on its behalf (hereafter the 'Corporation') shall appoint a person independent of the Corporation and any Plan Sponsor to be the new Named Fiduciary upon the occurrence of a Change in Control and the Senior Vice President -- Human Resources shall immediately provide to the new Named Fiduciary such information with respect to each Participant in the Plan as shall be necessary to enable the new Named Fiduciary to determine the amount of any benefit which is then or may thereafter become payable to such Participants.
- 11.02 Authority -- Upon the occurrence of a Change in Control the new Named Fiduciary shall have exclusive authority to make initial determinations of eligibility for benefits under the Plan, subject to the requirements of Section 11.06. The new Named Fiduciary may, in reviewing any recommendation for benefit eligibility pursuant to this Article, rely on representations made by the Corporation or a Plan Sponsor pursuant to Section 11.03. However, in the event that none of the recommendations are agreed to by the Participant, the new Named Fiduciary shall refer the disputed claim for benefits under this Plan for resolution as provided in Section 11.06. Any recommendation by the new Named Fiduciary under this Article, any determination by the new Named Fiduciary as to the eligibility for or the amount of benefits which are not in dispute and any judicial determination pursuant to Section 11.06 shall be final and binding on the Corporation and the Plan Sponsor. The Corporation and the responsible Plan Sponsor shall make payments to Participants as directed by the new Named Fiduciary or pursuant to judicial determination pursuant to Section 11.06.
- 11.03 Corporate or Plan Sponsor Recommendations -- Upon the occurrence of a Change in Control, the Corporation and any Plan Sponsor may make recommendations to the new Named Fiduciary with respect to benefit determinations for affected Participants under the Plan and the new Named Fiduciary shall immediately forward any such recommendation to the affected Participant. If the recommendation is agreed to in writing by the Participant, the new Named Fiduciary shall advise the Corporation and any responsible Plan Sponsor, and the Corporation or Plan Sponsor, whichever is responsible, shall immediately make payment.
- 11.04 Independent Recommendations -- In the case of a recommendation which is not agreed to by the affected Participant, the new Named Fiduciary shall immediately review the recommendation of the Corporation or responsible Plan Sponsor and within 15 days of

notice of the dispute from the Participant, determine whether it is in accordance with the terms of the Plan and notify the Corporation or responsible Plan Sponsor and the Participant of its findings. If the new Named Fiduciary determines that the recommendation is not in accordance with the terms of the Plan and that an adjustment is necessary and the Participant agrees in writing to such adjustment, the new named Fiduciary shall advise the Corporation or responsible Plan Sponsor, and the Corporation or responsible Plan Sponsor shall immediately make payment. Any such adjustment determined by the new Named Fiduciary, whether agreed to by the Participant or not, shall be final and binding upon the Corporation or responsible Plan Sponsor and may not be challenged by either of them.

- 11.05 Direct Application -- Upon notice to the new Named Fiduciary by an affected Participant, as to whom the Corporation or responsible Plan Sponsor has made no recommendation, that an Involuntary Termination has occurred, the Corporation or responsible Plan Sponsor shall be notified by the new Named Fiduciary and given 15 days from the date the Participant gave notice to the new Named Fiduciary within which to make a recommendation as to benefit determination. The new Named Fiduciary shall also make its own independent determination as to the benefit payable under the terms of the Plan. Within 21 days of receipt of the notice from the affected Participant the new Named Fiduciary shall transmit to the Participant its own recommendation and that of the Corporation or responsible Plan Sponsor if such is available. If either recommendation is accepted in writing by the affected Participant the new Named Fiduciary shall advise the Corporation or responsible Plan Sponsor, and the Corporation or responsible Plan Sponsor shall immediately make payment. Any recommendation by the new Named Fiduciary shall be final and binding upon the Corporation or responsible Plan Sponsor and may not be challenged by either of them.
- 11.06 Disputed Recommendations -- If an affected Participant does not agree in writing within 30 days of transmittal to accept any of the recommendations made pursuant to Sections 11.03, 11.04 or 11.05 the new Named Fiduciary shall consider the amount in excess of the highest recommendation to be a claim for benefits which is in dispute and shall, with respect to such amount, initiate an action in interpleader pursuant to Rule 22 of the Federal Rules of Civil Procedure or analogous rules, before a court of competent jurisdiction. The new Named Fiduciary shall not assert any claim or take any position in this proceeding based on its interpretation of the terms of the Plan, other than the provisions of this Article XI.
- 11.07 Attorneys Fees and Costs -- If a Participant is paid or is determined to be entitled to receive benefits (i) in excess of any recommendation made by the Corporation or responsible Plan Sponsor pursuant to Sections 11.03 or 11.05, or (ii) in a case where the Corporation or responsible Plan Sponsor have made no recommendation pursuant to Sections 11.03 or 11.05, the new Named Fiduciary shall advise the Corporation or responsible Plan Sponsor, and the Corporation or responsible Plan Sponsor shall immediately pay or reimburse the affected Participant for the full amount of any attorneys' fees and other expenses the affected Participant incurred in pursuing his or

her claim for benefits. The payment or reimbursement shall include the standard hourly rates charged by each such attorney, any and all other expenses related to the action incurred by or on behalf of the affected Participant, the costs and expenses of any experts utilized to prepare the claim and any court costs assessed against the affected Participant.

11.08 Undisputed Benefits -- Prior to the resolution of amounts in dispute under Section 11.06, the Participant shall be paid immediately by the Corporation or responsible Plan Sponsor in accordance with the terms of the Plan, the higher of (i) the amount recommended, if any, by the Corporation or the responsible Plan Sponsor, or (ii) the amount recommended by the new Named Fiduciary.

Appendix
AlliedSignal Inc. Severance Plan
For Senior Executives

APRIL 29, 1991 AMENDMENT

The Plan was amended on April 29, 1991 to add a new Section 2.03 and the following provision ceased to be effective on that date.

2.03 Annual Incentive Compensation -- Except as provided in Section 8.01, means the product of (a) times (b) where (a) is the lesser of 1) the average of the percentages applied in determining Incentive Awards, with respect to the Determination Year, for employees within the same Salary Grade as the Participant, or if none, for employees in positions similar to the position of the Participant or, 2) the average of the percentages applied in determining the Participant's Incentive Award in the last three Determination Years prior to the date of Involuntary Termination (or such lesser period as the Participant may have been employed) and (b) is Annual Base Salary.

ELECTION BY PARTICIPANTS

All Participants in the Plan as of April 29, 1991 have elected to have Annual Incentive Compensation determined in accordance with the provisions of Section 2.03(A) of the amended Plan in the event they later became eligible for a benefit under the Plan. Accordingly Section 2.03(B) of the amended Plan as set forth below is no longer applicable to any Participant.

2.03 (B) For all Participants other than those denominated in paragraph (A) of this Section 2.03, the product of (a) times (b) where (a) is the lesser of (i) the average of the percentages applied in determining Incentive awards, with respect to the Determination Year, for employees within the same Salary Grade as the Participant, or if none, for employees in positions similar to the position of the Participant or (ii) the average of the percentages applied in determining the Participant's Incentive award in the last three Determination Years prior to the date of Involuntary Termination (or such lesser period as the Participant may have been employed) and (b) is Annual Base Salary.

Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its
Affiliates (Career Band 6 and above or employees who occupy positions equivalent
thereto)

Effective
1/1/94

1. ELIGIBILITY

Those employees of AlliedSignal Inc. (the 'Corporation') and its affiliates whose positions are evaluated in Career Band 6 and above or who occupy positions equivalent thereto and who are designated by the Management Development and Compensation Committee (the 'Committee'), shall be eligible to participate in this supplemental non-qualified Salary Deferral Plan for Selected Employees of AlliedSignal Inc. and its Affiliates (Career Band 6 and above or employees who occupy positions equivalent thereto) (the 'Plan').

2. PARTICIPATION

An eligible employee may become a participant in the Plan (a 'Participant') by filing a timely written deferral election with the Corporation. Such notice shall direct that a portion of the compensation elements described in paragraph 3(a) and paragraph 3(b) be credited to an unfunded deferred compensation account maintained for the Participant under the Plan (the 'Participant Account' or 'Account'). A Participant's direction shall become effective for the next succeeding pay period or payment date, as appropriate, and shall continue in effect until the employee terminates such direction or is no longer eligible to be a Participant. Any modification of a Participant's direction shall be effective only with respect to compensation payable with respect to pay periods which begin after the date such direction is received by the Corporation or payment dates which occur later in time, and amounts previously credited to the Participant's Account shall not be affected.

3. CONTRIBUTIONS TO PARTICIPANT ACCOUNTS

(a) Base Annual Salary -- A Participant may, prior to the commencement of any pay period, elect to defer an aggregate amount of base annual salary, exclusive of any bonus or any other compensation or allowance paid or payable by the Corporation or its affiliates (the 'Base Annual Salary'). The amount deferred under this paragraph 3(a) shall not be greater than fifty percent (50%) of the Participant's Base Annual Salary for such pay period.

(b) Incentive Awards -- A Participant may, to the extent that the AlliedSignal Inc. Incentive Compensation Plan For

Executive Employees (the 'Incentive Plan') permits deferrals of an incentive award (the 'Incentive Award') payable thereunder, elect to defer an amount not greater than one hundred percent of such Incentive Award. Any amount so deferred shall be deemed to be deferred under this Plan but shall, to the extent the provisions of the Incentive Plan are not inconsistent with this Plan, otherwise be subject to the terms of the Incentive Plan. Any deferral of an Incentive Award shall be made by filing an appropriate written deferral election with the Corporation not later than ninety days prior to the end of the performance period with respect to which the Incentive Award is payable.

(c) Deferral Amounts -- All amounts determined under this paragraph 3 which are the subject of a written deferral election (the 'Deferral Amounts') shall, in accordance with the relevant Participant direction, be credited to a Participant Account maintained under the Plan on the same day the Base Annual Salary or Incentive Award would otherwise have been payable.

4. DEFERRAL REQUIREMENTS

Amounts may be deferred under this Plan for a minimum period of three years. No amount shall be withdrawn from a Participant Account prior to the earlier of: three years following the last day of the calendar year in which the amount is credited to the Participant Account; the date the Participant reaches normal retirement age and is eligible to receive a benefit under a pension plan of the Corporation or one of its affiliates; the date of Participant's death; or the date the Participant ceases to be employed by the Corporation or any of its affiliates.

5. INTEREST EQUIVALENTS

Deferral Amounts shall accrue additional amounts equivalent to interest ('Interest Equivalents'), compounded daily, from the date the Deferral Amount is credited to the Account to the date of distribution. A single rate for calculating Interest Equivalents shall be established by the Committee, in its sole discretion, for all Deferral Amounts credited to Participant Accounts in each calendar year. The rate established by the Committee shall not exceed the greater of (i) 10% or (ii) 200% of the 10-year U.S. Treasury Bond rate at the time of determination. Such Interest Equivalents, once established for a calendar year,

shall remain in effect with respect to Deferral Amounts credited to Participant Accounts during that calendar year until the Deferral Amounts are distributed.

6. PARTICIPANT ACCOUNTS

All amounts credited to a Participant's Account pursuant to paragraphs 3 and 4 shall be unfunded general obligations of the Corporation, and no Participant shall have any claim to or security interest in any asset of the Corporation on account thereof.

7. DISTRIBUTION FROM ACCOUNTS

At the time a Participant makes an election pursuant to paragraph 3, the Participant shall also make an election with respect to the distribution of the Deferral Amounts and Interest Equivalents accrued thereon which are credited to the Participant's Account pursuant to such election. A Participant may elect to receive such distribution in one lump-sum payment or in a number of approximately equal annual payments (provided the payment period may not include more than fifteen such installments). The lump-sum or the first installment shall be paid as soon as practicable during the month of January of the calendar year designated by the Participant. Except as otherwise provided in paragraphs 8 and 9, all installment payments following the initial installment payment shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount in the Account shall have been paid.

8. DISTRIBUTION ON DEATH

If a Participant should die before all amounts credited to the Participant's Account have been distributed, the balance in the Account shall be paid as soon as practical thereafter to the beneficiary designated in writing by the Participant. Payments to a beneficiary pursuant to a designation by a Participant shall be in such form as the Participant shall elect, including periodic payments as described in paragraph 7, but in the absence of any such election, the payment shall be made in one lump sum to the designated beneficiary as soon as practicable following the death of the Participant. Such beneficiary designations shall be effective when received by the Corporation, and shall remain in effect until rescinded or

modified by the Participant by an appropriate written direction. If no beneficiary is properly designated by the Participant or if the designated beneficiary shall have predeceased the Participant, such balance in the Account shall be paid to the estate of the Participant.

9. CHANGE IN CONTROL

(a) Initial Lump Sum Election -- Notwithstanding any election made pursuant to paragraph 7, a Participant may file a written election with the Corporation to have the Deferral Amounts and Interest Equivalents accrued thereon which are credited thereafter to the Participant's Account paid in one lump-sum payment as soon as practicable following a Change in Control, but in no event later than 90 days after such Change in Control.

(b) Revocation of Lump-Sum Election -- A Participant may revoke an election made pursuant to paragraph 9(a) by filing an appropriate written notice with the Corporation. A revocation notice filed pursuant to this paragraph 9(b) shall be effective with respect to Deferral Amounts and Interest Equivalents accrued thereon which are credited thereafter to the Participant's Account.

(c) Limitation on Elections -- Any election made pursuant to paragraphs 9(a) or 9(b) shall not be effective unless filed with the Corporation at least 90 days prior to a Change in Control.

(d) Definition of Change in Control -- For purposes of the Plan, a Change in Control is deemed to occur at the time (i) when any entity, person or group (other than the Corporation, any subsidiary or savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) which theretofore beneficially owned less than 30% of the Corporation's common stock (the 'Common Stock') then outstanding, acquires shares of Common Stock in a transaction or a series of transactions that results in such entity, person or group directly or indirectly owning beneficially 30% or more of the outstanding Common Stock, (ii) of the purchase of Common Stock pursuant to a tender offer or exchange offer (other than an offer by the Corporation) for all, or any part of, the Common Stock ('Offer'), (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, a sale, exchange or other disposition of all or substantially all of the Corporation's assets, (iv) of a substantial change

in the composition of the Board during any period of two consecutive years such that individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the shareowners of the Corporation, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or (v) of any transaction or other event which the Committee, in its sole discretion, determines to be a Change in Control for purposes of the Plan.

10. MISCELLANEOUS

(a) No Alienation of Benefits -- Except insofar as may otherwise be required by law, no amount payable at any time under the Plan shall be subject in any manner to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge, or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person and any attempt to so alienate or subject any such amount, whether presently or thereafter payable, shall be void. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge, attach, charge, or otherwise encumber any amount payable under the Plan, or any part thereof, or if by reason of such person's bankruptcy or other event happening at any such time such amount would be made subject to the person's debts or liabilities or would otherwise not be enjoyed by that person, then the Corporation, if it so elects, may direct that such amount be withheld and that same or any part thereof be paid or applied to or for the benefit of such person, the person's spouse, children or other dependents, or any of them, in such manner and proportion as the Corporation may deem proper.

(b) No Right or Interest in Corporation's Assets -- Neither the Corporation nor any of its Affiliates shall be required to reserve or otherwise set aside funds for the payment of obligations arising under this Plan. The Corporation may, in its sole discretion, establish funds, segregate assets or take such other action as it shall determine necessary or appropriate to secure the payment of its obligations arising under this Plan. Nothing contained herein, and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and any Participant or any other person. To the extent that any person acquires a right to receive

payments under this Plan, such right shall be no greater than the right of an unsecured creditor of the Corporation.

(c) Administration -- The Corporation shall have sole discretion and authority to administer the Plan, including the authority to interpret its terms, promulgate regulations thereunder, determine eligibility to participate in the Plan and make any finding of fact which may be necessary to determine the obligation of the Plan with respect to the payment of benefits.

(d) Amendment -- The Corporation may amend, modify or terminate the Plan at any time, or from time to time; provided, however, that no change to the Plan shall impair the right of any Participant with respect to amounts then credited to an Account.

(e) Accounting -- Each Participant shall receive periodic statements (not less frequently than annually) setting forth the cumulative Deferral Amounts and Interest Equivalents credited to, and any distributions from, the Participant's Account.

(f) Facility of Payments -- If the Corporation shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due the person or the person's estate (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Corporation so elects in its sole discretion, be paid to the person's spouse, a child, a relative, an institution having custody of such person, or any other person deemed by the Corporation to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Corporation and the Plan therefor.

(g) Governing Law -- The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated personnel and all rights thereunder shall be governed by and construed in accordance with the laws of New York.

May 6, 1994

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

Ladies and Gentlemen:

We are aware that the March 31, 1994 Quarterly Report on Form 10-Q of AlliedSignal Inc. which includes our report dated April 21, 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, 33-30885, 33-50314, 33-55410, 33-51031, 33-51455 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