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

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-8974

HONEYWELL INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE	22-2640650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Columbia Road P.O. Box 4000 Morristown, New Jersey	07962-2497
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (973)455-2000
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes X No _

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $28.9 billion at June 30, 2002.

There were 855,585,367 shares of Common Stock outstanding at February 21, 2003.

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This report contains certain statements that may be deemed 'forward-looking statements' within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. The forward-looking statements included in this report are also subject to a number of material risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting our operations, markets, products, services and prices. Such forward-looking statements are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

PART I.

ITEM 1. BUSINESS

Honeywell International Inc. (Honeywell) is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products, specialty chemicals, fibers, and electronic and advanced materials. Honeywell was incorporated in Delaware in 1985.

MAJOR BUSINESSES

We globally manage our business operations through strategic business units, which have been aggregated under four reportable segments: Aerospace, Automation and Control Solutions, Specialty Materials and Transportation and Power Systems. Financial information related to our reportable segments is included in Note 23 of Notes to Financial Statements in our 2002 Annual Report to Shareowners which is incorporated herein by reference.

Following is a description of our strategic business units:

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
AEROSPACE				
Engines, Systems and Services	Turbine propulsion engines	TFE731 turbofan TPE331 turboprop TFE1042 turbofan F124 turbofan LF502 turbofan LF507 turbofan CFE738 turbofan AS907 turbofan T53, T55 turboshaft LT101 turboshaft T800 turboshaft AGT1500 turboshaft LV 100 turboshaft Retrofits Repair, overhaul and spare parts	Business, regional and military trainer aircraft Commercial and military helicopters Military vehicles	United Technologies (Pratt & Whitney Canada) Rolls Royce/ Allison Turbomeca Williams
	Auxiliary power units (APUs)	Airborne auxiliary power units Jet fuel starters Secondary power systems Ground power units Repair, overhaul and spare parts	Commercial, regional, business and military aircraft Ground power	United Technologies (Pratt & Whitney Canada) United Technologies (Hamilton Sundstrand)
	Environmental control systems	Air management systems: Air conditioning Bleed air Cabin pressure control Air purification and treatment Electrical power systems: Power distribution and control Emergency power generation Repair, overhaul and spare parts	Commercial, regional and general aviation aircraft Military aircraft Ground vehicles Spacecraft	Auxilec Barber Colman Dukes Eaton-Vickers Liebherr Litton Breathing Systems Pacific Scientific Parker Hannifin United Technologies (Hamilton Sundstrand) Smiths TAT Goodrich (Lucas Aerospace)
	Engine systems and accessories	Electronic and hydromechanical fuel controls Engine start systems Electronic engine controls Sensors Electric and pneumatic power generation systems Thrust reverser actuation, pneumatic and electric	Commercial, regional and general aviation aircraft Military aircraft	BAE Controls Goodrich (Chandler-Evans) Parker Hannifin Goodrich (Lucas Aerospace) United Technologies (Hamilton Sundstrand)

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
	Aircraft hardware distribution	Consumable hardware, including fasteners, bearings, bolts and o-rings Adhesives, sealants, lubricants, cleaners and paints Electrical connectors, switches, relays and circuit breakers Value-added services, repair and overhaul kitting and point-of-use replenishment	Commercial, regional, business and military aviation aircraft	Anixter (Pentacon) Arrow Pemco Avnet BE Aerospace (M&M Aerospace) Dixie Fairchild Direct Wesco Aircraft
Aerospace Electronic Systems	Avionics systems	Flight safety systems: Enhanced Ground Proximity Warning Systems (EGPWS) Traffic Alert and Collision Avoidance Systems (TCAS) Windshear detection systems Flight data and cockpit voice recorders Weather Radar Communication, navigation and surveillance systems: Weather radar Navigation & communication radios Air-to-ground telephones Global positioning systems Automatic flight control systems Satellite systems Surveillance systems Integrated systems Flight management systems Cockpit display systems Data management and aircraft performance monitoring systems Vehicle management systems Aircraft information systems Network file servers Wireless network transceivers Satellite TV systems Audio/Video equipment Weather information network Navigation database information Cabin management systems Vibration detection and monitoring Mission management systems Tactical data management systems	Commercial, business and general aviation aircraft Government aviation	Airshow, Inc. BAE Boeing/Jeppesen Century Garmin Goodrich Kaiser L3 Lockheed Martin Northrop Grumman Rockwell Collins Smiths S-tec Thales Trimble/Terra Universal Avionics Universal Weather
	Airfield, Obstruction, and Aircraft lighting	Inset lights Control and monitoring systems Regulators Tower and obstruction lights Interior and exterior aircraft lighting Visual docking guidance systems	Airports Commercial, regional, business and military aviation aircraft	Safegate Siemens

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
	Inertial sensor	Inertial sensor systems for guidance, stabilization, navigation and control Gyroscopes, accelerometers, inertial measurement units and thermal switches	Military and commercial vehicles Commercial spacecraft and launch vehicles Commercial, regional, business and military aircraft Transportation Missiles Munitions	Astronautics-Kearfott BAE Ball GEC L3 Com KVH Northrop Grumman Rockwell Smiths
	Automatic test equipment	EW ATE Avionics ATE Vehicle health Management	Boeing USAF	Northrop Grumman Lockheed
	Control products	Radar altimeters Pressure products Air data products Thermal switches Magnetic sensors RF sensors	Military aircraft Missiles, UAVs Commercial applications	Ball Brothers BAE Druck Goodrich Solarton NavCom Rosemount Northrop Grumman
	Space products and subsystems	Guidance subsystems Control subsystems Processing subsystems Radiation hardended electronics and integrated circuits GPS-based range safety systems	Commercial spacecraft DOD FAA NASA	BAE Ithaco L3 Northrop Grumman Raytheon
	Management and technical services	Maintenance/operation and provision of space systems, services and facilities Systems engineering and integration Information technology services Logistics and sustainment	U.S. and foreign government space communications, logistics and information services Commercial space ground segment systems and services Local governments	Boeing Computer Sciences Dyncorp ITT Lockheed Martin Raytheon SAIC United Space Alliance
Aircraft Landing Systems	Landing systems	Wheels and brakes Friction products Wheel and brake overhaul services	Commercial and military aircraft	Aircraft Braking Systems Dunlop Goodrich Messier-Bugatti
Federal Manufacturing & Technologies	Management services	Maintenance/ operation of facilities	U.S. government	Bechtel Lockheed Martin The Washington Group

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
AUTOMATION AND CONTROL SOLUTIONS				
Automation and Control Products	Control Products	Heating, ventilating and air conditioning controls and components for homes and buildings Indoor air quality products including zoning, air cleaners, humidification, heat and energy recovery ventilators Controls plus integrated electronic systems for burners, boilers and furnaces Consumer household products including humidifiers and thermostats Water controls Sensors, measurement, control and industrial components Process control instrumentation Field instrumentation Analytical instrumentation Recorders Controllers Datacom components	Original equipment manufacturers (OEMs) Distributors Contractors Retailers System integrators Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels Package and materials handling operations Appliance manufacturers Automotive companies Aviation companies Food and beverage processors Medical equipment Heat treat processors Computer and business equipment manufacturers Data acquisition companies	Carrier Cherry Danfoss Eaton Emerson Endruss & Hauser Holmes Invensys Johnson Controls Kavlico Motorola Omron Siemens SPX (EST) Yokogawa
	Security and fire products and services	Security products and systems Fire products and systems Access controls and closed circuit television	OEMs Retailers Distributors Commercial customers and homeowners served by the distributor, wholesaler, contractor, retail and utility channels	Bosch GE (Interlogix) Pelco Phillips Siemens SPX (EST) Tyco
Industry Solutions	Industrial automation solutions	Advanced control software and industrial automation systems for control and monitoring of continuous, batch and hybrid operations Production management software Communications systems for Industrial Control equipment and systems Consulting, networking engineering and installation	Refining and petrochemical companies Chemical manufacturers Oil and gas producers Food and beverage processors Pharmaceutical companies Utilities Film and coated producers Pulp and paper industry Continuous web producers in the paper, plastics, metals, rubber, non-wovens and printing industries	Asea Brown Boveri Aspentech Emerson (Fisher-Rosemount) Invensys Siemens Yokogawa
Service	Solutions and services	HVAC and building control solutions and services Energy management solutions and services Security and asset management solutions and services Enterprise building integration solutions Building information services Critical environment control solutions and services	Building managers and owners Contractors, architects and developers Consulting engineers Security directors Plant managers Utilities Large, global corporations Public school systems Universities Local governments	GroupMac Invensys Johnson Controls Local contractors and utilities Siemens Trane
		Aftermarket maintenance, repair and upgrade for Industry Solutions projects	See Industry Solutions above	See Industry Solutions above

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
SPECIALTY MATERIALS				
Specialty Materials	Nylon products and services	Nylon filament and staple yarns Bulk continuous filament Nylon polymer Caprolactam Ammonium sulfate Cyclohexanol Cyclohexanone Sulfuric acid Ammonia Thermoplastic nylon Thermoplastic alloys and blends Post-consumer recycled PET resins Cast nylon Biaxially oriented nylon film Fluoropolymer film	Commercial, residential and specialty carpet markets Nylon for fibers, engineered resins and film Fertilizer ingredients Specialty chemicals Vitamins Paper milling Food and pharmaceutical packaging Housings (e.g., electric hand tools, chain saws) Industrial applications Automotive components Office furniture Electrical and electronics	BASF Bayer DSM DuPont EMS Enichem Hoechst Kolon Monsanto Rexam Custom Rhodia Solutia Toyoto UBE
	Performance fibers	Industrial nylon and polyester yarns Extended-chain polyethylene composites	Passenger car and truck tires Passenger car and light truck seatbelts and airbags Broad woven fabrics Ropes and mechanical rubber goods Luggage Sports gear Bullet resistant vests, helmets and heavy armor Cut-resistant workwear Sailcloth Cordage	Acordis Akra DSM DuPont Hyosung Kolon Kosa Solutia Teijin
	Fluorocarbons	Genetron'r' refrigerants, aerosol and insulation foam blowing agents Genesolv'r' solvents Oxyfume sterilant gases Ennovate 3000 blowing agent for refrigeration insulation	Refrigeration Air conditioning Polyurethane foam Precision cleaning Optical Metalworking Hospitals Medical equipment manufacturers	Atofina DuPont INEOS Fluor Solvay
	Hydrofluoric acid (HF)	Anhydrous and aqueous hydrofluoric acid	Fluorocarbons Steel Oil refining Chemical intermediates	Ashland Atofina DuPont E. Merck Hashimoto Norfluor Quimica Fluor
	Fluorine specialties	Sulfur hexafluoride (SF[u]6) Iodine pentafluoride (IF[u]5) Antimony pentafluoride (SbF[u]5)	Electric utilities Magnesium Gear manufacturers	Air Products Asahi Glass Atofina Ausimont Kanto Denko Kogyo Solvay Fluor
	Nuclear services	UF[u]6 conversion services	Nuclear fuel Electric utilities	British Nuclear Fuels Cameco Cogema Tennex
	Life sciences	Active pharmaceutical ingredients Oxime-based fine chemicals Fluoroaromatics Bromoaromatics	Agrichemicals Pharmaceuticals Biotech	Avecia Degussa DSM Lonza

STRATEGIC BUSINESS UNITS	PRODUCT CLASSES	MAJOR PRODUCTS/SERVICES	MAJOR CUSTOMERS/USES	KEY COMPETITORS
	Electronic chemicals	Ultra high purity HF Solvents Inorganic acids High purity solvents	Semiconductors	Ashland Arch E. Merck Sigma Aldrich
	Performance chemicals Imaging chemicals Chemical processing Display chemicals Surface treatment Catalysts Sealants	HF derivatives Fluoroaromatics Phosphors Catalysts Oxime silanes Hydroxylamine	Diverse by product type	Atotech BASF Solvay
	Specialty waxes	Polyethylene waxes Petroleum waxes and blends	Coatings Inks Candles Tire/Rubber Personal care Packaging	BASF Clariant Eastman Exxon IGI Leuna Schumann-Sasol
	Specialty additives	Polyethylene waxes Petroleum waxes and blends PVC lubricant systems Plastic additives Luminescent photodyes	PVC Plastics Reflective coatings	Eastman Henkel PolyOne
	Wafer fabrication materials and services	Interconnect-dielectrics Interconnect-metals Semiconductor packaging materials Advanced polymers Sapphire substrates Anti-reflective coatings Global services	Semiconductors Microelectronics Telecommunications	Applied Materials Dow Chemical Dow Corning Japan Energy JSR Material Research Tokyo-Ohka Tosoh SMD VMC/Ulvac
	Specialty electronic materials	Amorphous metal ribbons and components	Electrical components Distribution and industrial transformers High frequency magnetics Metal joining Theft deterrent systems Printed circuit boards	Allegheny Ludlum Amotech YuYu AM&T Hitachi Metals Kawasaki Steel Morgan/VAC Toshiba
	UOP (50%-owned joint venture)	Processes Catalysts Molecular sieves Adsorbents Design of process, plants and equipment Customer catalyst manufacturing	Petroleum, petrochemical, gas processing and chemical industries	ABB Lummus Axens ExxonMobil Procatalyse Shell/Criterion Stone & Webster Zeochem
TRANSPORTATION AND POWER SYSTEMS				
Garrett Engine Boosting Systems	Charge-air systems	Turbochargers Remanufactured components	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	ABB Aisin Seiki Borg-Warner Hitachi Holset IHI MHI
	Thermal systems	Charge-air coolers Aluminum radiators Aluminum cooling modules Exhaust gas coolers	Passenger car, truck and off-highway OEMs Engine manufacturers Aftermarket distributors and dealers	Behr/McCord Modine Valeo

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

AEROSPACE SALES

Our sales to aerospace customers were 40, 41 and 40 percent of our total sales in 2002, 2001 and 2000, respectively. Our sales to commercial aerospace original equipment manufacturers were 9, 12 and 11 percent of our total sales in 2002, 2001 and 2000, respectively. If there were a large decline in sales of aircraft that use our components, operating results could be negatively impacted. In addition, our sales to commercial aftermarket customers of aerospace products and services were 14, 15 and 17 percent of our total sales in 2002, 2001 and 2000, respectively. If there were a large decline in the number of flight hours for aircraft that use our components or services, operating results could be negatively impacted. The terrorist attacks on September 11, 2001 resulted in an abrupt downturn in the aviation industry which was already negatively impacted by a weak economy. This dramatic downturn in the commercial air transport industry continued to adversely impact the operating results of our Aerospace segment in 2002. In response, we have accelerated our cost-reduction actions to mitigate the impact of this downturn.

U.S. GOVERNMENT SALES

Sales to the U.S. Government (principally by our Aerospace segment), acting through its various departments and agencies and through prime contractors, amounted to $2,277, $2,491 and $2,219 million in 2002, 2001 and 2000, respectively, which included sales to the U.S. Department of Defense of $1,833, $1,631 and $1,548 million in 2002, 2001 and 2000, respectively. U.S. defense spending increased in 2002 and is also expected to increase in 2003.

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

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

BACKLOG

Our total backlog at year-end 2002 and 2001 was $7,332 and $7,178 million, respectively. We anticipate that approximately $6,194 million of the 2002 backlog will be filled in 2003. We believe that backlog is not necessarily a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

COMPETITION

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

INTERNATIONAL OPERATIONS

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

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

Financial information related to geographic areas is included in Note 24 of Notes to Financial Statements in our 2002 Annual Report to Shareowners which is incorporated herein by reference.

RAW MATERIALS

The principal raw materials used in our operations are generally readily available. We experienced no significant or unusual problems in the purchase of key raw materials and commodities in 2002. We are not dependent on any one supplier for a material amount of our raw materials. However, we are highly dependent on our suppliers and subcontractors in order to meet commitments to our customers. In addition, many major components and product equipment items are procured or subcontracted on a sole-source basis with a number of domestic and foreign companies. We maintain a qualification and performance surveillance process to control risk associated with such reliance on third parties. While we believe that sources of supply for raw materials and components are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. A prolonged and substantial increase above recent historical levels in petroleum prices would adversely affect our Specialty Materials businesses which use petroleum byproducts as raw materials. However, at present,

we have no reason to believe a shortage of raw materials will cause any material adverse impact during 2003.

PATENTS, TRADEMARKS, LICENSES AND DISTRIBUTION RIGHTS

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

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

RESEARCH AND DEVELOPMENT

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

Research and development expense totaled $757, $832 and $818 million in 2002, 2001 and 2000, respectively. The decrease in research and development expense in 2002 compared with 2001 relates mainly to lower spending by our Aerospace segment due primarily to program completions and fewer new program launches by original equipment manufacturers. Customer-sponsored (principally the U.S. Government) research and development activities amounted to an additional $603, $697 and $560 million in 2002, 2001 and 2000, respectively.

ENVIRONMENT

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

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

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

Further information regarding environmental matters is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2002 Annual Report to Shareowners

which is incorporated herein by reference and in Item 3. Legal Proceedings of this Annual Report on Form 10-K.

EMPLOYEES

We have approximately 108,000 employees at December 31, 2002, of which approximately 63,000 were located in the United States.

ITEM 2. PROPERTIES

We have over 1,000 locations consisting of plants, research laboratories, sales offices and other facilities. Our headquarters and administrative complex is located at Morristown, New Jersey. Our plants are generally located to serve large marketing areas and to provide accessibility to raw materials and labor pools. Our properties are generally maintained in good operating condition. Utilization of these plants may vary with sales to customers and other business conditions; however, no major operating facility is significantly idle. We own or lease warehouses, railroad cars, barges, automobiles, trucks, airplanes and materials handling and data processing equipment. We also lease space for administrative and sales staffs. Our properties and equipment are in good operating condition and are adequate for our present needs. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

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

AEROSPACE		
Glendale, AZ (partially leased)	South Bend, IN	Albuquerque, NM
Phoenix, AZ	Olathe, KS (leased)	Rocky Mount, NC
Tempe, AZ	Minneapolis, MN	Urbana, OH
Tucson, AZ	Plymouth, MN	Redmond, WA
Torrance, CA (partially leased)	Teterboro, NJ	Toronto, Canada
Clearwater, FL		Yeovil, Somerset United Kingdom
AUTOMATION AND CONTROL SOLUTIONS		
Phoenix, AZ	Northford, CT	Golden Valley, MN
San Diego, CA	Freeport, IL	Syosset, NY
SPECIALTY MATERIALS		
Baton Rouge, LA	Pottsville, PA	Hopewell, VA
Geismar, LA	Columbia, SC	Seelze, Germany
Moncure, NC	Chesterfield, VA	Longlaville, France
TRANSPORTATION AND POWER SYSTEMS		
Mexicali, Mexico	Thaon-Les-Vosges, France	Atessa, Italy
	Glinde, Germany	Skelmersdale, United Kingdom

ITEM 3. LEGAL PROCEEDINGS

SHAREOWNER LITIGATION -- Honeywell and seven of its current and former officers were named as defendants in several purported class action lawsuits filed in the United States District Court for the District of New Jersey (the Securities Law Complaints). The Securities Law Complaints principally allege that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning Honeywell's financial performance, thereby allegedly causing the value of Honeywell's stock to be artificially inflated. On January 15, 2002, the District Court dismissed the consolidated complaint against four of Honeywell's current and former officers. The Court has granted plaintiffs' motion for class certification defining the purported class as all purchasers of Honeywell stock between December 20, 1999 and June 19, 2000.

The parties have agreed to participate in a two day settlement mediation in April, 2003 in an attempt to resolve the cases without resort to a trial. All significant discovery in the cases has been stayed pending further order of the court.

Notwithstanding our agreement to mediate, we believe there is no factual or legal basis for the allegations in the Securities Law Complaints. Although it is not possible at this time to predict the litigation outcome of these cases, we expect to prevail if the cases are not resolved through mediation. However, an adverse litigation outcome could be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter no provision has been made in our financial statements with respect to this contingent liability.

ENVIRONMENTAL MATTERS -- We are subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury to our employees and employees of our customers and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for environmental matters when environmental assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations. However, considering our past experience and existing reserves, we do not expect that these matters will have a material adverse effect on our consolidated financial position.

ASBESTOS MATTERS -- Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Rather, we made several products that contained small amounts of asbestos.

Honeywell's Bendix Friction Materials business manufactured automotive brake pads that included asbestos in an encapsulated form. There is a group of potential claimants consisting largely of professional brake mechanics. From 1981 through December 31, 2002, we have resolved approximately 60,000 Bendix claims at an average indemnity cost per claim of approximately two thousand dollars. Through the second quarter of 2002, Honeywell had no out-of-pocket costs for these cases since its insurance deductible was satisfied many years ago. Beginning with claim payments made in the third quarter of 2002, Honeywell began advancing indemnity and defense claim costs which amounted to approximately $70 million in payments in the second half of 2002. A substantial portion of this amount is expected to be reimbursed by insurance and $57 million has been recorded as a receivable. There are currently approximately 50,000 claims pending and we have no reason to believe that the historic rate of dismissal will change.

On January 30, 2003, Honeywell and Federal-Mogul Corp. (Federal-Mogul) entered into a letter of intent (LOI) pursuant to which Federal-Mogul would acquire Honeywell's automotive Bendix Friction Materials (Bendix) business, with the exception of certain U.S.-based assets. In exchange, Honeywell would receive a permanent channeling injunction shielding it from all current and future personal injury asbestos liabilities related to Honeywell's Bendix business.

Federal-Mogul, its U.S. subsidiaries and certain of its United Kingdom subsidiaries voluntarily filed for financial restructuring under Chapter 11 of the U.S. Bankruptcy Code in October 2001. Federal-Mogul will seek to establish one or more trusts under Section 524(g) of the U.S. Bankruptcy Code as part of its reorganization plan, including a trust for the benefit of Bendix asbestos claimants. The reorganization plan to be submitted to the Bankruptcy Court for approval will contemplate that the U.S. Bankruptcy Court in Delaware would issue an injunction in favor of Honeywell that would channel to the Bendix 524(g) trust all present and future asbestos claims relating to Honeywell's Bendix business. The 524(g) trust created for the benefit of the Bendix claimants would receive the rights to proceeds from Honeywell's Bendix related insurance policies and would make these proceeds available to the Bendix claimants. Honeywell would have no obligation to contribute any additional amounts toward the settlement or resolution of Bendix related asbestos claims.

In the fourth quarter of 2002, we recorded a charge of $167 million consisting of a $131 million reserve for the sale of Bendix to Federal-Mogul, our estimate of asbestos related liabilities net of insurance recoveries and costs to complete the anticipated transaction with Federal-Mogul. Completion of the transaction contemplated by the LOI is subject to the negotiation of definitive agreements, the confirmation of Federal-Mogul's plan of reorganization by the Bankruptcy Court, the issuance of a final, non-appealable 524(g) channeling injunction permanently enjoining any Bendix related asbestos claims against Honeywell, and the receipt of all required governmental approvals. We do not believe that completion of such transaction would have a material adverse impact on our consolidated results of operations or financial position. There can be no assurance, however, that the transaction contemplated by the LOI will be completed. Honeywell presently has $2 billion of insurance coverage remaining with respect to Bendix related asbestos claims. Although it is impossible to predict the outcome of pending or future claims, in light of our potential exposure, our prior experience in resolving these claims, and our insurance coverage, we do not believe that the Bendix related asbestos claims will have a material adverse effect on our consolidated results of operations or financial position.

Another source of claims is refractory products (high temperature bricks and cement) sold largely to the steel industry in the East and Midwest by North American Refractories Company (NARCO), a business we owned from 1979 to 1986. Less than 2 percent of NARCO's products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO had resolved approximately 176,000 claims through January 4, 2002, the date NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code, at an average cost per claim of two thousand two hundred dollars. Of those claims, 43 percent were dismissed on the ground that there was insufficient evidence that NARCO was responsible for the claimant's asbestos exposure. As of the date of NARCO's bankruptcy filing, there were approximately 116,000 remaining claims pending against NARCO, including approximately 7 percent in which Honeywell was also named as a defendant. Since 1983, Honeywell and our insurers have contributed to the defense and settlement costs associated with NARCO claims. We have approximately $2 billion of insurance remaining that can be specifically allocated to NARCO related liability.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, because the claims pending against Honeywell necessarily will impact the liabilities of NARCO, because the insurance policies held by Honeywell are essential to a successful NARCO reorganization, and because Honeywell has offered to commit the value of those policies to the reorganization, the bankruptcy court has temporarily enjoined any claims against Honeywell, current or future, related to NARCO. Although the stay has been extended eleven times since January 4, 2002, there is no assurance that such stay will remain in effect. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company $40 million and agreed to provide NARCO with up to $20 million in financing. We also agreed to pay $20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell, and to pay NARCO's parent company $40 million, and to forgive any outstanding NARCO indebtedness, upon the confirmation and consummation of such a plan.

As a result of ongoing negotiations with counsel representing NARCO related asbestos claimants regarding settlement of all pending and potential NARCO related asbestos claims against Honeywell,

we have reached definitive agreements or agreements in principle with approximately 236,000 claimants, which represents approximately 90 percent of the approximately 260,000 current claimants who are now expected to file a claim as part of the NARCO reorganization process. We are also in discussions with the NARCO Committee of Asbestos Creditors on Trust Distribution Procedures for NARCO. We believe that, as part of the NARCO plan of reorganization, a trust will be established pursuant to these Trust Distribution Procedures for the benefit of all asbestos claimants, current and future. If the trust is put in place and approved by the court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. As part of its ongoing settlement negotiations, Honeywell is seeking to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows. Given the substantial progress of negotiations between Honeywell and NARCO related asbestos claimants and between Honeywell and the Committee of Asbestos Creditors during the fourth quarter of 2002, Honeywell has developed an estimated liability for settlement of pending and future asbestos claims.

During the fourth quarter 2002, Honeywell recorded a charge of $1.4 billion for NARCO related asbestos litigation charges, net of insurance recoveries. This charge consists of the estimated liability to settle current asbestos related claims, the estimated liability related to future asbestos related claims through 2018 and obligations to NARCO's parent, net of insurance recoveries of $1.8 billion.

The estimated liability for current claims is based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with approximately 90 percent of current claimants. Once finalized, settlement payments with respect to current claims are expected to be made over approximately a four-year period.

The liability for future claims estimates the probable value of future asbestos related bodily injury claims asserted against NARCO over a 15 year period and obligations to NARCO's parent as discussed above. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018 under Statement of Financial Accounting Standard No. 5 'Accounting for Contingencies.' Honeywell retained the expert services of Hamilton, Rabinovitz and Alschuler, Inc. (HR&A) to project the probable number and value, including trust claim handling costs, of asbestos related future liabilities. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and is the same methodology that is utilized by the expert who is routinely retained by the asbestos claimants committee in asbestos related bankruptcies. The valuation methodology includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history and the pending inventory of NARCO asbestos related claims.

Honeywell has substantial insurance that reimburses it for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Over one-half of this coverage is with Equitas and other London-based insurance companies with a majority of this coverage subject to a coverage-in-place agreement. Coverage-in-place agreements are settlement agreements between policyholders and the insurers specifying the terms and conditions under which coverage will be applied as claims are presented for payment. These agreements govern such things as what events will be deemed to trigger coverage, how liability for a claim will be allocated among insurers and what procedures the policyholder must follow in order to obligate the insurer to pay claims. We conducted an analysis to determine the amount of insurance that we estimate is probable that we will recover in relation to payment of current and projected future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Some of our insurance carriers have challenged our right to enter into settlement agreements resolving all NARCO related asbestos claims against Honeywell. However, we believe there is no factual or legal basis for such challenges and we believe that it is probable that we will prevail in the resolution of, or in any litigation that is brought regarding these disputes and have recognized approximately $900 million in probable insurance recoveries from these carriers. We made

judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs. Based on our analysis, we recorded insurance recoveries that are deemed probable through 2018 of $1.8 billion.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities to be higher or lower than those projected and recorded. There is no assurance that ongoing settlement negotiations will be successfully completed, that a plan of reorganization will be proposed or confirmed, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we plan to review our estimates periodically, and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

OTHER MATTERS -- We are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. With respect to all these other matters, including those relating to commercial transactions, government contracts, product liability and non-environmental health and safety matters, while the ultimate results of these lawsuits, investigations and claims cannot be determined, we do not expect that these matters will have a material adverse effect on our consolidated results of operations or financial position.

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

Not Applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of Honeywell, listed as follows, are elected annually by the Board of Directors. There are no family relationships among them.

NAME, AGE, DATE FIRST ELECTED AN EXECUTIVE OFFICER	BUSINESS EXPERIENCE
David M. Cote (a), 50 2002	Chairman of the Board and Chief Executive Officer since July 2002. President and Chief Executive Officer from February 2002 to June 2002. Chairman of the Board, President and Chief Executive Officer of TRW (manufacturer of aerospace and automotive products) from August 2001 to February 2002. President and Chief Executive Officer of TRW from February 2001 to July 2001. President and Chief Operating Officer of TRW from November 1999 to January 2001. Senior Vice President of General Electric Company and President and Chief Executive Officer of GE Appliances from June 1996 to November 1999.
Dr. Nance K. Dicciani, 55 2001	President and Chief Executive Officer Specialty Materials since November 2001. Senior Vice President and Business Group Executive of Chemical Specialties and Director, European Region of Rohm and Haas (chemical company) from June 1998 until October 2001. Vice President and General Manager of Monomers Division of Rohm and Haas from May 1996 until May 1998.

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(a) Also a Director.

NAME, AGE, DATE FIRST ELECTED AN EXECUTIVE OFFICER	BUSINESS EXPERIENCE
Robert J. Gillette, 43 2001	President and Chief Executive Officer Transportation and Power Systems since July 2001. President of Garrett Engine Boosting Systems from July 2000 until June 2001. Vice President and General Manager of Engineering Plastics from December 1996 until June 2000.
J. Kevin Gilligan, 48 2001	President and Chief Executive Officer Automation and Control Solutions since July 2001. President of Home and Building Control from January 2000 until June 2001. President of Home and Building Control's Solutions and Services business from October 1997 until December 1999.
Robert D. Johnson, 55 1998	President and Chief Executive Officer Aerospace since July 2001. Chief Operating Officer and Executive Vice President, Aerospace, from December 1999 to June 2001. President and Chief Executive Officer of AlliedSignal Aerospace from April 1999 to November 1999. President -- Aerospace Marketing, Sales and Services from January 1999 to March 1999. President -- Aerospace Electronic & Avionics Systems from October 1997 to December 1998.
Larry E. Kittelberger, 54 2001	Senior Vice President Administration and Chief Information Officer since August 2001. Senior Vice President and Chief Information Officer of Lucent Technologies Inc. from November 1999 until August 2001. Senior Vice President and Chief Information Officer of AlliedSignal Inc from February 1999 until November 1999. Vice President and Chief Information Officer from August 1995 to January 1999.
Peter M. Kreindler, 57 1992	Senior Vice President and General Counsel since March 1992. Secretary from December 1994 through November 1999.
Richard F. Wallman, 51 1995	Senior Vice President and Chief Financial Officer since March 1995.
Thomas W. Weidenkopf, 44 2002	Senior Vice President Human Resources and Communications since April 2002. Vice President of Human Resources of Aerospace from March 1999 to March 2002. Vice President, Human Resources -- Aerospace Marketing, Sales & Services from March 1997 to February 1999.

PART II.

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

Market and dividend information for Honeywell's common stock is included in Note 25 of Notes to Financial Statements of our 2002 Annual Report to Shareowners which is incorporated herein by reference.

The number of record holders of our common stock at December 31, 2002 was 89,758.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Data on page 25 of our 2002 Annual Report to Shareowners is incorporated herein by reference.

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

'Management's Discussion and Analysis' on pages 26 through 39 of our 2002 Annual Report to Shareowners is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to market risk is included under the caption 'Financial Instruments' in 'Management's Discussion and Analysis' on pages 36 and 37 of our 2002 Annual Report to Shareowners, and such information is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 6, 2003, appearing on pages 40 through 66 of our 2002 Annual Report to Shareowners, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated by reference in Items 1, 5, 6, 7 and 7A, the 2002 Annual Report to Shareowners is not to be deemed filed as part of this Form 10-K Annual Report.

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

Not Applicable.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information relating to the Directors of Honeywell, as well as information relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, will be contained in our definitive Proxy Statement involving the election of the Directors which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 2002, and such information is incorporated herein by reference. Certain other information relating to the Executive Officers of Honeywell appears in Part I. of this Form 10-K Annual Report under the heading 'Executive Officers of the Registrant'.

We maintain an internet website at http://www.honeywell.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website under the heading 'Investor Relations' (see 'SEC Filings') as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission. Honeywell's Code of Business Conduct, Corporate Governance Guidelines and Charters of the Committees of the Board of Directors are also available, free of charge, on our website under the heading 'Investor Relations' (see 'Corporate Governance'). Honeywell's Code of Business Conduct applies to all Honeywell directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees. Amendments to or waivers of the Code of

Business Conduct will be published on our website within five business days of such amendment or waiver.

The members of the Audit Committee of our Board of Directors are: Russell E. Palmer (Chair), Hans W. Becherer, Marshall N. Carter, Ann M. Fudge, James J. Howard, John R. Stafford, and Michael W. Wright. The Board has determined that each of the members of the Audit Committee satisfies the financial literacy requirements of the New York Stock Exchange and that Mr. Palmer satisfies the 'audit committee financial expert' criteria established by the Securities and Exchange Commission and the 'financial expert' criteria proposed by the New York Stock Exchange. Mr Palmer is 'independent' as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing of this report, Honeywell management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to Honeywell required to be included in Honeywell's periodic filings under the Exchange Act. There have been no significant changes in internal controls or in factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation.

ITEM 15. [RESERVED]

ITEM 16. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to fees paid to and services performed by PricewaterhouseCoopers LLP in 2002 and 2001 and our Audit Committee's pre-approval policies and procedures with respect to non-audit services are contained in the Proxy Statement referred to above in 'Item 10. Directors and Executive Officers of the Registrant,' and such information is incorporated herein by reference.

PART IV.

ITEM 17. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

	PAGE NUMBER IN ANNUAL REPORT TO SHAREOWNERS
(a)(1.) Consolidated Financial Statements:	
Incorporated by reference to the 2002 Annual Report to Shareowners:	
Consolidated Statement of Operations for the years ended December 31, 2002, 2001 and 2000	40
Consolidated Balance Sheet at December 31, 2002 and 2001	41
Consolidated Statement of Cash Flows for the years ended December 31, 2002, 2001 and 2000	42
Consolidated Statement of Shareowners' Equity for the years ended December 31, 2002, 2001 and 2000	43
Notes to Financial Statements	44
Report of Independent Accountants	66

	PAGE NUMBER IN FORM 10-K
(a)(2.) Consolidated Financial Statement Schedules:	
Report of Independent Accountants on Financial Statement Schedule	25
Schedule II -- Valuation and Qualifying Accounts	26

All other financial statement schedules have been omitted because they are not applicable to us or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3.) Exhibits

See the Exhibit Index on pages 22 through 24 of this Form 10-K Annual Report.

(b) Reports on Form 8-K

During the three months ended December 31, 2002, a Current Report on Form 8-K was filed on December 30, reporting the contribution of $700 million of our stock to our U.S. pension plans.

SIGNATURES

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

HONEYWELL INTERNATIONAL INC.

March 6, 2003

By: /s/ JOHN J. TUS

John J. Tus
Vice President and Controller

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

NAME
*
David M. Cote Chairman of the Board, Chief Executive Officer and Director
*
Hans W. Becherer Director
*
Gordon M. Bethune Director
*
Marshall N. Carter Director
*
Jaime Chico Pardo Director
*
Ann M. Fudge Director
/s/ RICHARD F. WALLMAN
Richard F. Wallman Senior Vice President and Chief Financial Officer (Principal Financial Officer)

*By: /s/ RICHARD F. WALLMAN

(Richard F. Wallman
Attorney-in-fact)

*
James J. Howard Director
*
Bruce Karatz Director
*
Robert P. Luciano Director
*
Russell E. Palmer Director
*
Ivan G. Seidenberg Director
*
John R. Stafford Director

*

Michael W. Wright
Director

/s/ JOHN J. TUS

John J. Tus
Vice President and Controller
(Principal Accounting Officer)

March 6, 2003

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Cote, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Honeywell International Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the 'Evaluation Date'); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 6, 2003

By: /s/ DAVID M. COTE
.....
David M. Cote
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Richard F. Wallman, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Honeywell International Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the 'Evaluation Date'); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 6, 2003

By: /s/ RICHARD F. WALLMAN
.....
Richard F. Wallman
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
2	Omitted (Inapplicable)
3(i)	Restated Certificate of Incorporation of Honeywell (incorporated by reference to Exhibit 3(i) to Honeywell's Form 8-K filed December 3, 1999)
3(ii)	By-laws of Honeywell, as amended (incorporated by reference to Exhibit 3(ii) to Honeywell's Form 10-Q for the quarter ended September 30, 2001)
4	Honeywell is a party to several long-term debt instruments under which, in each case, the total amount of securities authorized does not exceed 10% of the total assets of Honeywell and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Honeywell agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
9	Omitted (Inapplicable)
10.1	Master Support Agreement, dated February 26, 1986, as amended and restated January 27, 1987, as further amended July 1, 1987 and as again amended and restated December 7, 1988, by and among Honeywell, Wheelabrator Technologies Inc., certain subsidiaries of Wheelabrator Technologies Inc., The Henley Group, Inc. and Henley Newco Inc. (incorporated by reference to Exhibit 10.1 to Honeywell's Form 10-K for the year ended December 31, 1988)
10.2*	Deferred Compensation Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit 10.2 to Honeywell's Form 10-K for the year ended December 31, 1996)
10.3*	Stock Plan for Non-Employee Directors of AlliedSignal Inc., as amended (incorporated by reference to Exhibit C to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.4*	1985 Stock Plan for Employees of AlliedSignal Inc. and its Subsidiaries, as amended (incorporated by reference to Exhibit 19.3 to Honeywell's Form 10-Q for the quarter ended September 30, 1991)
10.5*	AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, as amended (incorporated by reference to Exhibit B to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, and to Exhibit 10.5 to Honeywell's Form 10-Q for the quarter ended June 30, 1999)
10.6*	Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, as amended and restated (filed herewith)
10.7*	AlliedSignal Inc. Severance Plan for Senior Executives, as amended and restated (incorporated by reference to Exhibit 10.7 to Honeywell's Form 10-K for the year ended December 31, 2000)
10.8*	Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates, as amended and restated (filed herewith)

EXHIBIT NO.	DESCRIPTION
10.9*	1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (incorporated by reference to Exhibit A to Honeywell's Proxy Statement, dated March 10, 1994, filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934)
10.10	364-Day Credit Agreement dated as of November 27, 2002 among Honeywell, the initial lenders named therein, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, Deutsche Bank AG, New York Branch, Bank of America, N.A. and Barclays Bank PLC, as syndication agents, and Salomon Smith Barney Inc., as lead arranger and book manager, as amended (filed herewith)
10.11	Amendment No. 1 to the Five-Year Credit Agreement dated as of November 27, 2002 among Honeywell, the initial lenders named therein, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, Deutsche Bank AG and Bank of America, N.A., as syndication agents, and Salomon Smith Barney Inc., as lead arranger and book manager (filed herewith)
10.12*	Honeywell International Inc. Supplemental Pension Plan, as amended and restated (incorporated by reference to Exhibit 10.13 to Honeywell's Form 10-K for the year ended December 31, 2000)
10.13*	Employment Agreement dated as of December 1, 1999 between Honeywell and Michael R. Bonsignore (incorporated by reference to Exhibit 10.14 to Honeywell's Form 8-K filed December 3, 1999)
10.14*	Long Term Performance Plan for Key Executives of Honeywell International Inc. (incorporated by reference to Exhibit 10.16 to Honeywell's Form 10-Q for the quarter ended March 31, 2000)
10.15*	Honeywell International Inc. Supplemental Executive Retirement Plan for Executives in Career Band 6 and Above (incorporated by reference to Exhibit 10.16 to Honeywell's Form 10-K for the year ended December 31, 2000)
10.16*	Honeywell Supplemental Defined Benefit Retirement Plan, as amended and restated (incorporated by reference to Exhibit 10.17 to Honeywell's Form 10-K for the year ended December 31, 2000)
10.17*	Form of Escrow Agreement used to secure certain supplemental retirement benefits for certain executive officers of Honeywell (incorporated by reference to Exhibit 10.18 to Honeywell's Form 10-K for the year ended December 31, 2000)
10.18*	Form of Promissory Note representing loans to certain executive officers of Honeywell of required withholding taxes relating to the securing of certain supplemental retirement benefits (incorporated by reference to Exhibit 10.19 to Honeywell's Form 10-K for the year ended December 31, 2000)
10.19*	Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control), as amended and restated (filed herewith)
10.20*	Employment Agreement dated as of July 3, 2001 between Honeywell and Lawrence A. Bossidy (incorporated by reference to Exhibit 10.21 to Honeywell's Form 10-Q for the quarter ended June 30, 2001)

EXHIBIT NO.	DESCRIPTION
10.21*	Early Retirement Agreement dated as of July 3, 2001 between Honeywell and Michael R. Bonsignore (incorporated by reference to Exhibit 10.22 to Honeywell's Form 10-Q for the quarter ended June 30, 2001)
10.22*	Settlement Agreement between Honeywell International Inc., Honeywell Europe S.A. and their affiliates and Giannantonio Ferrari, dated July 27, 2001 (incorporated by reference to Exhibit 10.23 to Honeywell's Form 10-Q for the quarter ended September 30, 2001)
10.23*	Employment Agreement dated as of February 18, 2002 between Honeywell and David M. Cote (incorporated by reference to Exhibit 10.24 to Honeywell's Form 8-K filed March 4, 2002)
10.24*	Employment Separation Agreement and Release dated February 18, 2002, between Honeywell and Dr. Barry C. Johnson (incorporated by reference to Exhibit 10.25 to Honeywell's Form 10-Q for the quarter ended March 31, 2002)
11	Omitted (Inapplicable)
12	Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith)
13	Pages 25 through 66 of Honeywell's 2002 Annual Report to Shareowners (filed herewith)
16	Omitted (Inapplicable)
18	Omitted (Inapplicable)
21	Subsidiaries of the Registrant (filed herewith)
22	Omitted (Inapplicable)
23	Consent of PricewaterhouseCoopers LLP (filed herewith)
24	Powers of Attorney (filed herewith)
99.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
99.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

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

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareowners of
HONEYWELL INTERNATIONAL INC.

Our audits of the consolidated financial statements referred to in our report dated February 6, 2003, appearing in the 2002 Annual Report to Shareowners of Honeywell International Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 17(a)(2) of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 6, 2003

HONEYWELL INTERNATIONAL INC
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
THREE YEARS ENDED DECEMBER 31, 2002
(IN MILLIONS)

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Balance December 31, 1999	$ 84
Provision charged to income	52
Deductions from reserves(1)	(37)
Balance December 31, 2000	99
Provision charged to income	84
Deductions from reserves(1)	(55)
Balance December 31, 2001	128
Provision charged to income	109
Deductions from reserves(1)	(90)
Balance December 31, 2002	$147

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(1) Represents uncollectible accounts written off, less recoveries, translation adjustments and reserves acquired.

STATEMENT OF DIFFERENCES

The British pound sterling sign shall be expressed as..... 'L'
The Japanese Yen sign shall be expressed as..... 'Y'
The Euro sign shall be expressed as..... 'E'
The registered trademark symbol shall be expressed as..... 'r'
Characters normally expressed as subscript shall be preceded by..... [u]

EXHIBIT 10.6

SUPPLEMENTAL NON-QUALIFIED SAVINGS PLAN FOR HIGHLY COMPENSATED EMPLOYEES OF HONEYWELL INTERNATIONAL INC. AND ITS SUBSIDIARIES (Career Band 6 and above)

(As Amended and Restated as of January 1, 2002)

1. Eligibility

Those highly compensated employees ("HCEs") of Honeywell International Inc. (the "Corporation") and its subsidiaries within the meaning of Section 414(q) of the Internal Revenue Code of 1986 (the "Code") in Career Band 6 and above who are eligible to participate in any of the qualified (as determined under Code Section 401(a)) savings plans maintained by the Corporation or its subsidiaries, other than any such plan maintained by Pittway Corporation and its affiliates or by Honeywell Inc. prior to April 1, 2000, (the "Qualified Savings Plans") are eligible to participate in the Supplemental Non-Qualified Savings Plan for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries (Career Band 6 and above) (the "Plan").

2. Definitions

Capitalized terms not otherwise defined in the Plan have the respective meanings set forth in the applicable Qualified Savings Plans.

3. Participation

(a) Time and Form of Election. Any eligible employee may become a participant in the Plan (a "Participant") as of the beginning of the next available pay period, by executing a written or electronic notice of election to participate and filing such notice with the Plan Administrator (as defined in Section 10(a)) prior to the beginning of such pay period. Such notice may direct that a portion (determined in accordance with paragraph 4(a)) of the base annual salary exclusive of shift differentials, overtime or other premium pay, bonus, incentive or other extra compensation, but inclusive of severance pay (unless otherwise specifically excluded by the severance pay plan) or salary deferred under this Plan or otherwise ("Base Annual Salary"), which would have been payable to such Participant during such pay period and succeeding pay periods, in lieu of such payment, be credited to a deferred compensation account maintained under the Plan as an unfunded book entry stated as a cash balance (the "Participant's Account"). Amounts so credited to the Participant's Account shall constitute "Participant Deferred Contributions." A Participant's election to direct that a portion of his or her Base Annual Salary be credited to the Participant's Account shall continue in effect until the Participant terminates such election, the Participant is no longer an HCE or the Participant is no longer eligible to contribute to the Qualified Savings Plans. Any such termination shall be effective only with respect to the Participant's Base Annual Salary payable after the end of the pay period in which one of the events in the preceding sentence occurs. Amounts credited to the Participant's Account prior to the effective date of the termination of the election shall not be affected and shall be distributed only in accordance with the terms of the Plan and Participant's distribution election thereunder.

(b) Change or Resumption of Amount Deferred. A Participant may elect at any time to modify the amount of Base Annual Salary to be credited to the Participant's Account under the Plan, which modification shall be effective for the next available pay period following his or her election. Amounts credited to the Participant's Account prior to the effective date of such change shall not be affected by such change and shall be distributed only in accordance with the terms of the Plan.

4. Contributions to Participants' Accounts

(a) Participant Deferred Contributions. Unless the Plan Administrator shall have established a lesser amount, a Participant may elect to defer an aggregate amount equal to the difference between (i) a full percentage of such Participant's Base Annual Salary from 1% to the maximum percentage permitted under the Qualified Savings Plans and Code Section 415(c)(1)(B) for Before-Tax Contributions by an individual who is not an HCE and who is eligible to participate in the Qualified Savings Plans, without regard to any other limitations which may apply under the Code and without regard to any After-Tax Contributions which might be made under the Qualified Savings Plans, and (ii) the full amount of Before-Tax Contributions made by such Participant under the Qualified Savings Plans; provided, however, that a Participant who elects to defer any amount hereunder shall be required to make the maximum Before-Tax Contributions permissible under the Qualified Savings Plans for the applicable Plan Year (after giving effect to deferrals under the Plan or otherwise).

(b) Plan Employer Contributions. There shall be credited to the Participant's Account employer contributions under the Plan ("Plan Employer Contributions") in an aggregate amount equal to (i) minus (ii), where (i) is 50% (for participants entitled to a 50% Employer Contribution in the Qualified Savings Plans) or 100% (for participants entitled to a 100% Employer Contribution in the Qualified Savings Plans) of the lesser of (x) 8% of the Participant's Base Annual Salary, or (y) the sum of the Participant's Participant Contributions under the Qualified Savings Plans and Participant Deferred Contributions under the Plan, expressed as a percentage of Base Annual Salary, and (ii) is the total amount of Employer Contributions made with respect to the Participant under the Qualified Savings Plans; provided, however, that in no event shall the combined Plan Employer Contributions and Employer Contributions made with respect to the Participant exceed 8% of the Participant's Base Annual Salary, and provided, further, that Plan Employer Contributions shall not be made with respect to a Participant during any period of suspension of Employer Contributions with respect to such Participant under the terms of the Qualified Savings Plans, whether or not such Participant continues to make Participant Contributions under the Qualified Savings Plans during the period of such suspension. Notwithstanding the preceding sentence, there shall be credited to the Participant's Account an amount equal to the product of (i) the number of whole shares of common stock of Honeywell International Inc. ("Common Stock") credited to such Participant's Account under Section 5(b) on December 29, 2000, and (ii) $0.08 (such product rounded to the nearest full dollar). The amount determined under the preceding sentence shall be credited to the Participant's Account as Plan Employer Contributions in accordance with Section 5(a) and shall be credited to such Account no later than December 31, 2000.

(c) Vesting. Participant Deferred Contributions, Plan Employer Contributions (collectively "Total Contribution Amounts") and all amounts accrued with respect to Total Contribution Amounts in accordance with Section 5, shall be vested at the time such amounts are credited to the Participant's Account.

(d) All Contributions Prorated. Total Contribution Amounts shall be credited to a Participant's Account each pay period.

5. The Participant's Account

(a) Crediting of Participant's Accounts. Participant Deferred Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as cash balances. Participant Deferred Contributions credited to the Participant's Account prior to January 1, 1994 or after the Participant has terminated employment shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate based upon the cost to the Corporation of borrowing at a fixed rate for a 15-year term. Such rate shall be determined annually by the Chief Financial Officer of the Corporation in consultation with the Treasurer of the Corporation. Participant Deferred Contributions credited to the Participant's Account on or after January 1, 1994, but before a Participant terminates employment, shall accrue amounts (to be posted each Valuation Date) equivalent to interest, compounded daily, at a rate determined annually by the Management Development and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Corporation. The rate established in the preceding sentence 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 and, once established for a calendar year, shall remain in effect with respect to all Participant Deferred Contributions credited to the Participant's Account during such calendar year until such amounts are distributed. Plan Employer Contributions shall be credited to the Participant's Account under the Plan as unfunded book entries stated as shares of Common Stock (including fractional shares). The number of shares of Common Stock credited to a Participant's Account shall be determined by dividing the equivalent cash amount (as determined under Section 4(b)) by the closing price of Common Stock on the day that such Plan Employer Contributions are credited to the Participant's Account. Amounts equivalent to the dividends that would have been payable in respect of the Common Stock shall be credited to the Participant's Account as if reinvested in Common Stock, with the number of shares credited determined by dividing the equivalent cash dividend amount by the closing price of Common Stock on the date the dividends would have been payable. Amounts credited to the Participant's Account shall accrue amounts equivalent to interest and dividends, as the case may be, until distributed in accordance with the Plan.

(b) Transition Rule for Plan Employer Contributions. The balance of each Participant's Account attributable to Plan Employer Contributions, determined as of the close of business on the day prior to the effective date of the amendment and restatement of the Plan and adjusted to reflect all gains, losses and dividends that have been credited to such Participant's Account through the day prior to such effective date, shall be converted into the equivalent number of shares of Common Stock by dividing such balance by the closing price of Common Stock on the trading date next preceding such effective date. Such amount shall be an unfunded book entry only and shall (i) thereafter be credited with equivalent dividend amounts in accordance with Section 5(a), and (ii) be distributed in accordance with Section 6(a)(ii).

6. Distribution from Accounts

(a) Form of Election.

(i) Participant Deferred Contributions. At the time a Participant makes an election pursuant to Section 3(a), the Participant shall also make an election with respect to the

distribution of the aggregate amount of the Participant Deferred Contributions, plus earnings credited thereon pursuant to Section 5 (collectively the "Participant Deferred Contribution Amounts"), credited to the Participant's Account pursuant to such election. A Participant may elect to receive such amount in one lump-sum payment or in a number of annual installments (up to fifteen installments). The lump-sum payment or the first installment shall be paid in cash as soon as practicable during the month of January of such future calendar year as the Participant may designate or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise). Except as otherwise provided in Section 8, subsequent installments shall be paid in cash as soon as practicable during the month of January of each succeeding calendar year until the entire amount of the Participant Deferred Contribution Amounts shall have been paid. The amount of each installment shall be determined by multiplying the balance of the Participant Deferred Contribution Amounts each year by a fraction, the numerator of which is one and the denominator of which is (A) the number of installments elected, reduced by (B) one for each annual installment previously received.

(ii) Plan Employer Contributions. The distribution election made pursuant to subsection (i) above shall also apply to the timing of the distribution of the aggregate number of shares of Common Stock representing the Plan Employer Contributions plus reinvested dividends pursuant to Section 5 (collectively the "Plan Employer Contribution Amounts") credited to the Participant's Account pursuant to Section 5. Except to the extent otherwise provided with respect to fractional shares, all distributions of Plan Employer Contribution Amounts shall be made in Common Stock. A Participant may elect to receive such Plan Employer Contribution Amounts in one lump-sum payment or in a number of annual installments (up to fifteen installments). The lump-sum payment or the first installment shall be paid as soon as practicable during the month of January of such future calendar year as the Participant may designate, or, if the Participant so elects, as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise). Except as otherwise provided in Section 8, subsequent installments shall be paid as soon as practicable during the month of January of each succeeding calendar year until the entire amount of the Plan Employer Contribution Amounts shall have been paid. The amount of each installment shall be determined by (A) multiplying the balance of the Plan Employer Contribution Amounts on the last Valuation Date of each year by a fraction, the numerator of which is one and the denominator of which is (x) the number of installments elected, reduced by (y) one for each annual installment previously received, and (B) rounding the result down to the next whole share of Common Stock; provided, however, the amount of the last installment shall be determined without regard to the rounding requirement of the preceding portion of this sentence. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(b) Adjustment of Method of Distribution. Prior to the beginning of any calendar year, a Participant may elect to change the timing and method of distribution of the Participant Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account commencing with such calendar year. Participant Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account prior to the effective date of such change (the "Prior Balance"), and all amounts thereafter accrued with

respect to the Prior Balance, shall not be affected by such change and, except as otherwise provided in this Section 6 or as determined by the Plan Administrator pursuant to Section 8, shall be distributed only in accordance with the election in effect at the time such Prior Balance was credited to the Participant's Account.

(c)(i) Distribution Default for Participant Deferred Contribution Amounts. Any Participant Deferred Contribution Amounts credited to a Participant's Account which are not covered by a timely distribution election under subsections (a) and (b) above shall be distributed to the Participant in one lump-sum cash payment as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates his employment with the Corporation or any of its subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), the lump sum payment shall be made within the 90-day period following a Change in Control, as defined in Section 9(c).

(c)(ii) Distribution Default for Plan Employer Contribution Amounts. Any Plan Employer Contribution Amounts credited to a Participant's Account which are not covered by a timely distribution election under subsections (a) and (b) above shall be distributed to the Participant in Common Stock as soon as practicable during the month of January of the calendar year immediately following the later of the year in which the Participant last contributed to the Plan or the year in which the Participant terminates his employment with the Corporation or any of it subsidiaries (whether by reason of Retirement or otherwise); provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or (ii), the distribution shall be made within the 90-day period following a Change in Control, as defined in Section 9(c). Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

(d) Changing Prior Distribution Elections. The Plan Administrator may from time to time allow Participants to request new elections with respect to the distribution of a Participant's Prior Balance under the Plan (other than any portion of such Prior Balance for which distributions have already commenced). The Plan Administrator shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Plan Administrator shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date. The Plan Administrator may also allow a Participant to request an immediate distribution of all or a portion of such Participant's Prior Balance (including any portion of such Prior Balance for which distributions have already commenced) and any Deferred Contribution Amounts and Plan Employer Contribution Amounts credited to the Participant's Account immediately prior to such request. Any such immediate distribution shall be subject to a penalty equal to six percent (6%) of the amount requested to be distributed and shall be subject to such other restrictions or conditions as may be established by the Plan Administrator from time to time.

(e) Special Distribution Provision. Notwithstanding any provision in this Plan to the contrary, if all or a portion of a Participant's Account is determined to be includible in the Participant's gross income and subject to income tax at any time prior to the time such Account would otherwise be paid, the Participant's Account or that portion of the Participant's Account shall be distributed to the Participant. For this purpose, an amount is determined to be includible in the Participant's gross income upon the earliest of: (i) a final determination by the

Internal Revenue Service addressed to the Participant which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Corporation by the tax counsel for the Corporation that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

7. Distribution on Death

(a) Participant Deferred Contribution Amounts. If a Participant should die before all Participant Deferred Contribution Amounts credited to the Participant's Account have been paid in accordance with the election referred to in Sections 6(a) or 6(b), the balance of the Participant Deferred Contribution Amounts in such Participant's Account shall be paid in cash as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), such amount shall be paid within the 90-day period following a Change in Control, as defined in Section 9(c). If (i) no beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator.

(b) Plan Employer Contribution Amounts. If a Participant should die before all Plan Employer Contribution Amounts credited to the Participant's Account have been paid in accordance with the election referred to in Sections 6(a) or 6(b), the balance of the Plan Employer Contribution Amounts in such Participant's Account shall be paid in Common Stock as soon as practicable following the Participant's death to the beneficiary designated in writing by the Participant and filed with the Plan Administrator; provided, however, if the Participant has made an election pursuant to Sections 9(a)(i) or 9(a)(ii), such amount shall be paid within the 90-day period following a Change in Control, as defined in Section 9(c). If (i) no such beneficiary designation has been made, or (ii) the designated beneficiary shall have predeceased the Participant and no further designation has been made, then such balance shall be paid to the estate of the Participant. A Participant may change the designated beneficiary at any time during the Participant's lifetime by filing a subsequent designation in writing with the Plan Administrator. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

8. Payment in the Event of Hardship

Upon receipt of a request from a Participant, delivered in writing to the Plan Administrator along with a Certificate of Unavailability of Resources form, the Plan Administrator, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the amount credited to the Participant's Account, including accrued amounts, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under Sections 6(a) or 6(b) would result in severe financial hardship to the Participant, and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. Acceleration of payment may not be made under this Section 8 to the extent that such hardship is or may be relieved (a) through reimbursement or compensation by insurance or otherwise, (b) by liquidation of the Participant's

assets, to the extent the liquidation of assets would not itself cause severe financial hardship, or (c) by cessation of deferrals under this Plan or any tax-qualified savings plan of the Corporation or its subsidiaries. Any distribution of Participant Deferred Contribution Amounts pursuant to this Section 8 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Section 8 shall be made in Common Stock. Any fractional shares of Common Stock shall be paid in an equivalent cash amount, as determined using the closing price of Common Stock on the trading date next preceding the distribution date.

9. Change in Control

(a)(i) Initial Lump-Sum Payment Election. Notwithstanding any election made pursuant to Section 6, any person who becomes eligible to participate in the Plan may file a written election with the Plan Administrator at the time the individual makes an election to participate pursuant to Section 3(a) to have the aggregate amount credited to the Participant's Account (commencing with the date on which such written election is filed) 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. Any distribution of Participant Deferred Contribution Amounts pursuant to this Section 9 shall be made in cash, while any distribution of Plan Employer Contribution Amounts pursuant to this Section 9 shall be made in Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control). Any fractional shares of Common Stock (or the common stock of any successor corporation issued in exchange for, or with respect to, Common Stock incident to the Change in Control) shall be paid in an equivalent cash amount.

(a)(ii) Subsequent Lump-Sum Payment Election. A Participant who did not make an election pursuant to Section 9(a)(i) or who has revoked, pursuant to Section 9(a)(iii), an election previously made under Section 9(a)(i) or this Section 9(a)(ii) may, prior to the earlier of a Change in Control or the beginning of the calendar year in which the election is to take effect, elect to have the aggregate amount credited to the Participant's Account for all calendar years commencing with the first calendar year beginning after the date the election is made, 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. Amounts credited to the Participant's Account prior to the effective date of the election made pursuant to this Section 9(a)(ii) shall not be affected by such election and shall be distributed following a Change in Control in accordance with any prior election in effect under Sections 9(a)(i) or 9(a)(ii).

(a)(iii) Revocation of Prior Change in Control Payment Elections. A Participant may, prior to a Change in Control, file an election revoking any election made pursuant to Sections 9(a)(i) or 9(a)(ii) or file a new lump sum payment election under this Section 9 with respect to amounts previously credited to the Participant's Account. Any such revocation or new election shall be made at the time specified by the Plan Administrator and shall be subject to such restrictions and limitations as the Plan Administrator shall determine from time to time.

(b) Interest Equivalents. Notwithstanding anything to the contrary in the Plan, after a Change in Control, the Plan may not provide, or be amended to provide, interest accruals with respect to Participant Deferred Contributions at rates lower than the rates in effect under Section 5 immediately prior to the Change in Control.

(c) 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 any savings, pension or other benefit plan for the benefit of employees of the

Corporation or its subsidiaries) which therefore 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 the Corporation) for all, or any part of, the Common Stock, (iii) of a merger in which the Corporation will not survive as an independent, publicly owned corporation, a consolidation, or 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 stockholders 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 Corporate Governance Committee of the Board, in its discretion, determines to be a Change in Control for purposes of the Plan.

10. Administration

(a) Plan Administrator. The Plan Administrator and "named fiduciary" for purposes of ERISA shall be the Senior Vice President-Human Resources and Communications of the Corporation (or the person acting in such capacity in the event such position is abolished, restructured or renamed). The Plan Administrator shall have the authority to appoint one or more other named fiduciaries of the Plan and to designate persons, other than named fiduciaries, to carry out fiduciary responsibilities under the Plan, pursuant to Section 405(c)(1)(B) of ERISA. Any person acting on behalf of the Plan Administrator shall serve without additional compensation. The Plan Administrator shall keep or cause to be kept such records and shall prepare or cause to be prepared such returns or reports as may be required by law or necessary for the proper administration of the Plan.

(b) Powers and Duties of Plan Administrator. The Plan Administrator shall have the full discretionary power and authority to construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan); to determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits; to establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan; to delegate responsibilities to others to assist it in administering the Plan; to retain attorneys, consultants, accountants or other persons (who may be employees of the Corporation and its subsidiaries) to render advice and assistance as it shall determine to be necessary to effect the proper discharge of any duty for which it is responsible; and to perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Corporation and its subsidiaries in determining any Participant's entitlement to and the amount of benefits payable under the Plan. Any determination of the Plan Administrator, including interpretations of the Plan and determinations of questions of fact, shall be final and binding on all parties.

(c) Indemnification. To the extent permitted by law, the Corporation shall indemnify the Plan Administrator from all claims for liability, loss, or damage (including payment of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

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11. Claims Procedures and Appeals

(a) Any request or claim for Plan benefits must be made in writing and shall be deemed to be filed by a Participant when a written request is made by the claimant or the claimant's authorized representative which is reasonably calculated to bring the claim to the attention of the Plan Administrator.

(b) The Plan Administrator shall provide notice in writing to any Participant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the Participant's claim or, if special circumstances require, and the Participant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the Participant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

(i) set forth the specific reasons for the denial of benefits;

(ii) contain specific references to Plan provisions relative to the denial;

(iii) describe any material and information, if any, necessary for the claim for benefits to be allowed, that had been requested, but not received by the Plan Administrator; and

(iv) advise the Participant that any appeal of the Plan Administrator's adverse determination must be made in writing to the Plan Administrator within 60 days after receipt of the initial denial notification, and must set forth the facts upon which the appeal is based.

(c) If notice of the denial of a claim is not furnished within the time periods set forth above, the claim shall be deemed denied and the claimant shall be permitted to proceed to the review procedures set forth below. If the Participant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

(d) If the Participant appeals the Plan Administrator's denial of benefits in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant, or his or her duly authorized representative, may review any pertinent documents, as determined by the Plan Administrator, and submit in writing any issues or comments to be addressed on appeal.

(e) The Plan Administrator shall advise the Participant and such individual's representative of its decision, which shall be written in a manner calculated to be understood by the claimant, and include specific references to the pertinent Plan provisions on which the decision is based. Such response shall be made within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay. If the decision on review is not furnished within the time set forth above, the claim shall be deemed denied on review.

(f) Any dispute, controversy, or claim arising out of or relating to any Plan benefit, including, without limitation, any dispute, controversy or claim as to whether the decision of the Plan Administrator respecting the benefits under this Plan or interpretation of this Plan is arbitrary and capricious, that is not settled in accordance with the procedures outlined in this

Section 11, shall be settled by final and binding arbitration in accordance with the American Arbitration Association Employment Dispute Resolution or other applicable Rules. Before resorting to arbitration, an aggrieved Participant must first follow the review procedure outlined in this Section of the Plan. If there is still a dispute after the procedures in this Section have been exhausted, the Participant must request arbitration in writing within six (6) months after the Plan Administrator issues, or is deemed to have issued, its determination under subparagraph (e) above.

The arbitrator shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of an arbitrator within 30 days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator shall be selected from a panel or panels of persons submitted by the American Arbitration Association (the "AAA"). The selection process shall be that which is set forth in the AAA Employment Dispute Resolution Rules, except that, if the parties fail to select an arbitrator from one or more panels, AAA shall not have the power to make an appointment but shall continue to submit additional panels until an arbitrator has been selected.

All fees and expenses of the arbitration, including a transcript if requested, will be borne by the Corporation. The arbitrator shall have no power to amend, add to or subtract from this Plan. The award shall be admissible in any court or agency action seeking to enforce or render unenforceable this Plan or any portion thereof. Any action to enforce or vacate the arbitrator's award shall be governed by the Federal Arbitration Act if applicable.

12. Miscellaneous

(a) Anti-Alienation. The right of a Participant to receive any amount credited to the Participant's Account shall not be transferable or assignable by the Participant, except by will or by the laws of descent and distribution. To the extent that any person acquires a right to receive any amount credited to a Participant's Account hereunder, such right shall be no greater than that of an unsecured general creditor of the Corporation. Except as expressly provided herein, any person having an interest in any amount credited to a Participant's Account under the Plan shall not be entitled to payment until the date the amount is due and payable. No person shall be entitled to anticipate any payment by assignment, pledge or transfer in any form or manner prior to actual or constructive receipt thereof.

(b) Unsecured General Creditor. Neither the Corporation nor any of its subsidiaries shall be required to reserve or otherwise set aside funds, Common Stock or other assets for the payment of its obligations hereunder. However, the Corporation or any subsidiary may, in its sole discretion, establish funds for payment of its obligations hereunder. Any such funds shall remain assets of the Corporation or such subsidiary, as the case may be, and subject to the claims of its general creditors. Such funds, if any, shall not be deemed to be assets of the Plan. The Plan is intended to be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

(c) Withholding. The Corporation shall withhold from any distribution made from Participant Deferred Contribution Amounts the amount necessary to satisfy applicable federal, state and local tax withholding requirements. With respect to distributions of Plan Employer Contribution Amounts, the delivery of the shares of Common Stock shall be delayed until the Participant makes arrangements, pursuant to procedures to be adopted by the Plan Administrator, to satisfy the applicable federal, state and local tax withholding requirements.

(d) Termination and Amendment. The Corporation may at any time amend or terminate the Plan. No amendment or termination shall impair the rights of a Participant with respect to amounts then credited to the Participant's Account.

(e) Benefit Statements. Each Participant will receive periodic statements (not less frequently than annually) regarding the Participant's Account. Each such statement shall indicate the amount of the balances credited to the Participant's Account as of the end of the period covered by such statement.

(f) Legal Interpretation. This Plan and its provisions shall be construed in accordance with the laws of the State of Delaware to the extent such Delaware law is not inconsistent with the provisions of ERISA. The text of this Plan shall, to the extent permitted by law, govern the determination of the rights and obligations created or referred to herein. Headings to the Sections, paragraphs and subparagraphs are for reference purposes only and do not limit or extend the meaning of any of the Plan's provisions.

(g) Employment. The adoption and maintenance of this Plan shall not be deemed to constitute a contract between the Corporation or its subsidiaries and any employee or to be a consideration for or condition of employment of any person. No provision of the Plan shall be deemed to give any employee the right to continue in the employ of the Corporation or its subsidiaries or to interfere with the right of the Corporation or its subsidiaries to discharge any employee at any time without regard to the effect which such discharge might have upon the employee's participation in the Plan or benefits under it.

(h) Fiduciary Capacities. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan. For purposes of this Section 12(h), the term "fiduciary" shall have the same meaning as in ERISA.

(i) Participants Subject to Section 16. Notwithstanding anything herein to the contrary, if any request, election or other action under the Plan affecting a Participant subject to Section 16 of the Securities Exchange Act of 1934 should require the approval of the Committee to exempt such request, election or other action from potential liability under Section 16, then the approval of the Committee shall be obtained in lieu of the approval of the Plan Administrator.

EXHIBIT 10.8

Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates

Amended and Restated
as of January 1, 2002

1. Eligibility

Those employees of Honeywell International Inc. (the "Corporation") and its affiliates who are designated by the Management Development and Compensation Committee (the "Committee") shall be eligible to participate in this supplemental non-qualified Salary and Incentive Award Deferral Plan for Selected Employees of Honeywell International Inc. and its Affiliates (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 election shall request 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, if accepted by the Corporation, shall become effective for the pay period or payment date in the next succeeding calendar year (or for a newly eligible Participant, for the next succeeding pay period or payment date after the receipt of the direction by the Corporation), and shall continue in effect until the Participant terminates such direction, effective as of the end of the calendar year, or is no longer eligible to be a Participant. Any modification of Participant's direction shall be effective only with respect to compensation payable with respect to pay periods in the calendar year next following the date such direction is received by the Corporation.

3. Contributions to Participant Accounts

(a) Base Annual Salary. A Participant in Career Band 6 and above (or a Participant who occupies a position equivalent thereto) may, prior to the beginning of any calendar year (and with respect to a newly eligible Participant, within thirty days after first becoming so eligible) elect to defer an aggregate amount of base annual salary otherwise payable in such subsequent calendar year (or with respect to a newly eligible Participant, in the remainder of the calendar year), 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 Honeywell International Inc. Incentive Compensation Plan For Executive Employees (the "Incentive Plan") (or any successor 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 deferral election with the Corporation not later than the date established by the Corporation from time to time.

(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 or such shorter period as may be approved by the Committee. Except as otherwise provided in paragraphs 9 or 10 or as approved by Committee, 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 Deferral Amounts were earned; 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. Notwithstanding the preceding provisions of this Section 4, a Participant may request an immediate withdrawal of all or a portion of such Participant's Account prior to any date described above or prior to the date the Account has been completely withdrawn, provided that such a request and withdrawal shall be subject to such penalties, restrictions or conditions as may be established by the Corporation from time to time. The penalty shall be a percentage of the amount requested to be withdrawn, calculated as the difference between (a) 6%, and (b) 50% of the amount, if any, by which 10% exceeds the interest rate on 10-year U.S. Treasury Bonds on the first business day of the calendar quarter during which the withdrawal request is made.

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 the calendar year until the Deferral Amounts are distributed.

The rate of notional interest established by the Committee shall be set forth on Schedule A attached hereto and made a part hereof. Any portion of such rate designated as the "Contingent Rate" shall become nonforfeitable only if the Participant is still employed by the Corporation or any affiliate at the end of the third full calendar year following the calendar year in which the Deferral Amount relates, provided, however, in the event a Participant terminates employment with the Corporation or an affiliate prior to such date for reasons other than gross cause, the Committee shall treat such portion as nonforfeitable in the event the Participant's employment with the Corporation or Affiliate is involuntarily terminated (including a termination for "good reason" under any applicable severance plan of the Corporation or affiliate) or is terminated for such reasons as the Committee may determine from time to time in its

sole discretion. Notwithstanding the preceding sentence, in the event a Participant withdraws any portion of the Deferral Amount prior to the end of the third full calendar year following the calendar year to which the Deferral Amount relates, the amount of Contingent Rate interest credited with respect to such Deferred Amount at the time of withdrawal shall remain credited to such Account subject to the provisions of the preceding sentence but shall not be credited with any Interest Equivalents after such date ("Frozen Contingent Interest"). The rate established by the Committee and set forth on Schedule A shall remain in effect until superceded by action of the Committee and amendment of such Schedule A.

Notwithstanding anything in the Plan to the contrary, from and after the occurrence of a Change in Control, the rate at which Deferral Amounts accrue Interest Equivalents may not be decreased.

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, 9 and 10, 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. Notwithstanding the foregoing, in the event a Participant's employment with the Company is terminated either voluntarily (other than on account of retirement as defined in the qualified pension plan in which the Participant participates or for "good reason" under any applicable severance plan of the Company) or for "gross cause" (as defined in the AlliedSignal Inc. Severance Plan for Senior Executives), the nonforfeitable portion of such Participant's Deferred Amounts for performance years beginning after 1997 for amounts deferred under paragraph 3(b) or after 1998 for amount deferred under paragraph 3(a) (including the vested portion of any applicable notional interest credited thereto) shall be distributed in a lump sum as soon as practicable in January of the calendar year following such termination of employment. Any Frozen Contingent Interest credited to the Participant's Account shall be payable to the Participant in one lump sum after the date the Frozen Contingent Interest becomes nonforfeitable pursuant to Paragraph 5.

The Corporation may from time to time allow Participants to request new elections with respect to the distribution of all Deferral Amounts and Interest Equivalents accrued thereon that are credited to such Participant under the Plan (other than any

such amounts currently payable to a Participant). The Corporation shall reserve the right to accept or reject any such request at any time and such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion, provided that any new election shall generally be required to be made at least twelve (12) months prior to any scheduled payment date.

Notwithstanding any provision in this Plan to the contrary, if all or a portion of a Participant's Account is determined to be includible in the Participant's gross income and subject to income tax at any time prior to the time such Account would otherwise be paid, the Participant's Account or that portion of the Participant's Account shall be distributed to the Participant. For this purpose, an amount is determined to be includible in the Participant's gross income upon the earliest of: (i) a final determination by the Internal Revenue Service addressed to the Participant which is not appealed, (ii) a final determination by the United States Tax Court or any other federal court affirming an IRS determination, or (iii) an opinion addressed to the Corporation by the tax counsel for the Corporation that, by reason of the Code, Treasury Regulations, published Internal Revenue Service rulings, court decisions or other substantial precedent, the amount is subject to federal income tax prior to payment.

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. Payment to a beneficiary pursuant to a designation by a Participant 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. Payment in the Event of Hardship

Upon receipt of a request from a Participant, delivered in writing to the Corporation along with a Certificate of Unavailability of Other Resources form, the Committee, the Senior Vice President - Human Resources and Communications, or his designee, may cause the Corporation to accelerate (or require the subsidiary of the Corporation which employs or employed the Participant to accelerate) payment of all or any part of the Deferral Amount and Interest Equivalents credited to the Participant's Account, if it finds in its sole discretion that payment of such amounts in accordance with the Participant's prior election under paragraph 3 would result in severe financial hardship to the Participant and such hardship is the result of an unforeseeable emergency caused by circumstances beyond the control of the Participant. Acceleration of payment may not be made under this paragraph 9 to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under this Plan or any tax-qualified savings plan of the Corporation.

10. 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. The Interest Equivalents on any Deferred Amount payable pursuant to this paragraph 10(a) shall include the "Contingent Rate" credited to such Deferred Amount without regard to whether such amount has become nonforfeitable as provided in paragraph 5 at the time payment is made under this paragraph 10(a).

(b) Revocation of Lump-Sum Election. A Participant may revoke an election made pursuant to paragraph 10(a) (including an election not to be paid in one lump sum upon a Change in Control) by filing an appropriate written notice with the Corporation. A revocation notice filed pursuant to this paragraph 10(b) shall be subject to such terms and conditions as the Corporation shall establish and shall be effective with respect to any or all of the Participant's Deferral Amounts and Interest Equivalents accrued thereon which are credited to such Participant under the Plan. Any such election shall be subject to such restrictions and limitations as the Corporation shall determine in its sole discretion.

(c) Limitation on Elections. Any election made pursuant to paragraph 10(a) or 10(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 an 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 (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.

11. 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. This Plan is intended to be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. 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; and further provided that during a Potential Change in Control Period (as defined in Section 11(h) hereof) and from and after the occurrence of a Change in Control, the Plan may not, without the consent of the Participant, be amended in any manner which would adversely affect such Participant's rights and expectations with respect to Deferred Amounts credited to such Participant's Account immediately prior to such amendment.

(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 therefore 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 therefore.

(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.

(h) Potential Change in Control Period. A "Potential Change in Control Period" shall commence when: (i) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) the Corporation or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would result in a Change in Control; (iii) any person or group (other than the Corporation, any subsidiary or any savings, pension or other benefit plan for the benefit of employees of the Corporation or its subsidiaries) becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 15% or more of either the then outstanding shares of common stock of the Corporation or the combined voting power of the Corporation's then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from the Corporation or its affiliates); or (iv) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (A) a Change in Control, or (B) the adoption by the Board of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

SCHEDULE A
Notional Interest Rate

Deferred Incentive Awards (Band 6 and Above)

Year Award Earned	Vested Rate	Contingent Rate	Total Rate
1975 - 1992	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1993 - 1997	10%	N/A	10%
1998 - 2000	8%	3%	11%
2001 +	7%	3%	10%

*/Three-month Treasury bill average rate for the immediately preceding calendar quarter as reported by the Federal Reserve Bank; rate changes each calendar quarter.

Deferred Incentive Awards (Band 5 and Below)

Year Award Earned	Vested Rate	Contingent Rate	Total Rate
1975 - 1997	Treasury bills + 3%*	N/A	Treasury bills + 3%*
1998 +	6%	3%	9%

*/Three-month Treasury bill average rate for the immediately preceding calendar quarter as reported by the Federal Reserve Bank; rate changes each calendar quarter.

Deferred Salary (Band 6 and Above)

Year Salary Earned	Vested Rate	Contingent Rate	Total Rate
1994 - 1998	10%	N/A	10%
1999 - 2001	8%	3%	11%
2002 +	7%	3%	10%

EXHIBIT 10.10

364-DAY CREDIT AGREEMENT

Dated as of November 27, 2002

HONEYWELL INTERNATIONAL INC., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), JPMORGAN CHASE BANK, DEUTSCHE BANK AG, NEW YORK BRANCH, BANK OF AMERICA, N.A. and BARCLAYS BANK PLC, as syndication agents, and SALOMON SMITH BARNEY INC., as lead arranger book manager, hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.

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

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

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

"Agent's Account" means (a) in the case of Advances denominated in Dollars, the account of the Agent maintained by the Agent at Citibank at its office at 388 Greenwich Street, New York, New York 10013, Account No. 36852248, Attention: Janet Wallace, (b) in the case of Advances denominated in any Foreign Currency, the account of the Sub-Agent designated in writing from time to time by the Agent to the Company and the Lenders for such purpose and (c) in any such case, such other account of the Agent as is designated in writing from time to time by the Agent to the Company and the Lenders for such purpose.

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

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

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurocurrency Rate Advances, as of any date, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Margin for Eurocurrency Rate Advances Prior to Term Loan Conversion Date	Applicable Margin for Eurocurrency Rate Advances On and After Term Loan Conversion Date
Level 1 A+ or A1 or above	0.200%	0.550%
Level 2 Lower than Level 1 but at least A or A2	0.240%	0.600%
Level 3 Lower than Level 2 but at least A- or A3	0.280%	0.700%
Level 4 Lower than Level 3 but at least BBB+ or Baa1	0.400%	0.875%
Level 5 Lower than Level 4	0.625%	1.375%

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

Public Debt Rating S&P/Moody's	Applicable Percentage
Level 1 A+ or A1 or above	0.050%
Level 2 Lower than Level 1 but at least A or A2	0.060%
Level 3 Lower than Level 2 but at least A- or A3	0.070%

Level 4 Lower than Level 3 but at least BBB+ or Baa1	0.100%
Level 5 Lower than Level 4	0.125%

"Applicable Utilization Fee" means, as of any date prior to the Term Loan Conversion Date that the aggregate Advances exceed 50% of the aggregate Commitments, a percentage per annum determined by reference to the Public Debt Rating in effect on such date as set forth below:

Public Debt Rating S&P/Moody's	Applicable Utilization Fee
Level 1 A+ or A1 or above	0.050%
Level 2 Lower than Level 1 but at least A or A2	0.050%
Level 3 Lower than Level 2 but at least A- or A3	0.100%
Level 4 Lower than Level 3 but at least BBB+ or Baa1	0.125%
Level 5 Lower than Level 4	0.125%

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

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

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

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

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

(b) the sum (adjusted to the nearest 1/32 of 1% or, if there is no nearest 1/32 of 1%, to the next higher 1/32 of 1%) of (i) 1/2 of 1% per annum, plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

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

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

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

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

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advance or LIBO Rate Advance, on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of the currency of such Eurocurrency Rate Advance or LIBO Rate Advance (or, in the case of an Advance denominated in Euros, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open) and, if the applicable Business Day relates to any Local Rate Advance, on which banks are open for business in the country of issue of the currency of such Local Rate Advance.

"Change of Control" means that (i) any Person or group of Persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended (the "Act")) (other than the Company, any Subsidiary of the Company or any savings, pension or other benefit plan for the benefit of employees of the Company or its Subsidiaries) which theretofore beneficially owned less than 30% of the Voting Stock of the Company then outstanding shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Act) of 30% or more in voting power of the outstanding Voting Stock of the Company or (ii) during any period of twelve consecutive calendar months commencing at the Effective Date, individuals who at the beginning of such twelve-month period were directors of the Company shall cease to constitute a majority of the Board of Directors of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"ERISA Event" with respect to any Person means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan of such Person or any of its ERISA Affiliates unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan of such Person or any of its ERISA Affiliates, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan of such Person or any of its ERISA Affiliates; (c) the provision by the administrator of any Plan of such Person or any of its ERISA Affiliates of a notice of intent to terminate such Plan in a distress termination pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of such Person or any of its ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by such Person or any of its ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan of such Person or any of its ERISA Affiliates; (g) the adoption of an amendment to a Plan of such Person or any of its ERISA Affiliates requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan of such Person or any of its ERISA Affiliates pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

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

"EURIBO Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Borrowing, the rate per annum appearing on Page 248 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Agent from

time to time for purposes of providing quotations of interest rates applicable to deposits in Euro by reference to the Banking Federation of the European Union Settlement Rates for deposits in Euro) at approximately 10:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Euros with a maturity comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the respective rates per annum at which deposits in Euros are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period (subject, however, to the provisions of Section 2.07).

"Euro" means the lawful currency of the European Union as constituted by the Treaty of Rome which established the European Community, as such treaty may be amended from time to time and as referred to in the EMU legislation.

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

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

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

for such Interest Period. If the Telerate Page is unavailable, the Eurocurrency Rate for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

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

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

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

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

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

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

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

"GAAP" has the meaning specified in Section 1.03.

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

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

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

(i) such Borrower may not select any Interest Period that ends after the scheduled Termination Date or, if the Revolving Credit Advances have been converted to a term loan pursuant to Section 2.06 prior to such selection, that ends after the Maturity Date;

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

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

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

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

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

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

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

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

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

"Major Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of Japan and Euros.

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

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

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

"Maturity Date" means the earlier of (a) the first anniversary of the Termination Date and (b) the date of termination in whole of the aggregate Commitments pursuant to Section 2.05 or 6.01.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Reference Banks" means Citibank, Bank of America, N.A., JPMorgan Chase Bank and Deutsche Bank AG New York Branch.

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

"Restricted Property" means (a) any property of the Company located within the United States of America that, in the opinion of the Company's Board of Directors, is a

principal manufacturing property or (b) any shares of capital stock or Debt of any Subsidiary owning any such property.

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

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

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

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

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

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

"Sub-Agent" means Citibank International plc.

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

limited liability company, partnership or joint venture or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

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

"Term Loan Conversion Date" means the Termination Date on which all Revolving Credit Advances outstanding on such date are converted into a term loan pursuant to Section 2.06.

"Term Loan Election" has the meaning specified in Section 2.06.

"Termination Date" means the earlier of (a) November 26, 2003, or such later date to which it may be extended pursuant to Section 2.16, and (b) the date of termination in whole of the Commitments pursuant to Section 2.05(a) or Section 6.01 or, if all Lenders elect to terminate their Commitments as provided therein, Section 2.05(d).

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

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

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

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

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

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

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

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

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

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

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

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

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

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

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

(i) Any Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent (and the Agent shall, in the case of a Competitive Bid Borrowing not consisting of Fixed Rate Advances or LIBO Rate Advances to be denominated in Dollars, immediately notify the Sub-Agent), by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (A) date of such proposed Competitive Bid Borrowing, (B) aggregate amount of such proposed Competitive Bid Borrowing, (C) interest rate basis and day count convention to be offered by the Lenders, (D) currency of such proposed Competitive Bid Borrowing, (E) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances or Local Rate Advances, maturity date for repayment of each Fixed Rate Advance or Local Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring five days after the date of

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

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

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

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

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

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

Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

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

(v) If the Borrower proposing the Competitive Bid Borrowing accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 11:00 A.M. (New York City time), in the case of Competitive Bid Advances to be denominated in Dollars or 11:00 A.M. (London time), in the case of Competitive Bid Advances to be denominated in any Foreign Currency, on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent (x) in the case of a Competitive Bid Borrowing denominated in Dollars, at its address referred to in Section 9.02, in same day funds, such Lender's portion of such Competitive Bid Borrowing in Dollars, and (y) in the case of a Competitive Bid Borrowing in a Foreign Currency, at the Payment Office for such Foreign Currency as shall have been notified by the Agent to the Lenders prior thereto, in same day funds, such Lender's portion of such Competitive Bid Borrowing in such Foreign Currency. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower's account at the location specified by such Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of such Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower proposing the Competitive Bid Borrowing notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender against any loss, cost or

expense incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

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

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

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

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

Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

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

SECTION 2.04. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2002, and on the Termination Date.

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

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

(b) Non-Ratable Termination by Assignment. The Company shall have the right, upon at least ten Business Days' written notice to the Agent (which shall then give prompt notice thereof to the relevant Lender), to require any Lender to assign, pursuant to and in accordance with the provisions of Section 9.07, all of its rights and obligations under this Agreement and under the Notes to an Eligible Assignee selected by the Company; provided, however, that (i) no Event of Default shall have occurred and be continuing at the time of such request and at the time of such assignment; (ii) the assignee shall have paid to the assigning Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of such assignment on, the Note or Notes of such Lender; (iii) the Company shall have paid to the assigning Lender any and all facility fees and other fees payable to such Lender and all other accrued and unpaid amounts owing to such Lender under any provision of this Agreement

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

(c) Non-Ratable Reduction. (i) The Company shall have the right, at any time other than during any Rating Condition, upon at least ten Business Days' notice to a Lender (with a copy to the Agent), to terminate in whole such Lender's Commitment (determined without giving effect to any Competitive Bid Reduction). Such termination shall be effective, (i) with respect to such Lender's unused Commitment, on the date set forth in such notice, provided, however, that such date shall be no earlier than ten Business Days after receipt of such notice and (ii) with respect to each Advance outstanding to such Lender, on the last day of the then current Interest Period relating to such Advance; provided further, however, that such termination shall not be effective, if, after giving effect to such termination, the Company would, under this Section 2.05(c), reduce the Lenders' Commitments in any calendar year by an amount in excess of the Commitments of any three Lenders or $480,000,000, whichever is greater on the date of such termination. Notwithstanding the preceding proviso, the Company may terminate in whole the Commitment of any Lender in accordance with the terms and conditions set forth in Section 2.05(b) or 2.16(b). Upon termination of a Lender's Commitment under this Section 2.05(c), the Company will pay or cause to be paid all principal of, and interest accrued to the date of such payment on, Advances owing to such Lender and pay any facility fees or other fees payable to such Lender pursuant to the provisions of Section 2.04, and all other amounts payable to such Lender hereunder (including, but not limited to, any increased costs or other amounts owing under Section 2.10 and any indemnification for Taxes under Section 2.13); and upon such payments, the obligations of such Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that such Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05 shall survive such release and discharge as to matters occurring prior to such date. The aggregate amount of the Commitments of the Lenders once reduced pursuant to this Section 2.05(c) may not be reinstated.

(ii) For purposes of this Section 2.05(c) only, the term "Rating Condition" shall mean a period commencing with notice (a "Rating Condition Notice") by the Agent to the Company and the Lenders to the effect that the Agent has been informed that the rating of the senior public Debt of the Company is unsatisfactory under the standard set forth in the next sentence, and ending with notice by the Agent to the Company and the Lenders to the effect that such condition no longer exists. The Agent shall give a Rating Condition Notice promptly upon receipt from the Company or any Lender of notice stating, in effect, that both of S&P and Moody's (or any successor by merger or consolidation to the business of either thereof), respectively, then rate the senior public Debt of the Company lower than BBB- and Baa3. The Company agrees to give notice to the Agent forthwith upon any change in a rating by either such organization of the senior public Debt of the Company; the Agent shall have no duty whatsoever to verify the accuracy of any such notice from the Company or any Lender or to monitor

independently the ratings of the senior public Debt of the Company and no Lender shall have any duty to give any such notice. The Agent shall give notice to the Lenders and the Company as to the termination of a Rating Condition promptly upon receiving a notice from the Company to the Agent (which notice the Agent shall promptly notify to the Lenders) stating that the rating of the senior public Debt of the Company does not meet the standard set forth in the second sentence of this clause (ii), and requesting that the Agent notify the Lenders of the termination of the Rating Condition. The Rating Condition shall terminate upon the giving of such notice by the Agent.

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

(e) Mandatory Reduction. On the Termination Date, if the Company has made the Term Loan Election in accordance with Section 2.06 prior to such date, and from time to time thereafter upon each prepayment of the Revolving Credit Advances, the Commitments of the Lenders shall be automatically and permanently reduced on a pro rata basis by an amount equal to the amount by which (i) the aggregate Commitments immediately prior to such reduction exceeds (ii) the aggregate unpaid principal amount of all Revolving Credit Advances outstanding at such time.

SECTION 2.06. Repayment of Advances. (a) Revolving Credit Advances. Each Borrower shall, subject to the next succeeding sentence, repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding. The Company may, upon not less than 15 days' notice to the Agent, elect (the "Term Loan Election") to convert all of the Revolving Credit Advances outstanding on the Termination Date in effect at such time into a term loan which the Borrowers shall repay in full ratably to the Lenders on the Maturity Date; provided that the Term Loan Election may not be exercised if on the date of notice of the Term Loan Election or on the date on which the Term Loan Election is to be effected (x) a Default has occurred and is continuing or (y) the representations and warranties in Section 4.01 (other than the representations set forth in the last sentence of subsection (e) thereof and in subsections (f), (h)-(l) and (n) thereof) are not true and correct as though made on and as of such date. All Revolving Credit Advances converted into a term loan pursuant to this Section 2.06(a) shall continue to constitute Revolving Credit Advances except that the Borrowers may not reborrow pursuant to Section 2.01 after all or any portion of such Revolving Credit Advances have been prepaid pursuant to Section 2.09.

(b) Competitive Bid Advances. Each Borrower shall repay to the Administrative Agent, for the account of each Lender that has made a Competitive Bid Advance, the aggregate outstanding principal amount of each Competitive Bid Advance made to such

Borrower and owing to such Lender on the earlier of (i) the maturity date therefor, specified in the related Notice of Competitive Bid Borrowing delivered pursuant to Section 2.03(a)(i) and (ii) the Termination Date.

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

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

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

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

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

for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

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

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

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

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

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

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

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

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

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

additional amounts which such Borrower shall be obligated to reimburse to the Lenders in respect thereof pursuant to Section 9.04(c). The Agent shall give prompt notice of any prepayment required under this Section 2.09(b)(i) to the Borrowers and the Lenders.

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

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

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

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

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

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

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

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

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

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

Funds Rate in the case of Advances denominated in Dollars or (ii) the cost of funds incurred by the Agent in respect of such amount in the case of Advances denominated in Foreign Currencies.

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

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

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

Lender as to the payment of the relevant Taxes or Other Taxes, and that it will, if requested by the Company or such Borrower, cooperate with the Company or such Borrower, as the case may be, in its efforts to obtain a refund or similar relief in respect of such payment.

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

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by any Borrower (but only so long as such Lender remains lawfully able to do so), shall provide the Agent and each Borrower with two original Internal Revenue Service forms W-8ECI or W-8BEN, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. In addition, each Lender further agrees to provide any Borrower with any form or document as any Borrower may request which is required by any taxing authority outside the United States in order to secure an exemption from, or reduction in the rate of, withholding tax. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which a Lender becomes a party to this Agreement, such Lender was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to such Lender on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form W-8ECI or W-8BEN, that a Lender reasonably considers to be confidential, such Lender shall give notice thereof to each Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender has failed to provide each Borrower with the appropriate form described in Section 2.13(e) (other than if such failure is due

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

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

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

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

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

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

(i) arrange for one or more Consenting Lenders or other Eligible Assignees as Assuming Lenders to assume, effective on the Extension Date, any Non-Consenting Lender's Commitment and all of the obligations of such Lender under this Agreement thereafter arising, and effective on such Extension Date, each such Consenting Lender or such Assuming Lender will be substituted for such Non-Consenting Lender under this Agreement; provided, however, that the amount of the Commitment of any such Assuming Lender as a result of such substitution shall in no event be less than $10,000,000; provided further that (i) any such Consenting Lender or Assuming Lender shall have paid to such Non-Consenting Lender the aggregate principal amount of, and any interest accrued and unpaid to the date of the assignment on, the Advances of such Non-Consenting Lender; (ii) the Company shall have paid to such Non-Consenting Lender any and all facility fees and other fees payable to such Non-Consenting Lender and all other accrued and unpaid amounts owing to such Non-Consenting Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10, and any indemnification for Taxes under this Section 2.13) as of the effective date of such assignment; and (iii) with respect to any such Assuming Lender, such Assuming Lender or the Company shall have paid the applicable processing and recordation fee required under Section 9.07(a) for such assignment; provided further that such Non-Consenting Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such substitution as to matters occurring prior to the date of substitution; provided further that, on or prior to the tenth day prior to the Extension Date, (x) any such Assuming Lender shall have delivered to the Company and the Agent an Assumption Agreement in substantially the form of Exhibit D hereto, duly executed by such Assuming Lender, such Non-Consenting

Lender and the Company, (y) any such Consenting Bank shall have delivered confirmation in writing satisfactory to the Agent as to its increased Commitment and (z) each Non-Consenting Lender being replaced pursuant to this clause (i) shall have delivered to the Agent any Revolving Credit Note or Notes held by such Non-Consenting Lender; and provided further that, if requested by any Assuming Lender, each Borrower, at its own expense, shall have executed and delivered to the Agent no later than 10:00 A.M. (New York City time) on the Extension Date, Revolving Credit Notes payable to the order of each such Assuming Lender, if any, dated as of the Extension Date and substantially in the form of Exhibit A-1 hereto; or

(ii) subject to the giving of notice to such Non-Consenting Lender at least four days prior to the Extension Date, pay, prepay or cause to be prepaid, on and effective as of the Extension Date, all principal of, and interest accrued to the date of such payment on, Advances and all other amounts owing to such Non-Consenting Lender hereunder (including, but not limited to, any increased costs or other additional amounts owing under Section 2.10 and any indemnification for Taxes under Section 2.13) and terminate in whole any Non-Consenting Lender's Commitment, notwithstanding the provisions of Section 2.05; and, upon such payment or prepayment, the obligations of such Non-Consenting Lender hereunder shall, by the provisions hereof, be released and discharged; provided, however, that such Non-Consenting Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05 shall survive such release and discharge as to matters occurring prior to the Extension Date.

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

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

SECTION 2.17. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender

from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. Each Borrower agrees that upon request of any Lender to such Borrower (with a copy of such notice to the Agent) that such Lender receive a Revolving Credit Note to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

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

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

ARTICLE III

CONDITIONS TO EFFECTIVENESS AND LENDING

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

(a) There shall have occurred no Material Adverse Change since December 31, 2001, except as otherwise publicly disclosed prior to the date hereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) The Effective Date shall have occurred.

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

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

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

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

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

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

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

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

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

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

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

SECTION 3.04. Conditions Precedent to Each Revolving Credit Borrowing. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing (a) the following

statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower requesting such Revolving Credit Borrowing of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Borrowing such statements are true):

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

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

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

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

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

Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

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

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

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

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

(e) The Consolidated balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 2001, and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for the fiscal year then ended (together with the notes to the financial statements of the Company and its Consolidated Subsidiaries and the Consolidated statements of cash flows of the Company and its Consolidated Subsidiaries), accompanied by an opinion of one or more nationally recognized firms of independent public accountants, and the Consolidated balance sheet of the Company and its Consolidated Subsidiaries as at September 30, 2002, and the related Consolidated statements of income and cash flows of the Company and its Consolidated Subsidiaries for the nine months then ended, duly certified by the principal financial officer of the Company, copies of which have been furnished to each Lender, are materially complete and correct, and fairly present, subject, in the case of said balance sheet as at September 30, 2002, and said statements of income and cash flows for the nine months then ended, to year-end audit adjustments, the Consolidated financial condition of the Company and its Consolidated Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP consistently applied, except as otherwise noted therein; the Company and its Consolidated Subsidiaries do not have on such date any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in such balance sheet or the notes thereto as at such date. No Material Adverse Change has occurred since December 31, 2001, except as otherwise publicly disclosed prior to the date hereof.

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

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

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

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

(j) The Schedules B (Actuarial Information) to the 2001 annual reports (Form 5500 Series) with respect to each Plan of the Company or any of its ERISA Affiliates, copies of which have been filed with the Internal Revenue Service (and which will be furnished to any Bank through the Administrative Agent upon the request of such Bank through the Administrative Agent to the Company), are complete and accurate in all material respects and fairly present in all material respects the funding status of such Plans at such date, and since the date of each such Schedule B there has been no material adverse change in funding status.

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

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

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

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

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

ARTICLE V

COVENANTS OF THE BORROWER

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

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

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

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

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

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

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

Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

occurred and be continuing at the time of such proposed transaction or would result therefrom.

ARTICLE VI

EVENTS OF DEFAULT

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

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

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

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

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

(e) (i) The Company or any of its Consolidated or Designated Subsidiaries shall fail to pay any principal of or premium or interest on any Debt (other than Debt owed to the Company or its Subsidiaries or Affiliates) that is outstanding in a principal amount of at least $150,000,000 in the aggregate (but excluding Debt outstanding hereunder and Debt owed by such party to any bank, financial institution or other institutional lender to the extent the Borrower or any Subsidiary has deposits with such bank, financial institution or other institutional lender sufficient to repay such Debt) of

the Company or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or (ii) any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt, or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; provided, however, that, for purposes of this Section 6.01(e), in the case of (x) Debt of any Person (other than the Company or one of its Consolidated Subsidiaries) which the Company has guaranteed and (y) Debt of Persons (other than the Company or one of its Consolidated Subsidiaries) the payment of which is secured by a Lien on property of the Company or such Subsidiary, such Debt shall be deemed to have not been paid when due or to have been declared to be due and payable only when the Company or such Subsidiary, as the case may be, shall have failed to pay when due any amount which it shall be obligated to pay with respect to such Debt; provided further, however, that any event or occurrence described in this subsection (e) shall not be an Event of Default if (A) such event or occurrence relates to the Debt of any Subsidiary of the Company located in China, India, the Commonwealth of Independent States or Turkey (collectively, the "Exempt Countries"), (B) such Debt is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such event or occurrence is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding such event or occurrence, the book value of the assets of such Subsidiary does not exceed $150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries the Debt of which would cause an Event of Default to occur but for the effect of this proviso does not exceed $500,000,000; or

(f) The Company or any of its Designated or Consolidated Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any such Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Company or any such Subsidiaries shall take any corporate action to authorize any of the

actions set forth above in this subsection (f); provided, however, that any event or occurrence described in this subsection (f) shall not be an Event of Default if (A) such event or occurrence relates to any Subsidiary of the Company located in an Exempt Country, (B) the Debt of such Subsidiary is not guaranteed or supported in any legally enforceable manner by any Borrower or by any Subsidiary or Affiliate of the Company located outside the Exempt Countries, (C) such event or occurrence is due to the direct or indirect action of any government entity or agency in any Exempt Country and (D) as of the last day of the calendar quarter immediately preceding such event or occurrence, the book value of the assets of such Subsidiary does not exceed $150,000,000 and the aggregate book value of the assets of all Subsidiaries of the Company located in Exempt Countries with respect to which the happening of the events or occurrences described in this subsection (f) would cause an Event of Default to occur but for the effect of this proviso does not exceed $500,000,000; or

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

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

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

(j) (i) Any ERISA Event shall have occurred with respect to a Plan of any Borrower or any of its ERISA Affiliates and the sum (determined as of the date of

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

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

ARTICLE VII

GUARANTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 7.06. Survival. This guarantee is a continuing guarantee and shall (a) remain in full force and effect until payment in full (after the Termination Date) of the Obligations and all other amounts payable under this guaranty, (b) be binding upon the Company, its successors and assigns, (c) inure to the benefit of and be enforceable by each

Lender (including each Assuming Lender and each assignee Lender pursuant to Section 9.07) and the Agent and their respective successors, transferees and assigns and (d) shall be reinstated if at any time any payment to a Lender or the Agent hereunder is required to be restored by such Lender or the Agent. Without limiting the generality of the foregoing clause (c), each Lender may assign or otherwise transfer its interest in any Advance to any other person or entity, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to such Lender herein or otherwise.

ARTICLE VIII

THE AGENT

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

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (b) may consult with legal counsel (including counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

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

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

SECTION 8.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by a Borrower), ratably according to the respective principal amounts of the Revolving Credit Advances then owed to each of them (or if no Revolving Credit Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by a Borrower.

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Company and may be removed at any time with or without cause by the Majority Lenders. The Company may at any time, by notice to the Agent, propose a successor Agent (which shall meet the criteria described below) specified in such notice and request that the Lenders be notified thereof by the Agent with a view to their removal of the Agent and their appointment of such successor Agent; the Agent agrees to forward any such notice to the Lenders promptly upon its receipt by the Agent. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the

Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

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

ARTICLE IX

MISCELLANEOUS

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

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed (return receipt requested), telecopied, telegraphed, telexed or delivered, if to the Company or to any Designated Subsidiary, at the Company's address at 101 Columbia Road, Morristown, New Jersey 07962-1219, Attention: Assistant Treasurer; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance pursuant to which it became a Lender; and if to the Agent, at its

address at Two Penns Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications Department, with a copy to 388 Greenwich Street, New York, New York 10013, Attention: Carolyn Sheridan; or, as to any Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

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

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

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

The Company also agrees not to assert any claim against any Indemnified Party on any theory of liability for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances.

(c) If any payment of principal of, or Conversion of, any Eurocurrency Rate Advance or LIBO Rate Advance is made by the Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.03(d), 2.05(b), 2.09(a) or (b), 2.11 or 2.16, acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably incur as a result of such payment or Conversion, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

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

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

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

SECTION 9.07. Assignments and Participations. (a) Each Lender may at any time, with notice to the Company prior to making any proposal to any potential assignee and with the consent of the Company, which consent shall not be unreasonably withheld (and shall at any time, if requested to do so by the Company pursuant to Section 2.05(b), 2.10 or 2.13) assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) the Company's consent shall not be required (A) in the case of an assignment to an Affiliate of such Lender, provided that notice thereof shall have been given to the Company and the Agent, or (B) in the case of an assignment of the type described in subsection (g) below; (ii) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes); (iii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $10,000,000 or an integral multiple of $1,000,000 in excess thereof; (iv) each such assignment shall be to an Eligible Assignee, (v) each such assignment made as a result of a demand by the Company pursuant to this Section 9.07(a) shall be arranged by the Company after consultation with, and subject to the approval of, the Agent, and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (vi) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement and all of the obligations of the Borrower to such Lender shall have been satisfied; and (vii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of $3,500 and, if the assigning Lender is not retaining a Commitment hereunder, any Revolving Credit Note subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto, provided, however, that such assigning Lender's rights under Sections 2.10, 2.13 and 9.04, and its obligations under Section 8.05, shall survive such assignment as to matters occurring prior to the effective date of such assignment).

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

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

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

(e) Each Lender may sell participations to one or more banks or other entities (other than the Company or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however,

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

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

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

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

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

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

SECTION 9.10. Mitigation of Yield Protection. Each Lender hereby agrees that, commencing as promptly as practicable after it becomes aware of the occurrence of any event giving rise to the operation of Section 2.10(a), 2.11 or 2.13 with respect to such Lender, such Lender will give notice thereof through the Agent to the respective Borrower. A Borrower may at any time, by notice through the Agent to any Lender, request that such Lender change its Applicable Lending Office as to any Advance or Type of Advance or that it specify a new Applicable Lending Office with respect to its Commitment and any Advance held by it or that it rebook any such Advance with a view to avoiding or mitigating the consequences of an occurrence such as described in the preceding sentence, and such Lender will use reasonable efforts to comply with such request unless, in the opinion of such Lender, such change or specification or rebooking is inadvisable or might have an adverse effect, economic or otherwise, upon it, including its reputation. In addition, each Lender agrees that, except for changes or specifications or rebookings required by law or effected pursuant to the preceding sentence, if the result of any change or change of specification of Applicable Lending Office or rebooking would, but for this sentence, be to impose additional costs or requirements upon the respective Borrower pursuant to Section 2.10(a), Section 2.11 or Section 2.13 (which would not be imposed absent such change or change of specification or rebooking) by reason of legal or regulatory requirements in effect at the time thereof and of which such Lender is aware at such time, then such costs or requirements shall not be imposed upon such Borrower but shall be borne by such Lender. All expenses incurred by any Bank in changing an Applicable Lending Office or specifying another Applicable Lending Office of such Lender or rebooking any Advance in response to a request from a Borrower shall be paid by such Borrower. Nothing in this Section 9.10 (including, without limitation, any failure by a Lender to give any notice contemplated in the first sentence hereof) shall limit, reduce or postpone any obligations of the respective Borrower under Section 2.10(a), Section 2.11 or Section 2.13, including any obligations payable

in respect of any period prior to the date of any change or specification of a new Applicable Lending Office or any rebooking of any Advance.

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

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

SECTION 9.13. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Designated Subsidiary hereby agrees that service of process in any such action or proceeding brought in the any such New York State court or in such federal court may be made upon CT Corporation System at its offices at 1633 Broadway, New York, New York 10019 (the "Process Agent") and each Designated Subsidiary hereby irrevocably appoints the Process Agent its authorized agent to accept such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address specified pursuant to Section 9.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by law or to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction. To the extent that each Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, each Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

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

hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

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

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

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

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

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

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

HONEYWELL INTERNATIONAL INC.

By:/s/ James V. Gelly

Name: James V. Gelly
Title: Vice President and Treasurer

CITIBANK, N.A., as Agent

By /s/ Carolyn A. Kee

Name: Carolyn A. Kee
Title: Vice President

COMMITMENT	ARRANGER AND ADMINISTRATIVE AGENT
$126,333,333	CITIBANK, N.A.

By: /s/ Carolyn A. Kee

Name: Carolyn A. Kee
Title: Vice President

CO-SYNDICATION AGENTS

$70,000,000	JPMORGAN CHASE BANK

By: /s/ Randolph Cates

Name: Randolph Cates
Title: Vice President

$94,000,000	BANK OF AMERICA, N.A.

By /s/ John W. Pocalyko

Name: John W. Pocalyko
Title: Managing Director

$94,000,000 BARCLAYS BANK PLC

By:/s/ Douglas Bernegger

Name: Douglas Bernegger
Title: Director

$94,000,000 DEUTSCHE BANK AG, NEW YORK BRANCH

By:/s/ Jean M. Hannigan

Name: Jean M. Hannigan
Title: Director

By:/s/ Ping Chen

Name: Ping Chen
Title: Associate

MANAGING AGENTS

$55,000,000 BNP PARIBAS

By:/s/ Christopher Criswell

Name: Christopher Criswell
Title: Managing Director

By:/s/ Bruno Lavole

Name: Bruno Lavole
Title: Managing Director

$55,000,000 BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By:/s/ Spencer Hughes

Name: Spencer Hughes
Title: Vice President

$55,000,000 HSBC BANK USA

By:/s/Diane M. Zieske

Name: Diane M. Zieske
Title: First Vice President

$55,000,000

ABN AMRO BANK N.V.

By:/s/ James S. Kreitler

Name: James S. Kreitler
Title: Senior Vice President

By:/s/ Todd J. Miller

Name: Todd J. Miller
Title: Assistant Vice President

$50,000,000

BANK ONE, NA

By:/s/ Mahua Thakurta

Name: Mahua Thakurta
Title: Associate Director

$50,000,000

THE NORTHERN TRUST COMPANY

By:/s/ Ashish S. Bhagwat

Name: Ashish S. Bhagwat
Title: Vice President

CO-AGENTS

$21,666,667

SUMITOMO MITSUI BANKING CORPORATION

By:/s/ Robert H. Riley III

Name: Robert H. Riley III
Title: Senior Vice President

$25,000,000

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:/s/ Peter M. Angelica

Name: Peter M. Angelica
Title: Vice President

$25,000,000

ROYAL BANK OF CANADA

By:/s/ Scott Umbs

Name: Scott Umbs
Title: Manager

$25,000,000 UNICREDITO ITALIANO

By:/s/ Christopher Eldin

Name: Christopher Eldin
Title: FVP & Deputy Manager

By:/s/ Charles Michael

Name: Charles Michael
Title: Vice President

LENDERS

$15,000,000 ALLIED IRISH BANKS PLC

By:/s/ Niamh Carolan

Name: Niamh Carolan
Title: Vice President

$15,000,000 BANCO BILBAO VIZCAYA ARGENTARIA S.A.

By:/s/ Miguel Lara

Name: Miguel Lara
Title: VP, Global Corporate Banking

By:/s/ Phillip Paddack

Name: Phillip Paddack
Title: Senior VP, Branch Manager

$15,000,000 WESTPAC BANKING CORPORATION

By:/s/ Lisa Porter

Name: Lisa Porter
Title: Vice President

$15,000,000 THE BANK OF NOVA SCOTIA

By:/s/ KCC Clarke

Name: KCC Clarke
Title: Managing Director

$15,000,000 CREDIT AGRICOLE INDOSUEZ

By:/s/ Richard A. Drennan

Name: Richard A. Drennan

Title: Vice President
Sr. Relationship Manager

By:/s/ Theodore D. Tice

Theodore D. Tice
Title: Vice President
Sr. Relationship Manager

$15,000,000	INTESA BCI

By:/s/ F. Maffei

Name: F. Maffei
Title: Vice President

By:/s/ C. Dougherty

Name: C. Dougherty
Title: Vice President

$15,000,000	SOCIETE GENERALE

By:/s/ Ambrish D. Thanawala

Name: Ambrish D. Thanawala
Title: Director Corporate Banking

$1,000,000,000	TOTAL OF COMMITMENTS

SCHEDULE I
APPLICABLE LENDING OFFICES

NAME OF INITIAL LENDER	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE
ABN AMRO Bank N.V.	208 South LaSalle Street Suite 1500 Chicago, IL 60604 Attn: Credit Administration Phone: (312) 992-51521 Fax: (312) 992-5157	208 South LaSalle Street Suite 1500 Chicago, IL 60604 Attn: Credit Administration Phone: (312) 992-51521 Fax: (312) 992-5157
Allied Irish Banks, plc	AIB Business Support Unit, BankCentre 8 Ballsbridge Dublin 4, Ireland Attn: C.M. McCabe T: 3531 641 3998 F: 3531 660 3529	AIB Business Support Unit, BankCentre 8 Ballsbridge Dublin 4, Ireland Attn: C.M. McCabe T: 3531 641 3998 F: 3531 660 3529
Banco Bilbao Vizcaya Argentarie S.A.	1345 Avenue of the Americas 45th Floor New York, NY 10105 Attn: Miguel Lara Phone: (212) 728-1664 Fax: (212) 333-2904	1345 Avenue of the Americas 45th Floor New York, NY 10105 Attn: Miguel Lara Phone: (212) 728-1664 Fax: (212) 333-2904
Bank of America, N.A.	101 N. Tryon Street Charlotte, NC 28255 Attn: Carrie Cunder Phone: (704) 386-8382 Fax: (704) 409-0064	101 N. Tryon Street Charlotte, NC 28255 Attn: Carrie Cunder Phone: (704) 386-8382 Fax: (704) 409-0064
The Bank of Tokyo-Mitsubishi	1251 Avenue of the Americas 12th Floor New York, NY 10020 Attn: William Derasmo Phone: (212) 782-4359 Fax: (212) 782-6445	1251 Avenue of the Americas 12th Floor New York, NY 10020 Attn: William Derasmo Phone: (212) 782-4359 Fax: (212) 782-6445
Bank One, NA	One Bank One Plaza Chicago, IL 60670 Attn: Claudia Kech Phone: (312) 732-1031 Fax: (312) 732-4840	One Bank One Plaza Chicago, IL 60670 Attn: Claudia Kech Phone: (312) 732-1031 Fax: (312) 732-4840
The Bank of Nova Scotia	One Liberty Plaza New York, NY 10006 Attn: Todd Meller Phone: (212) 225-5096	One Liberty Plaza New York, NY 10006 Attn: Todd Meller T: 212 225-5096
Barclays Bank PLC	222 Broadway - 7th Floor New York, NY 10038 Attn: Chima Michael Phone: (212) 412-3161 Fax: (212) 412-5306 / 7 / 8	222 Broadway - 7th Floor New York, NY 10038 Attn: Chima Michael Phone: (212) 412-3161 Fax: (212) 412-5306 / 7 / 8

BNP Paribas	499 Park Avenue New York, NY 10022 Attn: Andree Mitton/Robin Jackson-Bogner Phone: (212) 415-9617/9616 Fax: (212) 415-9606	499 Park Avenue New York, NY 10022 Attn: Andree Mitton/Robin Jackson-Bogner Phone: (212) 415-9617/9616 Fax: (212) 415-9606
Citibank, N.A.	388 Greenwich Street New York, NY 10013 Attn: Carolyn Sheridan Phone: (212) 559-3245 Fax: (212) 826-2371	388 Greenwich Street New York, NY 10013 Attn: Carolyn Sheridan Phone: (212) 559-3245 Fax: (212) 826-2371
Credit Agricole Indosuez	55 East Monroe 47th Floor Chicago, IL 60603 Attn: Kimberly WSilp T: (312) 917-7450 F: (312) 372-4421	55 East Monroe 47th Floor Chicago, IL 60603 Attn: Kimberly WSilp T: (312) 917-7450 F: (312) 372-4421
Deutsche Bank AG, New York Branch	31 West 52nd Street New York, NY 10019 Attn: Colin T. Taylor Phone: (212) 474-7904 Fax: (212) 474-8212	31 West 52nd Street New York, NY 10019 Attn: Colin T. Taylor Phone: (212) 474-7904 Fax: (212) 474-8212
HSBC Bank USA	Agent Servicing Dept. 26th Floor One HSBC Center Buffalo, NY 14203 Attn: Tansia Hunter Phone: (716) 841-1930 Fax: (716) 841-0269	Agent Servicing Dept. 26th Floor One HSBC Center Buffalo, NY 14203 Attn: Tansia Hunter Phone: (716) 841-1930 Fax: (716) 841-0269
Intesa BCI	1 S William Street New York, NY 10004 Attn: Frank Maffei	1 S William Street New York, NY 10004 Attn: Frank Maffei
JPMorgan Chase Bank	One Chase Manhattan Plaza New York, NY 10081 Attn: Lenora Kiernan Phone: (212) 552-7309 Fax: (212) 552-5650	One Chase Manhattan Plaza New York, NY 10081 Attn: Lenora Kiernan Phone: (212) 552-7309 Fax: (212) 552-5650
The Northern Trust Company	50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda Phone: (312) 444-3532 Fax: (312) 630-1566	50 S. LaSalle Street Chicago, IL 60675 Attn: Linda Honda Phone: (312) 444-3532 Fax: (312) 630-1566

Royal Bank of Canada	One Liberty Plaza, 3rd Floor 165 Broadway New York, NY 10006 Attn: Karim Amr Phone: (212) 428-6369 Fax: (212) 428-2372 with a copy to: Attn: L. Litterini Phone: (212) 428-6502 Fax: (212) 428-2319	One Liberty Plaza, 3rd Floor 165 Broadway New York, NY 10006 Attn: Karim Amr Phone: (212) 428-6369 Fax: (212) 428-2372 with a copy to: Attn: L. Litterini Phone: (212) 428-6502 Fax: (212) 428-2319
Societe Generale	1221 Avenue of the America New York, NY 10020 Attn: Maria Manesis-Iarriccio Phone: (212) 278-5396 Fax: (212) 278-7862	1221 Avenue of the America New York, NY 10020 Attn: Maria Manesis-Iarriccio Phone: (212) 278-5396 Fax: (212) 278-7862
Sumitomo Mitsui Banking Corporation	277 Park Avenue New York, NY 10172 Attn: Edward McColly Phone: (212) 224-4139 Fax: (212) 224-4384	277 Park Avenue New York, NY 10172 Attn: Edward McColly Phone: (212) 224-4139 Fax: (212) 224-4384
Unicredito Italiano	375 Park Avenue New York, NY 10152 Attn: Evangeline Blanco Phone: (212) 546-9615 Fax: (212) 546-9675	375 Park Avenue New York, NY 10152 Attn: Evangeline Blanco Phone: (212) 546-9615 Fax: (212) 546-9675
Wells Fargo Bank, National Association	70 East 55th Street 11th Floor New York City, NY 10022-3222 Attn: Peter M. Angelica\ Phone: (212) 836-4141 Fax: (212) 593-5241	70 East 55th Street 11th Floor New York City, NY 10022-3222 Attn: Peter M. Angelica\ Phone: (212) 836-4141 Fax: (212) 593-5241
Westpac Banking Corporation	GMO Nightshift Operations 255 Elizabeth St. 3rd Floor Sydney, NSW 2000 Australia Attn: Matt Healey Phone: 011 612 9284-8241 Fax: 011 44 207 621 7608	GMO Nightshift Operations 255 Elizabeth St. 3rd Floor Sydney, NSW 2000 Australia Attn: Matt Healey Phone: 011 612 9284-8241 Fax: 011 44 207 621 7608

SCHEDULE 3.01(b)

DISCLOSED LITIGATION

While not giving an opinion as to whether any item is "reasonably likely to have a Material Adverse Effect," we hereby disclose the litigation matters as stated in our Form 10-Q for the quarter ended September 30, 2002, under the heading "Legal Proceedings," the relevant portions of which are attached.

SHAREOWNER LITIGATION - Honeywell and seven of its current and former officers were named as defendants in several purported class action lawsuits filed in the United States District Court for the District of New Jersey (the Securities Law Complaints). The Securities Law Complaints principally allege that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning Honeywell's financial performance, thereby allegedly causing the value of Honeywell's stock to be artificially inflated. The purported class period for which damages are sought is December 20, 1999 to June 19, 2000. On January 15, 2002, the District Court dismissed the consolidated complaint against four of Honeywell's current and former officers.

We believe that there is no factual or legal basis for the allegations in the Securities Law Complaints. Although it is not possible at this time to predict the result of these cases, we expect to prevail. However, an adverse outcome could be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter, no provision has been made in our financial statements with respect to this contingent liability.

ENVIRONMENTAL MATTERS - We are subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury to our employees and employees of our customers and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for environmental matters when environmental assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect that we will be able to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of

personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations. However, considering our past experience and existing reserves, we do not expect that these matters will have a material adverse effect on our consolidated financial position.

ASBESTOS MATTERS - Like more than a thousand other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. Our involvement is limited because we did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos-related disease in the vast majority of claimants. Rather, we made several products that contained small amounts of asbestos.

Honeywell's Bendix Friction Materials business manufactured automotive brake pads that included asbestos in an encapsulated form. There is a limited group of potential claimants consisting largely of professional brake mechanics. From 1981 through September 30, 2002, we have resolved approximately 56,000 Bendix claims at an average cost per claim of approximately one thousand two hundred dollars. Through the second quarter of 2002, Honeywell had no out-of-pocket costs for these cases since its insurance deductible was satisfied many years ago. There are currently approximately 50,000 claims pending and we have no reason to believe that the historic rate of dismissal will change. We have $2 billion of insurance remaining, which we expect to cover the vast majority of claims. Although it is impossible to predict the outcome of pending or future claims, in light of our potential exposure, our prior experience in resolving these claims, and our insurance coverage, we do not believe that the Bendix asbestos-related claims will have a material adverse effect on our consolidated results of operations or financial position.

Another source of claims is refractory products (high temperature bricks and cement) sold largely to the steel industry in the East and Midwest by North American Refractories Company (NARCO), a business we owned from 1979 to 1986. Less than 2 percent of NARCO's products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO has resolved approximately 176,000 claims through January 4, 2002 at an average cost per claim of two thousand two hundred dollars. Of those claims, 43 percent were dismissed on the ground that there was insufficient evidence that NARCO was responsible for the claimant's asbestos exposure. There are approximately 116,000 claims currently pending against NARCO, including approximately 7 percent in which Honeywell is also named as a defendant. During the past 18 years, Honeywell and our insurers have contributed to the cost of the NARCO defense. We have

approximately $2 billion of insurance remaining that can be specifically allocated to NARCO-related liability.

On January 4, 2002, NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As a result, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, because the claims pending against Honeywell necessarily will impact the liabilities of NARCO, because the insurance policies held by Honeywell are essential to a successful NARCO reorganization, and because Honeywell has offered to commit the value of those policies to the reorganization, the bankruptcy court has temporarily enjoined any claims against Honeywell, current or future, related to NARCO. Although the stay has been extended eight times since January 4, 2002, there is no assurance that such stay will remain in effect. In connection with NARCO's bankruptcy filing, we paid NARCO's parent company $40 million and agreed to provide NARCO with up to $20 million in financing. We also agreed to pay $20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell, and to pay NARCO's parent company $40 million, and to forgive any outstanding NARCO indebtedness, upon the confirmation and consummation of such a plan.

We are involved in ongoing negotiations with counsel representing more than 75% of the NARCO-related asbestos claimants regarding settlement of all pending and potential NARCO-related asbestos claims against Honeywell. We believe that, as part of the NARCO plan of reorganization, a trust will be established for the benefit of all asbestos claimants, current and future. If the trust is put in place and approved by the court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos-related claims based on exposure to NARCO products to be made against the federally-supervised trust. As part of its ongoing settlement negotiations, Honeywell is seeking to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows. Although there is no assurance that ongoing settlement negotiations will be successfully completed or that a plan of reorganization will be proposed or confirmed, the cost of securing a settlement which would resolve all future, as well as all pending, NARCO-related asbestos claims could exceed the value of our existing insurance and reserves plus the existing NARCO assets. While any such settlement could have a material adverse impact on our consolidated operating results or operating cash flows in the periods recognized or paid, we do not believe that it would have a material adverse impact on our consolidated financial position.

EXHIBIT A-1 - FORM OF
REVOLVING CREDIT
PROMISSORY NOTE

Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a _____ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the aggregate principal amount of the Revolving Credit Advances made by the Lender to the Borrower pursuant to the 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc., the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on such date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance 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 Revolving Credit Advance (i) in Dollars are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at 388 Greenwich Street, New York, New York, 10013, in same day funds and (ii) in any Major Currency are payable in such currency at the applicable Payment Office in same day funds. Each Revolving Credit Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the Dollar amount first above mentioned or the Equivalent thereof in one or more Major Currencies, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Promissory Note, (ii) contains provisions for determining the Dollar Equivalent of Revolving Credit Advances denominated in Major Currencies and (iii) 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.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This promissory note shall be governed by, and construed in accordance with the laws of the State of New York.

[NAME OF BORROWER]

By

Name:
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Type of Advance	Amount of Advance in Relevant Currency	Interest Rate	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT A-2 - FORM OF
COMPETITIVE BID
PROMISSORY NOTE

Dated: _____, 200_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a _____ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of _____ (the "Lender") for the account of its Applicable Lending Office (as defined in the 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc., the Lender and certain other lenders parties thereto, and Citibank, N.A., as Agent for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on _____, the principal amount of [U.S.$_____] [for a Competitive Bid Advance in a Foreign Currency, list currency and amount of such Advance].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: [____% per annum (calculated on the basis of a year of _____ days for the actual number of days elapsed)].

Interest Payment Date or Dates: _____

Both principal and interest are payable in lawful money of _____ to Citibank, N.A., as Agent, for the account of the Lender at the office of _____, at _____ in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF BORROWER]

By

Name:
Title:

EXHIBIT B-1 - FORM OF NOTICE OF
REVOLVING CREDIT BORROWING

Citibank, N.A., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720 [Date]

Attention: Bank Loan Syndication

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the 364-Day Credit Agreement, dated as of November 27, 2002 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the undersigned, certain Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Revolving Credit Borrowing is _____.

(ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurocurrency Rate Advances].

(iii) The aggregate amount of the Proposed Revolving Credit Borrowing is [$_____] [for a Revolving Credit Borrowing in a Major Currency, list currency and amount of Revolving Credit Borrowing].

[(iv) The initial Interest Period for each Eurocurrency Rate Advance made as part of the Proposed Revolving Credit Borrowing is _____ month[s].]

The undersigned hereby certifies that the conditions precedent to this Revolving Credit Borrowing set forth in Section 3.04 of the Credit Agreement have been satisfied and the applicable statements contained therein are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing.

Very truly yours,

[NAME OF BORROWER]

By

Name:
Title:

EXHIBIT B-2 - FORM OF NOTICE OF
COMPETITIVE BID BORROWING

Citibank, N.A., as Agent
for the Lenders parties
to the Credit Agreement
referred to below
Two Penns Way
New Castle, Delaware 19720 [Date]

Attention: Bank Loan Syndication

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the 364-Day Credit Agreement, dated as of November 27, 2002 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Honeywell International Inc., certain Lenders parties thereto and Citibank, N.A., as Agent for said Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

(A) Date of Competitive Bid Borrowing _____

(B) Aggregate Amount of Competitive Bid Borrowing _____

(C) [Maturity Date] [Interest Period] _____

(D) Interest Rate Basis _____

(E) Day Count Convention _____

(F) Interest Payment Date(s) _____

(G) [Currency] _____

(H) Borrower's Account Location _____

(I) _____ _____

The undersigned hereby certifies that the conditions precedent to this Competitive Bid Borrowing set forth in Section 3.05 of the Credit Agreement have been satisfied and the applicable statements contained therein are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing.

The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.03(a)(v) of the Credit Agreement.

Very truly yours,

[NAME OF BORROWER]

By

Name:
Title:

EXHIBIT C - FORM OF
ASSIGNMENT AND ACCEPTANCE

Dated: _____

Reference is made to the 364-Day Credit Agreement dated as of November 27, 2002 (as amended or modified from time to time, the "Credit Agreement") among Honeywell International Inc., a Delaware corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement), and Citibank, N.A., as agent (the "Agent") for the Lenders. Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances in each relevant currency owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by such Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; [and (iv) attaches the Revolving Credit Note held by the Assignor and requests that the Agent obtain from the Borrower a new Revolving Credit Note payable to the order of the Assignee with respect to the aggregate principal amount of the Revolving Credit Advances assumed by such Assignee pursuant hereto, substantially in the form of Exhibit A-1 to the Credit Agreement].

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms

that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service forms required under Section 2.13 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement, provided, however, that the Assignor's rights under Sections 2.10, 2.13 and 9.04 of the Credit Agreement, and its obligations under Section 8.05 of the Credit Agreement, shall survive the assignment pursuant to this Assignment and Acceptance as to matters occurring prior to the Effective Date.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and any Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1
to
Assignment and Acceptance

Dated: _____

Section 1.

Percentage interest assigned: _____%

Assignee's Commitment: $_____

Section 2.

(a) Assigned Advances

Aggregate outstanding principal amount of Revolving Credit

Advances in Dollars assigned: $_____

Aggregate outstanding principal amount of Revolving Credit

Advances in lawful currency of the United Kingdom of Great

Britain and Northern Ireland assigned: 'L'_____

Aggregate outstanding principal amount of Revolving Credit

Advances in lawful currency of Japan assigned: 'Y'_____

Aggregate outstanding principal amount of Revolving Credit

Advances in Euros assigned: 'E'_____

(b) Retained Advances

Aggregate outstanding principal amount of Revolving Credit

Advances in Dollars retained: $_____

Aggregate outstanding principal amount of Revolving Credit

Advances in lawful currency of the United Kingdom of Great

Britain and Northern Ireland retained: 'L'_____

Aggregate outstanding principal amount of Revolving Credit

Advances in lawful currency of Japan retained: 'Y'_____

Aggregate outstanding principal amount of Revolving Credit

Advances in Euros retained: 'E'_____

Effective Date(1): _____

[NAME OF ASSIGNOR], as Assignor

By

Title:

Dated:

[NAME OF ASSIGNEE], as Assignee

By

Title:

Dated:

Domestic Lending Office:
[Address]

Eurocurrency Lending Office:
[Address]

Consented to this _____ day
of _____

[NAME OF BORROWER]

By]
Name:
Title:

EXHIBIT D - FORM OF ASSUMPTION AGREEMENT

Dated:_____

Honeywell International Inc.
P.O. Box 1219
101 Columbia Road

- ----------
(1) This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Morristown, New Jersey 07960

Attention: Treasurer

Citibank, N.A.,
as Agent
Two Penns Way
New Castle, Delaware 19720

Attention: Bank Loan Syndication

Ladies and Gentlemen:

Reference is made to the 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc. (the "Company"), the Lenders parties thereto, and Citibank, N.A. as Agent (the "Credit Agreement"; terms defined therein being used herein as therein defined), for such Lenders.

The undersigned ("Assuming Lender") proposes to become an Assuming Lender pursuant to Section 2.16 of the Credit Agreement and, in that connection, hereby agrees that it shall become a Lender for purposes of the Credit Agreement on [applicable Extension Date], assuming on such date the Commitment (without giving effect to assignments thereof which have not yet become effective and without regard to any Competitive Bid Commitment Reduction) as in effect on [applicable Extension Date] of [name of applicable Non-Consenting Lender] (the "Assignor") in the amount of $_____ and the Advances (without giving effect to assignments thereof which have not yet become effective) owing to the Assignor on [applicable Extension Date] in the amount of [indicate amounts and currencies of various assigned Advances].

The Assignor (i) represents and warrants that as of the date hereof its Commitment (without giving effect to assignments thereof which have not yet become effective and without regard to any Competitive Bid Commitment Reduction) is $_____ and the outstanding principal amount of Advances owing to it (without giving effect to assignments thereof which have not yet become effective) (A) in Dollars is $_____, (B) in lawful currency of Japan is 'Y'____, (C) in lawful currency of the United Kingdom of Great Britain and Northern Ireland is 'L' ____, (D) in Euros is 'E' ____ [, and (F) indicate amounts of Advances in other Foreign Currencies, if any]; (ii) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any other Borrower or the performance or observance by the Company or any other Borrower

of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

The Assuming Lender (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof, the most recent financial statements referred to in Section 5.01(h) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assumption Agreement; (ii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (v) specifies as its Lending Office (and address for notices) the offices set forth beneath its name on the signature pages hereof; and (vi) attaches the forms prescribed by the Internal Revenue Service of the United States required under Section 2.13 of Credit Agreement.

The Assuming Lender requests that the Company deliver to the Agent (to be promptly delivered to the Assuming Lender) Revolving Credit Notes payable to the order of the Assuming Lender, dated as of the Extension Date and substantially in the form of Exhibit A-1 to the Credit Agreement.

The effective date for this Assumption Agreement shall be [applicable Extension Date]. Upon delivery of this Assumption Agreement to the Company and the Agent, and satisfaction of all conditions imposed under Section 2.16 as of [date specified above], the undersigned shall be a party to the Credit Agreement and have the rights and obligations of a Lender thereunder and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement. As of [date specified above], the Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees) to the Assuming Lender.

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

This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

[NAME OF ASSUMING LENDER]

By

Name:
Title:

Domestic Lending Office
(and address for notices):

[Address]

Eurodollar Lending Office

[NAME OF ASSIGNOR](2)

By

Name:
Title:

[Address]

Above Acknowledged and Agreed to:

HONEYWELL INTERNATIONAL INC.

By

Name:
Title:

- ----------
(2) Use only in connection with Section 2.16.

EXHIBIT E - FORM OF DESIGNATION LETTER

[DATE]

To each of the Lenders
parties to the
Credit Agreement (as defined
below) and to Citibank, N.A.,
as Agent for such Lenders

Ladies and Gentlemen:

Reference is made to the 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc. (the "Company"), the Lenders named therein, and Citibank, N.A., as Agent for said Lenders (the "Credit Agreement"). For convenience of reference, terms used herein and defined in the Credit Agreement shall have the respective meanings ascribed to such terms in the Credit Agreement.

Please be advised that the Company hereby designates its undersigned Subsidiary, _____ ("Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lenders as follows:

1. The Designated Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of _____ and is duly qualified to transact business in all jurisdictions in which such qualification is required.

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

3. This Designation Agreement and each of the Notes of the Designated Subsidiary, when delivered, will have been duly executed and delivered, and this

Designation Letter, the Credit Agreement and each of the Notes of the Designated Subsidiary, when delivered, will constitute a legal, valid and binding obligation of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

4. There is no action, suit, investigation, litigation or proceeding including, without limitation, any Environmental Action, pending or to the knowledge of the Designated Subsidiary Threatened affecting the Designated Subsidiary before any court, governmental agency or arbitration that (i) is reasonably likely to have a Material Adverse Effect, or (ii) purports to effect the legality, validity or enforceability of this Designation Letter, the Credit Agreement, any Note of the Designated Subsidiary or the consummation of the transactions contemplated thereby.

5. No authorizations, consents, approvals, licenses, filings or registrations by or with any governmental authority or administrative body are required in connection with the execution, delivery or performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary except for such authorizations, consents, approvals, licenses, filings or registrations as have heretofore been made, obtained or effected and are in full force and effect.

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

Very truly yours,

HONEYWELL INTERNATIONAL INC.

By

Name:
Title:

[THE DESIGNATED SUBSIDIARY]

By

Name:
Title:

EXHIBIT F - FORM OF ACCEPTANCE BY PROCESS AGENT
[Letterhead of Process Agent]

[Date]

To each of the Lenders parties
to the Credit
Agreement (as defined
below) and to Citibank, N.A.,
as Agent for said Lenders

[Name of Designated Subsidiary]

Ladies and Gentlemen:

Reference is made to (i) that certain 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc., the Lenders named therein, and Citibank, N.A., as Agent (such Credit Agreement as it may hereafter be amended, supplemented or otherwise modified from time to time, being the "Credit Agreement"; the terms defined therein being used herein as therein defined), and (ii) to the Designation Letter, dated _____, pursuant to which _____ has become a Borrower.

Pursuant to Section 9.13 of the Credit Agreement to which _____ has become subject pursuant to its Designation Letter, _____ has appointed the undersigned (with an office on the date hereof at 1633 Broadway, New York, New York 10019, United States) as Process Agent to receive on behalf of _____ and its property service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or Federal court sitting in New York City arising out of or relating to the Credit Agreement.

The undersigned hereby accepts such appointment as Process Agent and agrees with each of you that (i) the undersigned will not terminate or abandon the undersigned agency as such Process Agent without at least six months prior notice to the Agent (and hereby acknowledges that the undersigned has been retained for its services as Process Agent through _____ __, 2003), (ii) the undersigned will maintain an office in New York City through such date and will give the Agent prompt notice of any change of address of the undersigned, (iii) the undersigned will perform its duties as Process Agent to receive on behalf of _____ and its property service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or Federal court sitting in New York City arising out of or relating to the Credit Agreement and (iv) the undersigned will forward forthwith to _____ at its address at _____ or, if different, its then current address, copies of any summons, complaint and other process which the undersigned receives in connection with its appointment as Process Agent.

This acceptance and agreement shall be binding upon the undersigned and all successors of the undersigned.

Very truly yours,

[PROCESS AGENT]

By

EXHIBIT G - FORM OF OPINION
OF GAIL E. LEHMAN,
ASSISTANT GENERAL COUNSEL FOR THE COMPANY

_____ __, 2002

To each of the Lenders parties
to the Credit Agreement
(as defined below),
and to Citibank, N.A.,
as Agent for said Lenders

Honeywell International Inc.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(e)(iv) of the 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc. (the "Company"), the Lenders parties thereto, and Citibank, N.A., as Agent for said Lenders (the "Credit Agreement"). Terms defined in the Credit Agreement are, unless otherwise defined herein, used herein as therein defined.

I have acted as counsel for the Company in connection with the preparation, execution and delivery of the Credit Agreement.

In that connection I have examined:

(1) The Credit Agreement.

(2) The documents furnished by the Company pursuant to Article III of the Credit Agreement, including the Certificate of Incorporation of the Company and all amendments thereto (the "Charter") and the By-laws of the Company and all amendments thereto (the "By-laws").

(3) A certificate of the Secretary of State of the State of Delaware, dated _____, 2002, attesting to the continued corporate existence and good standing of the Company in that State.

I have also examined the originals, or copies certified to my satisfaction, of such corporate records of the Company (including resolutions adopted by the Board of Directors of the Company), certificates of public officials and of officers of the Company, and agreements, instruments and documents, as I have deemed necessary as a basis for the opinions hereinafter expressed. As to questions of fact material to such opinions, I have, when relevant facts were not

independently established by me, relied upon certificates of the Company or its officers or of public officials. I have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and the Agent.

I am qualified to practice law in the State of New York, and I do not purport to be expert in, or to express any opinion herein concerning, any laws other than the laws of the State of New York, the General Corporation Law of the State of Delaware and the Federal laws of the United States.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion:

1. The Company (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) is duly qualified as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (c) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

2. The execution, delivery and performance by the Company of the Credit Agreement and the Notes of the Company, and the consummation of the transactions contemplated thereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene the Charter or the By-laws or (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934 and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or any material order, writ, judgment, decree, determination or award or (iii) conflict with or result in the breach of, or constitute a default under, any material indenture, loan or credit agreement, lease, mortgage, security agreement, bond, note or any similar document. The Credit Agreement and the Notes of the Company have been duly executed and delivered on behalf of the Company.

3. No authorization, approval, or other action by, and no notice to or filing with, any governmental authority, administrative agency or regulatory body, or any third party is required for the due execution, delivery and performance by the Company of the Credit Agreement or the Notes of the Company, or for the consummation of the transactions contemplated thereby.

4. The Credit Agreement is, and each Note of the Company when delivered under the Credit Agreement will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally or by the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and

except that I express no opinion as to (i) the subject matter jurisdiction of the District Courts of the United States of America to adjudicate any controversy relating to the Credit Agreement or the Notes of the Company or (ii) the effect of the law of any jurisdiction (other than the State of New York) wherein any Lender or Applicable Lending Office may be located or wherein enforcement of the Credit Agreement or the Notes of the Company may be sought which limits rates of interest which may be charged or collected by such Lender.

5. There is no action, suit, investigation, litigation or proceeding against the Company or any of its Subsidiaries before any court, governmental agency or arbitrator now pending or, to the best of my knowledge, Threatened that is reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or that purports to affect the legality, validity or enforceability of the Credit Agreement or any Note of the Company or the consummation of the transactions contemplated thereby, and there has been no adverse change in the status, or financial effect on the Company or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 3.01(b) of the Credit Agreement.

6. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

7. The Company is not a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

In connection with the opinions expressed by me above in paragraph 4, I wish to point out that (i) provisions of the Credit Agreement that permit the Agent or any Lender to take action or make determinations may be subject to a requirement that such action be taken or such determinations be made on a reasonable basis and in good faith, (ii) that a party to whom an advance is owed may, under certain circumstances, be called upon to prove the outstanding amount of the Advances evidenced thereby and (iii) the rights of the Agent and the Lenders provided for in Section 9.04(b) of the Credit Agreement may be limited in certain circumstances.

Very truly yours,

EXHIBIT H - FORM OF OPINION OF COUNSEL
TO A DESIGNATED SUBSIDIARY

_____, 19__

To each of the Lenders parties
to the Credit Agreement
(as defined below),
and to Citibank, N.A., as Agent
for said Lenders

Ladies and Gentlemen:

In my capacity as counsel to _____ ("Designated Subsidiary"), I have reviewed that certain 364-Day Credit Agreement dated as of November 27, 2002 among Honeywell International Inc., the Lenders named therein, and Citibank, N.A., as Agent for such Lenders (the "Credit Agreement"). In connection therewith, I have also examined the following documents:

(i) The Designation Letter (as defined in the Credit Agreement) executed by the Designated Subsidiary.

[such other documents as counsel may wish to refer to]

I have also reviewed such matters of law and examined the original, certified, conformed or photographic copies of such other documents, records, agreements and certificates as I have considered relevant hereto.

Except as expressly specified herein all terms used herein and defined in the Credit Agreement shall have the respective meanings ascribed to them in the Credit Agreement.

Based upon the foregoing, I am of the opinion that:

1. The Designated Subsidiary (a) is a corporation duly incorporated, validly existing and in good standing under the laws of _____, (b) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (c) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

2. The execution, delivery and performance by the Designated Subsidiary of its Designation Letter, the Credit Agreement and its Notes, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not and will

not cause or constitute a violation of any provision of law or regulation or any material order, writ, judgment, decree, determination or award or any provision of the charter or by-laws or other constituent documents of the Designated Subsidiary or result in the breach of, or constitute a default or require any consent under, or result in the creation of any lien, charge or encumbrance upon any of the properties, revenues, or assets of the Designated Subsidiary pursuant to, any material indenture or other agreement or instrument to which the Designated Subsidiary is a party or by which the Designated Subsidiary or its property may be bound or affected. The Designation Letter and each Note of the Designated Subsidiary has been duly executed and delivered on behalf of the Designated Subsidiary.

3. The Credit Agreement and the Designation Letter of the Designated Subsidiary are, and each Note of the Designated Subsidiary when delivered under the Credit Agreement will be, the legal, valid and binding obligation of the Designated Subsidiary enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally or by the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and except that I express no opinion as to (i) the subject matter jurisdiction of the District Courts of the United States of America to adjudicate any controversy relating to the Credit Agreement, the Designation Letter of the Designated Subsidiary or the Notes of the Designated Subsidiary or (ii) the effect of the law of any jurisdiction (other than the State of New York) wherein any Lender or Applicable Lending Office may be located or wherein enforcement of the Credit Agreement, the Designation Letter of the Designated Subsidiary or the Notes of the Designated Subsidiary may be sought which limits rates of interest which may be charged or collected by such Lender.

4. There is no action, suit, investigation, litigation or proceeding at law or in equity before any court, governmental agency or arbitration now pending or, to the best of my knowledge and belief, Threatened against the Designated Subsidiary that is reasonably likely to have a Material Adverse Effect or that purports to affect the legality, validity or enforceability of the Designation Letter of the Designated Subsidiary, the Credit Agreement or any Note of the Designated Subsidiary or the consummation of the transactions contemplated thereby.

5. No authorizations, consents, approvals, licenses, filings or registrations by or with any governmental authority or administrative body are required for the due execution, delivery and performance by the Designated Subsidiary of its Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary except for such authorizations, consents, approvals, licenses, filings or registrations as have heretofore been made, obtained or affected and are in full force and effect.

6. The Designated Subsidiary is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

7. The Designated Subsidiary is not a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

In connection with the opinions expressed by me above in paragraph 3, I wish to point out that (i) provisions of the Credit Agreement which permit the Agent or any Lender to take action or make determinations may be subject to a requirement that such action be taken or such determinations be made on a reasonable basis and in good faith, (ii) a party to whom an advance is owed may, under certain circumstances, be called upon to prove the outstanding amount of the Advances evidenced thereby and (iii) the rights of the Agent and the Lenders provided for in Section 9.04(b) of the Credit Agreement may be limited in certain circumstances.

Very truly yours,

EXHIBIT I - FORM OF OPINION
OF SHEARMAN & STERLING,
COUNSEL TO THE AGENT

[S&S LETTERHEAD]

_____ __, 2002

To the Initial Lenders party to the
Credit Agreement referred
to below and to Citibank, N.A.,
as Agent

Ladies and Gentlemen:

We have acted as special New York counsel to Citibank, N.A., as Agent, in connection with the preparation, execution and delivery of the 364-Day Credit Agreement dated as of November 27, 2002 (the "Credit Agreement"), among Honeywell International Inc., a Delaware corporation (the "Company"), and each of you (each a "Lender"). Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined.

In that connection, we have examined a counterpart of the Credit Agreement executed by the Company, the Revolving Credit Notes executed by the Company and delivered on the date hereof (for purposes of this opinion letter, the "Notes") and, to the extent relevant to our opinion expressed below, the other documents delivered by the Company pursuant to Section 3.01 of the Credit Agreement.

In our examination of the Credit Agreement, the Notes and such other documents, we have assumed, without independent investigation (a) the due execution and delivery of the Credit Agreement by all parties thereto and of the Notes by the Company, (b) the genuineness of all signatures, (c) the authenticity of the originals of the documents submitted to us and (d) the conformity to originals of any documents submitted to us as copies.

In addition, we have assumed, without independent investigation, that (i) the Company is duly organized and validly existing under the laws of the jurisdiction of its organization and has full power and authority (corporate and otherwise) to execute, deliver and perform the Credit Agreement and the Notes and (ii) the execution, delivery and performance by the Company of the Credit Agreement and the Notes have been duly authorized by all necessary action (corporate or otherwise) and do not (A) contravene the certificate of incorporation, bylaws or other constituent documents of the Company, (B) conflict with or result in the breach of any document or instrument binding on the Company or (C) violate or require any governmental or regulatory authorization or other action under any law, rule or regulation applicable to the Company other than New York law or United States federal law applicable to borrowers generally or, assuming the correctness of the Company's statements made as representations and

warranties in Section 4.01(c) of the Credit Agreement, applicable to the Company. We have also assumed that the Credit Agreement is the legal, valid and binding obligation of each Lender, enforceable against such Lender in accordance with its terms.

Based upon the foregoing examination and assumptions and upon such other investigation as we have deemed necessary and subject to the qualifications set forth below, we are of the opinion that the Credit Agreement and each of the Notes are the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

Our opinion above is subject to the following qualifications:

(i) Our opinion above is subject to the effect of any applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar law affecting creditors' rights generally.

(ii) Our opinion above is also subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(iii) We express no opinion as to the enforceability of the indemnification provisions set forth in Section 9.04 of the Credit Agreement to the extent enforcement thereof is contrary to public policy regarding the exculpation of criminal violations, intentional harm and acts of gross negligence or recklessness.

(iv) We also express no opinion as to the enforceability of the provisions of Section 9.16 of the Credit Agreement (concerning currency conversion for judgments, and judgments in a currency other than that of the primary currency).

(v) Our opinion above is limited to the law of the State of New York and the federal law of the United States of America and we do not express any opinion herein concerning any other law. Without limiting the generality of the foregoing, we express no opinion as to the effect of the law of a jurisdiction other than the State of New York wherein any Lender may be located or wherein enforcement of the Credit Agreement or any of the Notes may be sought that limits the rates of interest legally chargeable or collectible.

A copy of this opinion letter may be delivered by any of you to any Person that becomes a Lender in accordance with the provisions of the Credit Agreement. Any such Lender may rely on the opinion expressed above as if this opinion letter were addressed and delivered to such Lender on the date hereof.

This opinion letter speaks only as of the date hereof. We expressly disclaim any responsibility to advise you or any other Lender who is permitted to rely on the opinion expressed herein as specified in the next preceding paragraph of any development or circumstance of any kind including any change of law or fact that may occur after the date of this opinion letter even though such development, circumstance or change may affect the legal analysis, a legal conclusion or any other matter set forth in or relating to this opinion letter. Accordingly, any Lender relying on this opinion letter at any time should seek advice of its counsel as to the proper application of this opinion letter at such time.

Very truly yours,

EXECUTION COPY

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

364-DAY CREDIT AGREEMENT

Dated as of November 27, 2002

Among

HONEYWELL INTERNATIONAL INC.,

as Borrower,

and

THE INITIAL LENDERS NAMED HEREIN,

as Initial Lenders,

and

CITIBANK, N.A.,

as Administrative Agent

and

JPMORGAN CHASE BANK
DEUTSCHE BANK AG, NEW YORK BRANCH
BANK OF AMERICA, N.A.
BARCLAYS BANK PLC

as Syndication Agents

and

SALOMON SMITH BARNEY INC.

as Lead Arranger and Book Manager

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Exhibit D - Form of Assumption Agreement

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Exhibit F - Form of Acceptance by Process Agent

Exhibit G - Form of Opinion of Gail E. Lehman, Assistant General Counsel of the Company

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EXHIBIT 10.11

AMENDMENT NO. 1 TO THE
CREDIT AGREEMENT

Dated as of November 27, 2002

AMENDMENT NO. 1 TO THE FIVE YEAR CREDIT AGREEMENT among HONEYWELL INTERNATIONAL INC., a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as agent (the "Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Company, the Lenders and the Agent have entered into a Five Year Credit Agreement dated as of December 2, 1999 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) The Company and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement . The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 4, hereby amended as follows:

(a) The definition of "Base Rate" in Section 1.01 is amended by adding at the end of clause (b) the word "and", by inserting a period after the phrase "Federal Funds Rate" in clause (c), deleting the word "and" at the end of clause (c) and deleting clause (d).

(b) The parenthetical clause in the definition of "Business Day" in Section 1.01 is amended in full to read "(or, in the case of an Advance denominated in Euros, on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open)".

(c) The definition of "Change of Control" in Section 1.01 is amended by deleting from clause (ii) the phrase "the effective time of the merger of Honeywell Inc. and a wholly owned Subsidiary of the Company as contemplated by the Merger Agreement" and substituting therefor the phrase "the Effective Date".

(d) Clause (a)(ii) of the definition of "ERISA Event" in Section 1.01 is amended in full to read as follows:

(ii) the requirements of subsection (1) of Section 4043(b) of ERISA are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA,

of a Plan of such Person or any of its ERISA Affiliates, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days;

(e) The following new definitions are added to Section 1.01 immediately after the defined term "Escrow":

"EURIBO Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Borrowing, the rate per annum appearing on Page 248 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Euros by reference to the Banking Federation of the European Union Settlement Rates for deposits in Euros) at approximately 10:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in Euros with a maturity comparable to such Interest Period or, if for any reason such rate is not available, the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the respective rates per annum at which deposits in Euros are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurocurrency Rate Advance comprising part of such Borrowing to be outstanding during such Interest Period andfor a period equal to such Interest Period (subject, however, to the provisions of Section 2.07).

"Euro" means the lawful currency of the European Union as constituted by the Treaty of Rome which established the European Community, as such treaty may be amended from time to time and as referred to in the EMU legislation.

(f) The definition of "Eurocurrency Rate" in Section 1.01 is amended by (i) inserting immediately after the phrase "by dividing (a)" the phrase "(i) in the case of any Advance denominated in Dollars or any Major Currency other than Euros," and (ii) by inserting immediately before the phrase " by (b) a percentage equal to 100%" the phrase " or (ii) in the case of any Advance denominated in Euros, the EURIBO Rate".

(g) The definition of "LIBO Rate" in Section 1.01 is amended by (i) inserting immediately after the phrase "by dividing (a)" the phrase "(i) in the case of any Advance denominated in Dollars or any Foreign Currency other than Euros," and (ii) by inserting immediately before the phrase " by (b) a percentage equal to 100%" the phrase " or (ii) in the case of any Advance denominated in Euros, the EURIBO Rate".

(h) The definition of "Major Currencies" in Section 1.01 is amended in full to read as follows:

"Major Currencies" means lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of Japan and Euros.

(i) The definition of "Merger Agreement" in Section 1.01 is deleted in full.

(j) The definition of "Reference Banks" in Section 1.01 is amended in full to read as follows:

"Reference Banks" means Citibank, Bank of America, N.A., JPMorgan Chase Bank and Deutsche Bank AG New York Branch.

(k) Section 2.13(e) is amended in by replacing the phrase "1001 or 4224" with the phrase "W-8ECI or W-8BEN" in both places where such phrase appears.

(l) Section 4.01(o) is deleted in full.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Agent shall have received counterparts of this Amendment executed by the Company and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Agent that such Lender has executed this Amendment. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 3. Representations and Warranties of the Company . The Company represents and warrants as follows:

(a) Each of the representations and warranties set forth in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsections (f), (h)-(l) and (n) thereof), as amended hereby, are true and correct as of the date hereof.

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

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

(d) This Amendment has been duly executed and delivered by the Company. This Amendment and each of the Credit Agreement and the Notes, as amended hereby, to which the Company is a party are legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(e) There is no action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, pending or to the knowledge of the Company, threatened affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that purports to affect the legality, validity or enforceability of this Amendment or the Credit Agreement or any Note or the consummation of the transactions contemplated hereby.

SECTION 4. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 5. Costs and Expenses The Company agrees to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 8.04 of the Credit Agreement.

SECTION 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

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

HONEYWELL INTERNATIONAL INC.

By: /s/ James V. Gelly

Name: James V. Gelly
Title: Vice President and Treasurer

CITIBANK, N.A., as Agent

By: /s/ Carolyn A. Kee

Name: Carolyn A. Kee
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ John W. Pocalyko

Name: John W. Pocalyko
Title: Managing Director

JPMORGAN CHASE BANK

By: /s/ Randolph Cates

Name: Randolph Cates
Title: Vice President

DEUTSCHE BANK AG, NEW YORK BRANCH

By:

Name:
Title:

By:

Name:
Title:

BARCLAYS BANK PLC

By: /s/ Douglas Bernegger

Name: Douglas Bernegger
Title: Director

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

By:

Name:
Title:

THE BANK OF NEW YORK

By:

Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: /s/ Spencer Hughes

Name: Spencer Hughes
Title: Vice President

BANK ONE, NA

By: /s/ Mahua Thakurta

Name: Mahua Thakurta
Title: Associate Director

HSBC BANK USA

By: /s/ Diane M. Zieske

Name: Diane M. Zieske
Title: First Vice President

MELLON BANK, N.A.

By:

Name:
Title:

REVOLVING COMMITMENT VEHICLE
CORPORATION

By:

Name:
Title:

ABN AMRO BANK N.V.

By: /s/ James S. Kreitler

Name: James S. Kreitler
Title: Senior Vice President

By: /s/ Todd J. Miller

Name: Todd J. Miller
Title: Assistant Vice President

BANCA DI ROMA

By:

Name:
Title:

By:

Name:
Title:

BNP PARIBAS

By: /s/ Christopher Criswell

Name: Christopher Criswell
Title: Managing Director

By: /s/ Bruno Lavole

Name: Bruno Lavole
Title: Managing Director

NORTHERN TRUST COMPANY

By:

Name:
Title:

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Robert H. Riley III

Name: Robert H. Riley III
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Peter M. Angelica

Name: Peter M. Angelica
Title: Vice President

BANCO BILBAO VIZCAYA

By: /s/ Miguel Lara

Name: Miguel Lara
Title: VP, Global Corporate Banking

By: /s/ Phillip Paddack

Name: Phillip Paddack
Title: Senior VP, Branch Manager

BANK OF MONTREAL

By:

Name:
Title:

THE FUJI BANK, LIMITED (see Mizuho)

By:

Name:
Title:

THE INDUSTRIAL BANK OF JAPAN (see Mizuho)

By:

Name:
Title:

ROYAL BANK OF CANADA

By: /s/ Scott Umbs

Name: Scott Umbs
Title: Manager

STANDARD CHARTERED

By:

Name:
Title:

UNICREDITO ITALIANO

By: /s/ Christopher Eldin

Name: Christopher Eldin
Title: FVP & Deputy Manager

By: /s/ Charles Michael

Name: Charles Michael
Title: Vice President

MIZUHO CORPORATE BANK, LTD

By: /s/ Naoki Yamamori

Name: Naoki Yamamori
Title: Deputy General Manager

EXHIBIT 10.19

HONEYWELL INTERNATIONAL INC.
Severance Plan for Corporate Staff Employees
(Involuntary Termination Following a Change in Control)
Effective February 6, 1988

Amended and Restated as of December 20, 2001

HONEYWELL INTERNATIONAL INC.
SEVERANCE PLAN FOR CORPORATE STAFF EMPLOYEES
(Involuntary Termination Following a Change in Control)

ARTICLE I

PURPOSE

1.1 The purpose of this Plan is to provide severance benefits to Plan Participants in the event of the Involuntary Termination of their employment following a Change in Control. This Plan constitutes the amendment and restatement, as of December 20, 2001, of the Severance Plan for Corporate Staff Employees (Involuntary Termination following a Change in Control) established by Honeywell International Inc. (formerly AlliedSignal Inc.) as of February 6, 1988, and amended and restated effective October 21, 1988, April 1, 1999 and October 24, 2000.

ARTICLE II

DEFINITIONS

2.1 Affiliated Company - means (a) any member of a controlled group of corporations as defined in Section 414(b) of the Code of which Honeywell International Inc. or a predecessor of Honeywell International Inc. is or was a member, (b) any unincorporated trade or business which is under common control with Honeywell International Inc. as determined under Section 414(c) of the Code, or (c) any organization, employment with which is counted as employment with Honeywell International Inc. or a predecessor of Honeywell International Inc. under the provisions of Section 414(m), (n), or (o) of the Code.

2.2 Honeywell International Inc. - means Honeywell International Inc., a Delaware corporation, and its subsidiaries, and any successors thereto.

2.3 Annual Incentive Compensation - means the product of (a) times (b) where (a) is a Participant's target award level under the AlliedSignal Inc. Incentive Compensation Plan for Executive Employees, or any successor plan, for the most recent incentive period ended prior to the Change in Control, and (b) is Base Salary. Long-term performance incentive awards shall not be considered in determining Annual Incentive Compensation.

2.4 Base Salary - means the annual base salary, exclusive of bonus, incentive or other extra compensation, but inclusive of overtime (in the case of non-exempt Participants), being paid to a Participant at the time of Involuntary Termination of employment, but in no event less than the annual base

salary being paid to the Participant on the day prior to a Change in Control.

2.5 Board of Directors - means the Board of Directors of Honeywell International Inc.

2.6 Change in Control - is deemed to occur at the time (a) when any entity, person or group (other than Honeywell International Inc., any subsidiary or any savings, pension or other benefit plan for the benefit of employees of Honeywell International Inc.) 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, (b) of the purchase of shares of Common Stock pursuant to a tender offer or exchange offer (other than any offer by Honeywell International Inc.) for all, or any part of, the Common Stock, (c) of a merger in which Honeywell International Inc. will not survive as an independent, publicly owned corporation, a consolidation, or a sale, exchange or other disposition of all or substantially all of Honeywell International Inc.'s assets, (d) 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 stockholders of Honeywell International Inc., 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 (e) 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.

2.7 Code - means the Internal Revenue Code of 1986, as amended from time to time.

2.8 Common Stock - means the Common Stock of Honeywell International Inc. or such other stock into which the Common Stock may be changed as a result of split-ups, recapitalizations, reclassifications and the like.

2.9 Corporate Staff Employee - means a salaried or non-union hourly employee of Honeywell International Inc. employed in Career Bands 1 through 7 who, during a Potential Change In Control Period and/or at the time of a Change in Control, (a) is not associated with (i) an operating business of Honeywell International Inc. or (ii) Business Services or any successor organization, and (b) (i) has a reporting relationship, prior to a

Change in Control, either direct or through one or more other employees, to one of the then Senior Vice Presidents of Honeywell International Inc., (ii) prior to a Change in Control, held a position similar to a position which on April 1, 1999 had a reporting relationship, either direct or indirect or through one or more other employees, to one of the then Senior Vice Presidents of Honeywell International Inc., or (iii) reported prior or subsequent to a Change in Control directly to the Chairman and Chief Executive Officer of Honeywell International Inc. For purposes of subsection (a) above, an employee (x) whose work is not primarily associated with business operations or supportive of one or more particular businesses, (y) who is a functional leader, and (z) who has corporate-wide strategic responsibilities or whose role is to coordinate cross-business unit functions (whether or not located in the United States), as well as such employee's direct reports, shall be considered a Corporate Staff Employee. The Plan Administrator's final determination as to whether an employee satisfies the definition of Corporate Staff Employee shall be deemed to be conclusive and binding. Corporate Staff Employee shall not include any 1988 Plan Employee.

2.10 ERISA - means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.11 Gross Cause - means fraud, misappropriation of Honeywell International Inc. property or intentional misconduct damaging to such property or business of Honeywell International Inc., or the commission of a crime.

2.12 Hour of Service - means each hour for which a Participant is directly or indirectly paid by Honeywell International Inc., a predecessor of Honeywell International Inc. or an Affiliated Company for performance of duties and for reasons other than performance of duties and includes regular time, overtime, vacations, holidays, sickness, disability, paid layoff, and similar paid periods. Hours of Service shall be computed and credited in accordance with Department of Labor Regulation Section 2530.200b-2(b) and (c), as amended from time to time.

Involuntary Termination - means (a) termination by Honeywell International Inc. of the Participant's employment during the Protected Period, other than upon mandatory retirement in compliance with applicable law, death or for Gross Cause, or (b) termination of employment by a Participant during the Protected Period following (i) a reduction in the Participant's Pay or employee benefits other than a reduction which is generally applicable to all salaried and non-union hourly employees of Honeywell International Inc., (ii) permanent elimination of the Participant's position, not including transfer pursuant to the sale of a facility or line of business in which the Participant is offered

substantially comparable employment with the new employer, (iii) in the case of a Band 5 or above Participant or a Participant who met the definition of Corporate Staff Employee immediately prior to the December 20, 2001 amendment and restatement of the Plan, a material change in one or more of the following factors: the Participant's position, function, responsibilities or reporting level or in the standard of performance required of the Participant, as determined immediately prior to a Change in Control), (iv) any geographic relocation of a Participant's position (as determined immediately prior to a Change in Control) to a new location, or (v) an action by Honeywell International Inc. that under applicable law constitutes constructive discharge. In evaluating whether a Participant has incurred an Involuntary Termination pursuant to subsection (b) above, the Plan Administrator shall consider the specific facts and circumstances of each Participant's claim.

2.14 1988 Plan Employee - means an individual who (i) met the definition of Corporate Staff Employee under the Plan immediately prior to its amendment and restatement on April 1, 1999 (the "1988 Plan Definition"), (ii) who ceased to meet the Plan's definition of Corporate Staff Employee solely by reason of the April 1, 1999 amendment of such definition, and (iii) satisfies the 1988 Plan Definition as of the Change in Control. 1988 Plan Employees shall have their benefits, if any, determined solely with reference to the Plan as amended and restated effective October 21, 1988, a copy of which is attached hereto as Exhibit A.

2.15 Participant - means a Corporate Staff Employee and such other key management personnel, and their direct reports, who (i) have corporate-wide responsibilities; (ii) hold positions likely to be eliminated upon a Change in Control and (iii) are designated as Plan Participants by the Senior Vice President-Human Resources and Communications, in his sole discretion, based on the relevant facts and circumstances; provided, however, that in no event shall the number of such Participants designated by the Senior Vice President-Human Resources and Communications increase the total number of Participants by more than 5%.

2.16 Pay - means Base Salary and, as to a Participant employed in Band 5 or above, Annual Incentive Compensation.

2.17 Plan - means the Honeywell International Inc. Severance Plan for Corporate Staff Employees (Involuntary Termination Following a Change in Control).

2.18 Plan Administrator - means the person or entity identified in Section 5.01 to administer the terms and conditions of the Plan.

2.19 Plan Sponsor - means Honeywell International Inc. Any successor to Honeywell International Inc. (or a principal subsidiary) shall be deemed a Plan Sponsor.

2.20 Protected Period - means, with respect to each Participant, the period beginning on the date of a Change in Control that occurs after he or she becomes a Participant and ending at the expiration of twenty-four (24) months following such Change in Control.

2.21 Severance Pay Period - means the applicable severance period specified in Schedule A attached hereto.

2.22 Year of Service - means any consecutive 12-month period commencing on a Participant's date of hire or rehire with Honeywell International Inc., any predecessor of Honeywell International Inc. or an Affiliated Company, and anniversaries thereof during which the Participant has completed at least 1,000 Hours of Service.

ARTICLE III

PARTICIPATION

3.1 The benefits provided under the Plan are limited solely to Participants.

ARTICLE IV

ELIGIBILITY FOR AND CONTINUATION OF PAY, BENEFITS AND PENSION SERVICE

4.1 Eligibility for Pay, Benefit and Pension Service Continuation

In the event of the Involuntary Termination of a Participant's employment during the Protected Period, Pay, benefit and pension service continuation shall be provided to the Participant by Honeywell International Inc. (or any successor to Honeywell International Inc.) in accordance with this Article IV.

4.2 Pay, Benefit and Pension Service Continuation

A) Pay Continuation - A Participant shall receive Base Salary, paid in accordance with his or her normal payroll period, and, as to Participants employed in Career Band 5 or above, Annual Incentive Compensation, paid pro-rata during the Severance Pay Period, in accordance with the Participant's normal pay period.

B) Benefit Continuation - For the period of Pay continuation, Honeywell International Inc. will continue the Participant's

employee benefits, including, without limitation, vacation accruals, continuation of the Participant's savings plan participation (to the extent permissible under Section 401(a) of the Code), 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, that (a) such level of continued benefits shall not exceed the level of benefits in effect on the date of the Participant's Involuntary Termination, prior to any reduction thereto, (b) such continuation of life and medical benefits will cease on the date similar benefits are provided the Participant by a subsequent employer, and (c) the executive flex-perk allowance will be continued during the entire severance pay period.

C) Pension Service Continuation - Participants entitled to benefits under the Plan shall become 100% vested in their defined benefit pension plan benefits (all defined benefit plans, whether qualified or non-qualified, in which a Participant has accrued a benefit are collectively referred to as the "DB Plans"). During their Pay continuation period, Participants shall continue to be credited with additional age and service credit for purposes of benefit accrual (up to a maximum of twelve (12) months of a Participant's Pay continuation period), vesting and eligibility under the DB Plans in which they participate. At the end of a Participant's Pay continuation period, Participants shall immediately be credited with three (3) years of age and service, respectively, for purposes of benefit accruals, vesting and eligibility under the DB Plans; provided, however, that such three (3) years of additional age shall be credited only if such additional age credits would (either alone or in conjunction with a bridge leave of absence) enable a Participant to be eligible for immediate payment of an early or normal retirement benefit under the applicable defined benefit pension plan in which the Participant participates. The normal policy for qualifying bridge leaves of absence, as reflected in the applicable defined benefit pension plan in which the Participant participates, shall remain applicable thereafter.

D) 280G Gross-Up - If any payment to a Participant made pursuant to the terms of this Plan (including payments from any benefit or compensation plan or program sponsored or funded by Honeywell International Inc. but excluding payments and benefits provided upon a change in control under the AlliedSignal Severance Plan for Senior Executives, Honeywell Inc. Tier 1A and Tier 1B agreements, and any similar plan or arrangement under which participants have their benefits increased because of taxes under

Section 4999 of the Code) is determined to be an "excess parachute payment" within the meaning of 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 Honeywell International Inc. has withheld the amount of the Section 4999 tax, an additional benefit shall be paid pursuant to this Plan to such affected Participant, in 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 payments made pursuant to this subparagraph D), 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 such payment 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 payments made pursuant to this subparagraph D), 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 a payment made pursuant to this subparagraph D) 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.

4.3 Benefit Limitations

Subject to Section 14.3, to avoid duplication of benefits, the amount of any similar benefits under this Plan shall be offset and reduced by the amount of any similar benefit provided the Participant under other severance plans sponsored by Honeywell International Inc. for which the Participant may be eligible, regardless of whether the payments under this Plan are made at an earlier or a later date than payments under a similar plan would have been made. In addition, notwithstanding any plan provisions to the contrary, to the extent a Participant who was a former employee of Honeywell Inc. would be eligible for benefits under both this Plan and another severance plan sponsored by Honeywell Inc., such Participant shall only be entitled to benefits under this Plan to the extent such

Participant waives his or her rights to benefits under such other severance plan.

4.4 Incentive Compensation During Notice and Vacation

In the event of the Involuntary Termination of a Participant's employment during the Protected Period, the Participant shall be paid an additional amount, with respect to any notice period (whether provided under this Plan or pursuant to applicable law and whether working or non-working) ("Notice Period"), if any, and any periods of accrued and unused vacation time (not including any 'grandfathered' transitional vacation credited to a Participant, but including any vacation deemed to be accrued by the Participant with respect to the Participant's severance pay period) ("Vacation Period"), equal to the product of (a) such Participant's Annual Incentive Compensation, and (b) a fraction, the numerator of which is the sum of the number of days in the Participant's Notice Period and Vacation Period, and the denominator of which is 365. Any amounts paid pursuant to this Section 4.4 shall be paid in accordance with the Participant's normal payroll period.

4.5 Potential Change in Control Period

In the event a Potential Participant is involuntarily terminated by Honeywell International Inc. (i) during a Potential Change in Control Period, and (ii) under circumstances described in clause (a) of Section 2.13 that are related to the Potential Change in Control, the Plan Administrator may, in his sole and absolute discretion, provide that following the consummation of the Change in Control to which the Potential Change in Control relates, severance benefits payable to such Potential Participants under the severance pay plan then in effect with respect to such individual (the "Base Severance Amount") shall be supplemented by an amount equal to the difference between such Base Severance Amount and the benefits including, without limitation, the special vesting and pension enhancement provisions of Section 4.2(C) that would have been provided under this Plan had a Change in Control occurred immediately prior to such involuntary termination.

For purposes of this Section 4.5, "Potential Participant" means an employee who would satisfy the definition of Participant if a Change in Control had occurred at the beginning of the Potential Change in Control Period.

For purposes of this Section 4.5, a "Potential Change in Control Period" shall commence when (a) Honeywell International Inc. enters into an agreement, the consummation of which would result in the occurrence of a

Change in Control, (b) Honeywell International Inc. or any person or group publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control, (c) any person or group (other than Honeywell International Inc., any Affiliated Company or any savings, pension or other benefit plan for the benefit of employees of Honeywell International Inc. or its Affiliated Companies) becomes the beneficial owner, directly or indirectly, of securities of Honeywell International Inc. representing 15% or more of either the then outstanding shares of common stock of Honeywell International Inc. or the combined voting power of Honeywell International Inc.'s then outstanding securities (not including in the securities beneficially owned by such person or group any securities acquired directly from Honeywell International Inc. or its Affiliated Companies), or (d) the Board of Directors of Honeywell International Inc. adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control Period has commenced. The Potential Change in Control Period shall continue until the earlier of (i) the occurrence of a Change in Control, or (ii) the adoption by the Board of Directors of a resolution stating that, for purposes of the Plan, the Potential Change in Control Period has expired.

ARTICLE V

ADMINISTRATION

5.1 Plan Administrator

Prior to the occurrence of a Change in Control, the Senior Vice President-Human Resources and Communications of Honeywell International Inc. shall be the Plan Administrator within the meaning of ERISA Section 3(16)(A), and the named fiduciary within the meaning of ERISA Section 402. During a Potential Change in Control Period, Honeywell International Inc.'s Senior Vice President-Human Resources and Communications shall appoint a person independent of Honeywell International Inc. or persons operating under its control or on its behalf (hereafter, the "Corporation") to be the new Plan Administrator effective upon the occurrence of a Change in Control and the Senior Vice President-Human Resources and Communications shall immediately provide to the new Plan Administrator such information with respect to each Participant as shall be necessary to enable the new Plan Administrator to determine the amount of any benefit which is then or may thereafter become payable to such Participant. Honeywell International Inc. shall pay the new Plan Administrator reasonable compensation for services rendered and shall reimburse such new Plan Administrator for all reasonable expenses incurred in discharging his duties hereunder.

5.2 Powers and Duties of Plan Administrator

Except as otherwise provided in this Section, the Plan Administrator shall have the full discretionary power and authority to (i) determine the amount and timing of any benefit payable under the Plan, (ii) construe and interpret the Plan (including, without limitation, supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), (iii) determine all questions of fact arising under the Plan, including questions as to eligibility for and the amount of benefits, (iv) establish such rules and regulations (consistent with the terms of the Plan) as it deems necessary or appropriate for administration of the Plan, (v) delegate responsibilities to others to assist it in administering the Plan, and (vi) perform all other acts it believes reasonable and proper in connection with the administration of the Plan. The Plan Administrator shall be entitled to rely on the records of the Corporation in determining any Participant's entitlement to and the amount of benefits payable under the Plan.

5.3 Benefit Claims and Appeals

Any request or claim for Plan benefits shall be deemed to be filed when a written request is made by the claimant or the claimant's authorized representative which is reasonably calculated to bring the claim to the attention of the Plan Administrator.

The Plan Administrator shall provide notice in writing to any claimant when a claim for benefits under the Plan has been denied in whole or in part. Such notice shall be provided within 90 days of the receipt by the Plan Administrator of the claimant's claim or, if special circumstances require, and the claimant is so notified in writing, within 180 days of the receipt by the Plan Administrator of the claimant's claim. The notice shall be written in a manner calculated to be understood by the claimant and shall:

(i) set forth the specific reasons for the denial of benefits;

(ii) contain specific references to Plan provisions relative to the denial;

(iii) describe any material and information, if any, necessary for the claim for benefits to be allowed, that had been requested, but not received by the Plan Administrator; and

(iv) advise the claimant that any appeal of the Plan Administrator's adverse determination must be made in

writing to the Plan Administrator within 60 days after receipt of the initial denial notification, and must set forth the facts upon which the appeal is based.

If notice of the denial of a claim is not furnished within the time periods set forth above, the claim shall be deemed denied and the claimant shall be permitted to proceed to the review procedures set forth below. If the claimant fails to appeal the Plan Administrator's denial of benefits in writing and within 60 days after receipt by the claimant of written notification of denial of the claim (or within 60 days after a deemed denial of the claim), the Plan Administrator's determination shall become final and conclusive.

If the claimant appeals the Plan Administrator's denial of benefits in a timely fashion, the Plan Administrator shall re-examine all issues relevant to the original denial of benefits. Any such claimant or his or her duly authorized representative may review any pertinent documents, as determined by the Plan Administrator, and submit in writing any issues or comments to be addressed on appeal.

The Plan Administrator shall advise the claimant and such individual's representative of its decision, which shall be written in a manner calculated to be understood by the claimant, and include specific references to the pertinent Plan provisions on which the decision is based. Such response shall be made within 60 days of receipt of the written appeal, unless special circumstances require an extension of such 60-day period for not more than an additional 60 days. Where such extension is necessary, the claimant shall be given written notice of the delay. If the decision on review is not furnished within the time set forth above, the claim shall be deemed denied on review.

5.4 Prior Determination

A Participant wishing to terminate employment pursuant to Section 2.13(b) following a Change in Control may file a request for a prior determination as to whether his or her termination at any time within two years following a Change in Control would satisfy the conditions of Section 2.13(b) based on the individual facts and circumstances at the time of such request. Such request for a prior determination shall be made in the same manner as a request for benefits in accordance with the procedures described in Section 5.3. A Participant filing a request under this Section 5.4 shall not be required to terminate employment with Honeywell International Inc. as a prerequisite to filing such request. If a claim or appeal under this Section 5.4 is pending at the expiration of the Protected Period, or if a claim is made after the Protected Period relating

to events or circumstances occurring during the Protected Period, the Participant shall nevertheless be entitled to benefits under the Plan if the Plan Administrator ultimately determines that the facts and circumstances presented to the Plan Administrator would have constituted an Involuntary Termination under Section 2.13(b), provided such Participant resigns from Honeywell International Inc. within ten (10) days of the receipt of such determination. Submission of a request for prior determination under this Section 5.4 shall not preclude a subsequent request made in good faith provided that any subsequent request is based on facts and circumstances that are substantially different than any prior request.

5.5 Plan Year

The plan year shall be the calendar year.

5.6 Indemnification

To the extent permitted by law, the Corporation shall indemnify the Plan Administrator from all claims for liability, loss, or damage (including payment of expenses in connection with defense against such claims) arising from any act or failure to act in connection with the Plan.

ARTICLE VI

UNFUNDED OBLIGATION

6.1 All benefits payable under this Plan shall constitute an unfunded obligation of the Corporation. Payments shall be made, as due, from the general funds of Corporation. This Plan shall constitute solely an unsecured promise by the Corporation to pay severance benefits to participants to the extent provided herein.

ARTICLE VII

INALIENABILITY OF BENEFITS

7.1 No Participant shall have the power to transfer, assign, anticipate, mortgage or otherwise encumber any rights or any amounts payable under this Plan; nor shall any such rights or amounts payable under this Plan be subject to seizure, attachment, execution, garnishment or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. In the event a person who is receiving or is entitled to receive benefits under the Plan attempts to assign, transfer or dispose of such right, or if an attempt is made to subject such right to such process, such assignment, transfer or disposition shall be null and void.

ARTICLE VIII

WITHHOLDING

8.1 The Corporation shall have the right to withhold any taxes required to be withheld with respect to any payments due under this Plan.

ARTICLE IX

AMENDMENT OR TERMINATION

9.1 Plan Amendments

The Board of Directors reserves the right to amend the Plan from time to time prior to a Change in Control. However, no amendment shall reduce any benefit being paid or then payable to a Participant. Further, no amendment shall reduce the benefits provided by the Plan to persons who were Participants as of the date of such amendment or adversely affect in any manner the rights of persons who were Participants as of the date of such amendment to benefits provided under this Plan. This Plan may not be amended or terminated after a Change in Control; provided, however, the Plan may be amended if the purpose of the amendment is to increase benefits hereunder.

Notwithstanding anything in this Plan to the contrary, the Senior Vice President-Human Resources and Communications shall be permitted to amend the Plan to reflect changes in Honeywell International Inc.'s organization; provided, however, that no such amendment (i) shall increase or decrease benefits under the Plan, or (ii) increase the total number of Participants by more than five percent (5%) during any twelve month period.

9.2 Plan Termination

The Board of Directors reserves the right to terminate the Plan. However, such termination shall not adversely affect the rights of persons who were Participants as of the date of such termination.

ARTICLE X

PLAN NOT A CONTRACT OF EMPLOYMENT;
HONEYWELL INTERNATIONAL INC.'S POLICIES CONTROL

10.1 Nothing contained in this Plan shall give an employee the right to be retained in the employment of Honeywell International Inc. This Plan is not a contract of employment between Honeywell International Inc. and any employee. Any dispute involving issues of employment, other than

claims for benefits under this Plan, shall be governed by the appropriate employment dispute resolution policies and procedures of Honeywell International Inc.

ARTICLE XI

ACTION BY HONEYWELL INTERNATIONAL INC.

11.1 Unless expressly indicated to the contrary herein, any action required to be taken by Honeywell International Inc. may be taken by action of its Board of Directors or by any appropriate officer or officers traditionally responsible for such determination or actions, or such other individual or individuals as may be designated by the board of directors or any such officer.

ARTICLE XII

GOVERNING LAW

12.1 The Plan is an employee welfare benefit plan within the meaning of Section 3(1) of ERISA, and will be construed in accordance to ERISA's requirements.

ARTICLE XIII

SEVERABILITY

13.1 If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts of this Plan, but this Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

ARTICLE XIV

MISCELLANEOUS

14.1 Legal Fees

After the Plan Administrator has determined that (i) an employee satisfies the definition of Participant, and (ii) such Participant is entitled to benefits under the Plan, Honeywell International Inc. shall reimburse such Plan Participant for all reasonable legal fees and expenses incurred by the Participant after a Change in Control in seeking to obtain or enforce the payment of benefits payable after a Change in Control under this Plan if payment of benefits due and payable is not made within ten (10) days after written request by the Participant. Such payments of legal fees shall be made within thirty (30) business days after delivery of the Participant's written request for payment accompanied with such evidence of fees and expenses incurred.

14.2 No Waiver

No waiver by a Participant at any time of any breach by Honeywell International Inc. of, or of any lack of compliance with, any condition or provision of this Plan to be performed by Honeywell International Inc. shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. In no event shall the failure by a Participant to assert any right under the Plan (including, but not limited to, failure to assert the existence of conditions which would constitute an Involuntary Termination under Section 2.13(b) be deemed a waiver of such right or any other right provided under the Plan, unless the Participant affirmatively elects, in writing, to waive such right.

14.3 Coordination of Benefits

In the event that (i) a Participant in the Plan is covered by another severance plan of Honeywell International Inc. or an affiliate which provides benefits similar to those provided under the Plan, and (ii) such Participant becomes entitled to benefits under the Plan and such other plan, then, subject to Section 4.3, each benefit to which the Participant is entitled shall contain those rights and features which combine the most favorable rights and features of such benefit under the Plan and such other plan; provided, however, that in no event shall there be any duplication of such benefit.

SCHEDULE A

Bands	Severance Pay Period
5 and 6	18 months Base Salary and Annual Incentive Compensation

4I — One month notice, plus

Years of Service	Base Salary
0-4	6 months
5-9	9 months
10-19	12 months
20+	15 months

4 — One month notice, plus

Years of Service	Base Salary
0-4	6 months
5-9	9 months
10-19	12 months
20+	15 months

3 — One month notice, plus

Years of Service	Base Salary
0-9	3 months
10-25	6 months
26+	9 months

Non-exempt — One month notice, plus

Years of Service	Base Salary
0-12	3 months
13-25	6 months
26+	9 months

EXHIBIT 12

HONEYWELL INTERNATIONAL INC.
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	2002	2001	2000	1999	1998
	(IN MILLIONS)				
DETERMINATION OF EARNINGS:					
Income (loss) before taxes	(945)	(422)	2,398	2,248	2,772
Add (Deduct):					
Amortization of capitalized interest	24	25	25	25	25
Fixed charges	435	512	583	362	362
Equity income, net of distributions	(42)	199	132	(46)	(44)
Total earnings, as defined	(528)	314	3,138	2,589	3,115
FIXED CHARGES:					
Rents(a)	91	107	102	97	87
Interest and other financial charges	344	405	481	265	275
	435	512	583	362	362
Capitalized interest	21	17	16	22	25
Total fixed charges	456	529	599	384	387
Ratio of earnings to fixed charges	(1.16)(b)	0.59(b)	5.24	6.74	8.05

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(a) Denotes the equivalent of an appropriate portion of rentals representative of the interest factor on all rentals other than for capitalized leases.

(b) The ratio of earnings to fixed charges was less than 1:1 for the years ended December 31, 2002 and 2001. In order to have achieved a ratio of earnings to fixed charges of 1:1, we would have had to have generated an additional $984 and $215 million of earnings, respectively, in the years ended December 31, 2002 and 2001, respectively.

SELECTED FINANCIAL DATA
Honeywell International Inc.

(Dollars in Millions, Except Per Share Amounts)	Years Ended December 31, 2002	2001	2000	1999	1998	1997
RESULTS OF OPERATIONS						
Net sales	$22,274	$23,652	$25,023	$23,735	$23,555	$22,499
Net income (loss)(1)	(220)	(99)	1,659	1,541	1,903	1,641
PER COMMON SHARE						
Net earnings (loss):						
Basic	(0.27)	(0.12)	2.07	1.95	2.38	2.04
Assuming dilution	(0.27)	(0.12)	2.05	1.90	2.34	2.00
Dividends	0.75	0.75	0.75	0.68	0.60	0.52
FINANCIAL POSITION AT YEAR-END						
Property, plant and equipment -- net	4,055	4,933	5,230	5,630	5,600	5,380
Total assets	27,559	24,226	25,175	23,527	22,738	20,118
Short-term debt	370	539	1,682	2,609	2,190	1,238
Long-term debt	4,719	4,731	3,941	2,457	2,776	2,394
Total debt	5,089	5,270	5,623	5,066	4,966	3,632
Shareowners' equity	8,925	9,170	9,707	8,599	8,083	6,775

Note: Commencing January 1, 2002, we ceased amortization of goodwill and indefinite-lived intangible assets. See Note 13 of Notes to Financial Statements for further details.

(1) In 2002, includes net repositioning, litigation, business impairment and other charges and gains on sales of non-strategic businesses resulting in a net after-tax charge of $1,864 million, or $2.27 per share. In 2001, includes net repositioning, litigation, business impairment and other charges resulting in an after-tax charge of $1,771 million, or $2.18 per share. In 2000, includes net repositioning, litigation, business impairment and other charges and a gain on the sale of the TCAS product line of Honeywell Inc. resulting in a net after-tax charge of $634 million, or $0.78 per share. In 1999, includes merger, repositioning and other charges and gains on the sales of our Laminate Systems business and our investment in AMP Incorporated common stock resulting in a net after-tax charge of $624 million, or $0.78 per share. In 1998, includes repositioning charges, a gain on settlement of litigation claims and a tax benefit resulting from the favorable resolution of certain prior-year research and development tax claims resulting in a net after-tax charge of $4 million, with no impact on the per share amount. In 1997, includes repositioning and other charges, gains on the sales of our automotive Safety Restraints and certain Industrial Control businesses and a charge related to the 1996 sale of our automotive Braking Systems business resulting in a net after-tax charge of $5 million, with no impact on the per share amount.

RESULTS OF OPERATIONS

Net sales in 2002 were $22,274 million, a decrease of $1,378 million, or 6 percent compared with 2001. Net sales in 2001 were $23,652 million, a decrease of $1,371 million, or 5 percent compared with 2000. The change in net sales in 2002 and 2001 is attributable to the following:

	2002 Versus 2001	2001 Versus 2000
Acquisitions	--%	1%
Divestitures	(3)	(2)
Price	(2)	(1)
Volume	(2)	(2)
Foreign Exchange	1	(1)
	(6)%	(5)%

Cost of goods sold of $17,615, $20,125 and $18,673 million in 2002, 2001 and 2000, respectively, included net repositioning and other charges of $561, $2,134 and $413 million in 2002, 2001 and 2000, respectively. See the repositioning, litigation, business impairment and other charges section of this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) for further details. Cost of goods sold in 2001 and 2000 also included $204 and $206 million, respectively, of amortization of goodwill and indefinite-lived intangible assets. Such amortization expense was excluded from cost of goods sold in 2002 in conformity with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), which we adopted January 1, 2002. See Note 1 and 13 of Notes to Financial Statements for further discussion of the adoption of SFAS No. 142. The decrease in cost of goods sold of $2,510 million in 2002 compared with 2001 resulted from a $1,573 million reduction in repositioning and other charges, a $733 million reduction due principally to lower sales in our Aerospace segment and lower costs due to the benefits of repositioning actions, mainly workforce reductions, and the elimination of goodwill and indefinite-lived intangible asset amortization of $204 million. The increase in cost of goods sold of $1,452 million in 2001 compared with 2000 resulted from a $1,721 million increase in repositioning and other charges partially offset by a $269 million decrease in cost of goods sold due principally to lower sales in our Specialty Materials and Aerospace segments and lower costs due to the benefits of repositioning actions, mainly workforce reductions.

Selling, general and administrative expenses were $2,757, $3,064 and $3,134 million in 2002, 2001 and 2000, respectively. Selling, general and administrative expenses included net repositioning and other charges of $45 and $151 million in 2002 and 2001, respectively. See the repositioning, litigation, business impairment and other charges section of this MD&A for further details. The decrease in selling, general and administrative expenses of $307 million in 2002 compared with 2001 resulted from a $106 million reduction in repositioning and other charges, as well as a $201 million reduction due to lower sales in 2002 and lower costs due to the benefits of repositioning actions, mainly workforce reductions. The decrease in selling, general and administrative expenses of $70 million in 2001 compared with 2000 resulted from a $221 million reduction due to lower sales in 2001 and lower costs due to the benefits of repositioning actions, mainly workforce reductions, partially offset by a $151 million increase in repositioning and other charges.

Retirement benefit (pension and other postretirement) plans income was $27 million in 2002 compared with income of $165 million in 2001. The decrease in income of $138 million was due principally to the poor investment performance of our U.S. pension fund assets since 2000. Retirement benefit plans income was $165 million in 2001 compared with income of $282 million in 2000. The decrease in income of $117 million was mainly due to the poor investment performance of our U.S. pension fund assets and higher retiree medical costs. See Note 22 of Notes to Financial Statements for further details on our pension and postretirement plans. Future effects on operating results will principally depend on pension plan investment performance and other economic conditions. See Critical Accounting Policies section of this MD&A for a further discussion of our U.S. pension plans and their impact on our consolidated results of operations and financial position.

Loss on sale of non-strategic businesses of $124 million in 2002 represented the pretax loss on the dispositions of Specialty Chemical's Pharmaceutical Fine Chemicals (PFC) and Advanced Circuits businesses and Automation and Control Solutions Consumer Products business totaling $249 million, partially offset by the pretax gain on the disposition

of our Bendix Commercial Vehicle Systems (BCVS) business of $125 million. The divestitures of these businesses reduced net sales and increased segment profit in 2002 compared with 2001 by approximately $500 and $31 million, respectively. Aggregate sales proceeds were approximately $435 million consisting of cash and investment securities. (Gain) on sale of non-strategic businesses of $112 million in 2000 represented the pretax gain on the government-mandated divestiture of the TCAS product line of Honeywell Inc. (the former Honeywell) in connection with the merger of AlliedSignal Inc. and the former Honeywell in December 1999.

Asbestos related litigation charges, net of insurance totaled $1,548, $159 and $7 million in 2002, 2001 and 2000, respectively, related mainly to costs associated with asbestos claims of North American Refractories Company (NARCO). See Asbestos Matters in Note 21 of Notes to Financial Statements for further discussion.

Business impairment charges of $877, $145 and $410 million in 2002, 2001 and 2000, respectively, related principally to the write-down of property, plant and equipment in businesses in our Specialty Materials segment and in our Friction Materials business. See the repositioning, litigation, business impairment and other charges section of this MD&A for further details.

Equity in (income) loss of affiliated companies was income of $42 million in 2002 and losses of $193 and $89 million in 2001 and 2000, respectively. Equity in (income) loss of affiliated companies included repositioning and other charges of $13, $200 and $136 million in 2002, 2001 and 2000, respectively. See the repositioning, litigation, business impairment and other charges section of this MD&A for further details. The increase in equity in (income) loss of affiliated companies of $235 million in 2002 compared with 2001 resulted from a $187 million decrease in repositioning and other charges. The increase also resulted from exiting a joint venture in our Aerospace segment ($9 million), an improvement in earnings from joint ventures in our Specialty Materials and Automation and Control Solutions segments ($23 million), and accounting for the first quarter of 2002 operating results of our BCVS business using the equity method since control of the business was transferred to Knorr-Bremse AG in January 2002 ($6 million). The decrease in equity in (income) loss of affiliated companies of $104 million in 2001 compared with 2000 resulted from a $64 million increase in repositioning and other charges, as well as a gain on the sale of our interest in an automotive aftermarket joint venture in 2000.

Other (income) expense was income of $4, $17 and $57 million in 2002, 2001 and 2000, respectively. Other (income) expense included other charges of $15 million in 2002 related to an other than temporary decline in value of cost basis equity investments, and a $6 million loss in 2001 related to the early redemption of our $200 million 5 3/4% dealer remarketable securities. Other (income) expense in 2001 also included a $1 million credit recognized upon the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133). The decrease in other (income) expense of $13 million in 2002 compared with 2001 resulted from a decrease in benefits from foreign exchange hedging ($47 million) and an increase in other charges ($9 million) largely offset by a partial settlement of a patent infringement lawsuit with an automotive supplier ($15 million), lower minority interests ($16 million) and higher interest income ($13 million). The decrease in other (income) expense of $40 million in 2001 compared with 2000 resulted primarily from a decrease in benefits from foreign exchange hedging ($21 million) and lower interest income ($18 million), partially offset by lower minority interests ($10 million).

Interest and other financial charges of $344 million in 2002 decreased by $61 million, or 15 percent compared with 2001. Interest and other financial charges of $405 million in 2001 decreased by $76 million, or 16 percent compared with 2000. The decrease in interest and other financial charges in 2002 compared with 2001 and 2001 compared with 2000 was due mainly to lower average debt outstanding and lower average interest rates in both years.

The effective tax (benefit) rate was (76.7), (76.6) and 30.8 percent in 2002, 2001 and 2000, respectively. The effective tax (benefit) rate in 2002 was substantially higher than the statutory rate of 35 percent principally due to the higher deductible tax basis than book basis on the dispositions of our Advanced Circuits, PFC and Consumer Products businesses, tax benefits on export sales and favorable tax audit settlements. The effective tax (benefit) rate in 2001 was substantially higher than the statutory rate of 35 percent principally due to tax benefits on export sales, U.S. tax credits and favorable tax audit settlements. The impact of tax benefits on export sales, U.S. tax credits and favorable audit settlements had a more favorable impact on our effective tax (benefit) rates in 2002 and 2001 than in prior years principally due to the relative amount of these benefits in comparison to the amount of our pretax losses in 2002 and 2001. See Note 7 of Notes to Financial Statements for further information.

Net loss was $(220) million, or $(0.27) per share, in 2002, net loss was $(99) million, or $(0.12) per share, in 2001, and net income was $1,659 million, or $2.05 per share, in 2000. The net losses in 2002 and 2001 were due to the repositioning, litigation, business impairment and other charges recognized in 2002 and 2001. Those charges are described in

detail in the repositioning, litigation, business impairment and other charges section of this MD&A.

Review of Business Segments

(Dollars in millions)	2002	2001	2000
Net Sales			
Aerospace	$ 8,855	$ 9,653	$ 9,988
Automation and Control Solutions	6,978	7,185	7,384
Specialty Materials	3,205	3,313	4,055
Transportation and Power Systems	3,184	3,457	3,527
Corporate	52	44	69
	$22,274	$23,652	$25,023
Segment Profit			
Aerospace	$ 1,358	$ 1,741	$ 2,195
Automation and Control Solutions	890	819	986
Specialty Materials	57	52	334
Transportation and Power Systems	357	289	274
Corporate	(154)	(153)	(160)
	$ 2,508	$ 2,748	$ 3,629

A reconciliation of segment profit to consolidated income (loss) before taxes is as follows:

(Dollars in millions)	2002	2001	2000
Segment profit	$2,508	$2,748	$3,629
(Loss) gain on sale of non-strategic businesses	(124)	--	112
Asbestos related litigation charges, net of insurance	(1,548)	(159)	(7)
Business impairment charges	(877)	(145)	(410)
Repositioning and other charges	(634)	(2,490)	(549)
Equity in income of affiliated companies	55	7	47
Other income	19	22	57
Interest and other financial charges	(344)	(405)	(481)
Income (loss) before taxes	$ (945)	$ (422)	$2,398

See Note 23 of Notes to Financial Statements for further information on our reportable segments and our definition of what constitutes segment profit. Segment profit for 2001 and 2000 includes pretax amortization of goodwill and indefinite-lived intangible assets of $204 and $206 million, respectively (Aerospace -- $60 and $60 million, Automation and Control Solutions -- $92 and $86 million, Specialty Materials -- $32 and $40 million and Transportation and Power Systems -- $20 and $20 million, respectively). Such amortization expense is excluded from the 2002 results, in conformity with SFAS No. 142.

Aerospace sales in 2002 were $8,855 million, a decrease of $798 million, or 8 percent compared with 2001. This decrease resulted mainly from a decline of 20 percent in sales by our commercial air transport segment due primarily to continued general weakness in the economy and the financial difficulties being encountered by the airline industry. Sales by our commercial air transport segment in 2002 continued to be adversely impacted from the abrupt downturn in the aviation industry following the terrorist attacks on September 11, 2001. Sales to our commercial air transport aftermarket customers declined by 13 percent as passenger traffic declined significantly in 2002 compared with the prior year. Demand for our aftermarket products and services declined in 2002 due to reduced flying hours by the airlines and the deteriorating financial condition of many of the U.S. commercial airlines. Sales to our air transport original equipment (OE) customers declined by 32 percent reflecting dramatically lower projected deliveries by our OE customers (primarily Boeing and Airbus). Sales to our business and general aviation OE customers decreased by 27 percent reflecting a decline in deliveries of regional and business jet airplanes. This decrease was partially offset by higher sales in our defense and space segment, with OE sales up by 13 percent and aftermarket sales higher by 12 percent, resulting primarily from increased military activity and growth in precision guidance and spare parts. Sales to our business and general aviation aftermarket customers also increased by 7 percent largely due to increases in engine maintenance because of higher flying hours by fractional jets. Aerospace sales in 2001 were $9,653 million, a decrease of $335 million, or 3 percent compared with 2000. This decrease principally reflected a decrease of 10 percent in sales by our commercial air transport aftermarket and OE segments and the impact of prior year divestitures. The lower commercial sales resulted mainly from the impact of the terrorist attacks on September 11, 2001 and the already weak economy. Sales to our business and general aviation OE customers were also lower by 12 percent. This decrease was partially offset by higher sales in our defense and space segment, with OE sales up by 11 percent and aftermarket sales higher

by 5 percent, resulting primarily from increased military activity. Sales to our business and general aviation aftermarket customers also increased by 7 percent.

Aerospace segment profit in 2002 was $1,358 million, a decrease of $383 million, or 22 percent compared with 2001. This decrease was due mainly to substantially lower sales of higher-margin commercial aftermarket products such as avionics upgrades and spare parts. Also, higher retirement benefit costs and contract losses contributed to this decline in segment profit. This decrease was partially offset by lower costs primarily from workforce reductions and a decline in discretionary spending. Aerospace segment profit in 2001 was $1,741 million, a decrease of $454 million, or 21 percent compared with 2000. This decrease related principally to lower sales of higher-margin aftermarket products, higher retirement benefit costs, engineering and development costs related to new products and the impact of prior year divestitures. This decrease was partially offset by the impact of cost-reduction actions, primarily workforce reductions.

Automation and Control Solutions sales in 2002 were $6,978 million, a decrease of $207 million, or 3 percent compared with 2001. Sales declined by 3 percent for our Automation and Control Products business primarily due to the disposition of our Consumer Products business and softness in capital spending partially offset by increased demand for security-related products. Sales for our Industry Solutions business declined by 4 percent resulting from ongoing softness in industrial production and capital spending. Sales for our Service business also decreased by 3 percent due primarily to general weakness in the economy. Automation and Control Solutions sales in 2001 were $7,185 million, a decrease of $199 million, or 3 percent compared with 2000. Excluding the impact of foreign exchange, acquisitions and divestitures, sales decreased approximately 2 percent. This decrease resulted primarily from lower sales for our Automation and Control Products business primarily due to weakness in key end-markets partially offset by higher sales for our security related products due principally to our acquisition of Pittway in the prior year. Our Service business also had lower sales due primarily to weakness in our security monitoring business. This decrease was partially offset by higher sales for our Industry Solutions business.

Automation and Control Solutions segment profit in 2002 was $890 million, an increase of $71 million, or 9 percent compared with 2001. Excluding goodwill amortization expense in 2001, segment profit in 2002 decreased by 2 percent compared with 2001. This decrease resulted primarily from the impact of lower sales volumes and pricing pressures, mainly in our Automation and Control Products and Service businesses. This decrease was partially offset by lower costs due to the benefits of repositioning actions, mainly workforce reductions. Automation and Control Solutions segment profit in 2001 was $819 million, a decrease of $167 million, or 17 percent compared with 2000. This decrease resulted principally from lower sales for our Automation and Control Products and Service businesses, higher raw material costs and pricing pressures across the segment, higher retirement benefit costs and the impact of prior year divestitures. This decrease was partially offset by the impact of cost-reduction actions, primarily workforce reductions.

Specialty Materials sales in 2002 were $3,205 million, a decrease of $108 million, or 3 percent compared with 2001. This decrease was driven by a 44 percent decline in sales for our Advanced Circuits business due to weakness in the telecommunications industry and the divestiture of our PFC business. Sales declined by 7 percent for our Performance Fibers business mainly due to weak demand. Sales for our Fluorines business also declined by 2 percent generally due to lower demand and pricing pressures. This decrease was partially offset by higher sales for our Electronic Materials and Nylon System businesses of 8 and 5 percent, respectively, due principally to increased demand. Specialty Materials sales in 2001 were $3,313 million, a decrease of $742 million, or 18 percent compared with 2000. Excluding the effect of divestitures, sales decreased by 13 percent. This decrease was driven by a decline in sales for our Electronic Materials and Advanced Circuits businesses of 36 and 34 percent, respectively, due to weakness in the electronics and telecommunications markets. Sales also declined for our Performance Fibers and Nylon System businesses by 18 and 8 percent, respectively, due to weakness in the automotive and carpet end-markets.

Specialty Materials segment profit in 2002 was $57 million, an increase of $5 million, or 10 percent compared with 2001. Excluding goodwill amortization expense in 2001, segment profit in 2002 decreased by 32 percent compared with 2001. Segment profit in 2002 was negatively impacted by significant pricing pressures in many of our markets and by start-up costs for our new Fluorines plant. This decrease in segment profit was partially offset by the impact of higher volumes in our Electronic Materials and Nylon System businesses, lower raw material costs, and lower costs resulting from plant shutdowns and workforce reductions. Specialty Materials segment profit in 2001 was $52 million, a decrease of $282 million, or 84 percent compared with 2000. This decrease resulted primarily from lower volumes and price declines, principally in our Electronic Materials, Nylon System and Performance Fibers businesses. Higher energy and raw material costs principally in our Nylon System and Performance Fibers businesses and the impact of prior year divestitures also contributed to the decrease in segment profit. This decrease in segment profit was partially offset by the impact of cost-reduction actions, principally plant shutdowns and workforce reductions.

Transportation and Power Systems sales in 2002 were $3,184 million, a decrease of $273 million, or 8 percent compared with 2001. Excluding the effect of the disposition of our BCVS business, sales increased by 3 percent. This increase was due mainly to a 6 percent increase in sales for our Garrett Engine Boosting Systems business due to higher build rates for medium and heavy-duty vehicles in Asia and North America. Sales for our Consumer Products Group and Friction Materials businesses also both increased 2 percent due to higher demand and favorable foreign exchange. Transportation and Power Systems sales in 2001 were $3,457 million, a decrease of $70 million, or 2 percent compared with 2000. Excluding the effects of foreign exchange, acquisitions and divestitures, sales were flat. Sales increased by 13 percent for our Garrett Engine Boosting Systems business due to continued strong demand for turbochargers in the European diesel-powered passenger car market. This increase was offset by a 16 percent decrease in sales for our BCVS business due to decreased heavy-duty truck builds in North

America. Sales also declined by 4 percent for both our Friction Materials and Consumer Products Group businesses due to weakness in automotive end-markets.

Transportation and Power Systems segment profit in 2002 was $357 million, an increase of $68 million, or 24 percent compared with 2001. This increase resulted primarily from higher sales and the effects of cost-structure improvements, mainly workforce reductions and low-cost sourcing, in all of the segment's businesses. The shutdown of our Turbogenerator product line in 2001 also contributed to higher segment profit. This increase was partially offset by the absence of segment profit from our BCVS business which was sold in the first quarter of 2002. Transportation and Power Systems segment profit in 2001 was $289 million, an increase of $15 million, or 5 percent compared with 2000 due to higher sales in our Garrett Engine Boosting Systems business and the impact of repositioning actions across all businesses. The shutdown of our Turbogenerator product line in 2001 and the fact that the prior year included costs associated with a product recall in our BCVS business also contributed to an improvement in segment profit in 2001. This increase was partially offset by the impact of lower sales in our BCVS, Consumer Products Group and Friction Materials businesses.

Repositioning, Litigation, Business Impairment and Other Charges

A summary of repositioning, litigation, business impairment and other charges follows:

(Dollars in millions)	2002	2001	2000
Severance	$ 270	$ 727	$157
Asset impairments	121	194	141
Exit costs	62	95	40
Reserve adjustments	(76)	(119)	(46)
Total net repositioning charge.	377	897	292
Asbestos related litigation charges, net of insurance	1,548	159	7
Litton litigation settlement	--	440	--
Probable and reasonably estimable legal and environmental liabilities	30	249	80
Business impairment charges	877	145	410
Customer claims and settlements of contract liabilities	152	310	93
Write-offs of receivables, inventories and other assets	60	335	84
Investment impairment charges	15	112	--
Aerospace jet engine contract cancellation	--	100	--
General Electric merger expenses	--	42	--
Debt extinguishment loss	--	6	--
Total repositioning, litigation, business impairment and other charges	$3,059	$2,795	$966

The following table summarizes the pretax distribution of total repositioning, litigation, business impairment and other charges by income statement classification:

(Dollars in millions)	2002	2001	2000
Cost of goods sold	$ 561	$2,134	$413
Selling, general and administrative expenses	45	151	--
Asbestos related litigation charges, net of insurance	1,548	159	7
Business impairment charges	877	145	410
Equity in (income) loss of affiliated companies	13	200	136
Other (income) expense	15	6	--
	$3,059	$2,795	$966

In 2002, we recognized a repositioning charge of $453 million for workforce reductions across all of our reportable segments and our UOP process technology joint venture. The charge also related to costs for the planned shutdown and consolidation of manufacturing plants in our Specialty Materials and Automation and Control Solutions reportable segments. Severance costs were related to announced workforce reductions of approximately 8,100 manufacturing and administrative positions of which approximately 2,900 positions have been eliminated as of December 31, 2002. These actions are expected to be completed by December 31, 2003. Asset impairments principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Exit costs related principally to incremental costs to exit facilities, including lease termination losses negotiated or subject to reasonable estimation related mainly to closed facilities in our Automation and Control Solutions and Specialty Materials

reportable segments. Also, $76 million of previously established severance accruals were returned to income in 2002, due to fewer employee separations than originally anticipated and higher than expected voluntary employee attrition resulting in reduced severance liabilities in our Aerospace, Automation and Control Solutions and Specialty Materials reportable segments.

In 2001, we recognized a repositioning charge of $1,016 million for the cost of actions designed to reduce our cost structure and improve our future profitability. These actions consisted of announced global workforce reductions of approximately 20,000 manufacturing and administrative positions across all of our reportable segments, which are substantially complete. The repositioning charge also included asset impairments and other exit costs related to plant closures and the rationalization of manufacturing capacity and infrastructure, principally in our Specialty Materials, Engines, Systems and Services and Transportation and Power Systems businesses, including the shutdown of our Turbogenerator product line. Other exit costs consisted of

contract cancellations and penalties, including lease terminations, negotiated or subject to reasonable estimation. Also, $119 million of previously established accruals, mainly for severance, were returned to income in 2001 due principally to higher than expected voluntary employee attrition resulting in reduced severance liabilities, principally in our Aerospace and Automation and Control Solutions reportable segments.

In 2000, we recognized a repositioning charge of $338 million related to announced global workforce reductions across all of our reportable segments, costs to close a chip package manufacturing plant and related workforce reductions. The charge also included asset impairments principally associated with the completion of previously announced plant shutdowns in our Specialty Materials reportable segment and the closure of an affiliate's chemical manufacturing operations, and other environmental exit costs and period expenses. The announced workforce reductions consisted of approximately 2,800 manufacturing and administrative positions, which are complete. Asset impairments were principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Also, $46 million of previously established accruals, principally for severance, were returned to income in 2000 due to higher than expected voluntary employee attrition resulting in reduced severance liabilities, principally in our Automation and Control Solutions and Aerospace reportable segments.

These repositioning actions are expected to generate incremental pretax savings of approximately $400 million in 2003 compared with 2002 principally from planned workforce reductions and facility consolidations. Cash expenditures for severance and other exit costs necessary to execute these actions were $447, $422 and $344 million in 2002, 2001 and 2000, respectively. Such expenditures for severance and other exit costs have been funded principally through operating cash flows. Cash expenditures for severance and other exit costs necessary to execute the remaining 2002 actions will approximate $350 million in 2003 and will be funded principally through operating cash flows.

In 2002, we recognized business impairment charges of $877 million related to businesses in our Specialty Materials and Automation and Control Solutions segments, as well as our Friction Materials business. Based on current operating losses and deteriorating economic conditions in certain chemical and telecommunications end-markets, we performed impairment tests and recognized impairment charges of $785 million in 2002 principally related to the write-down of property, plant and equipment held for use in our Nylon System, Performance Fibers and Metglas Specialty Materials businesses, as well as an Automation and Control Solutions communication business. We also recognized impairment charges of $92 million related principally to the write-down of property, plant and equipment of our Friction Materials business, which is classified as assets held for disposal in Other Current Assets (a plan of disposal of Friction Materials was adopted in 2001; in January 2003, we entered into a letter of intent to sell this business to Federal-Mogul Corp. --see Note 21 of Notes to Financial Statements for further discussion). In 2002, we recognized asbestos related litigation charges of $1,548 million principally related to costs associated with the potential resolution of asbestos claims of NARCO (see Note 21 of Notes to Financial Statements for further discussion). In 2002, we also recognized other charges consisting of customer claims and settlements of contract liabilities of $152 million and write-offs of receivables, inventories and other assets of $60 million. These other charges related mainly to our Advanced Circuits business, bankruptcy of a customer in our Aerospace reportable segment, and customer claims in our Aerospace and Automation and Control Solutions reportable segments. Additionally, we recognized other charges consisting of probable and reasonably estimable environmental liabilities of $30 million and write-offs related to an other than temporary decline in the value of certain cost investments of $15 million.

In 2001, we recognized other charges consisting of a settlement of the Litton Systems, Inc. litigation for $440 million, probable and reasonably estimable legal and environmental liabilities of $249 million (see Note 21 of Notes to Financial Statements for further discussion), asbestos related litigation charges of $159 million (see Note 21 of Notes to Financial Statements for further discussion), customer claims and settlements of contract liabilities of $310 million and write-offs of receivables, inventories and other assets of $335 million. Our Friction Materials business was designated as held for disposal, and we recognized an impairment charge of $145 million related to the write-down of property, plant and equipment, goodwill and other identifiable intangible assets to their fair value less costs to sell. We recognized charges of $112 million related to an other than temporary decline in the value of an equity investment and an equity investee's loss contract, and a $100 million charge for write-off of investments, including inventory, related to a regional jet engine contract cancellation. We also recognized $42 million of transaction expenses related to the proposed merger with GE and redeemed our $200 million 5 3/4% dealer remarketable securities due 2011, resulting in a loss of $6 million.

In 2000, we identified certain business units and manufacturing facilities as non-core to our business strategy. As a result of this assessment, we implemented cost reduction initiatives and conducted discussions with potential acquirers of these businesses and assets. As part of this process, we evaluated the businesses and assets for possible impairment. As a result of our analysis, we recognized impairment charges in 2000 of $245 and $165 million principally related to the write-down of property, plant and equipment, goodwill and other identifiable

intangible assets of our Friction Materials business and a chemical manufacturing facility, respectively. We recognized other charges consisting of probable and reasonably estimable environmental liabilities of $80 million, customer claims and settlements of contract liabilities of $93 million, write-offs of receivables, inventories and other assets of $84 million and asbestos related litigation charges of $7 million.

The following tables provide details of the pretax impact of total net repositioning, litigation, business impairment and other charges by reportable business segment.

Aerospace

(Dollars in millions)	2002	2001	2000
Net repositioning charge	$ 15	$198	$ 6
Litton litigation settlement	--	440	--
Probable and reasonably estimable legal and environmental liabilities	--	2	--
Customer claims and settlements of contract liabilities	99	111	52
Write-offs of receivables, inventories and other assets	21	44	33
Investment impairment charges	11	--	--
Aerospace jet engine contract cancellation	--	100	--
	$146	$895	$91

Automation and Control Solutions

(Dollars in millions)	2002	2001	2000
Net repositioning charge	$131	$289	$ 87
Probable and reasonably estimable legal and environmental liabilities	--	53	--
Business impairment charges	22	--	--
Customer claims and settlements of contract liabilities	42	114	--
Write-offs of receivables, inventories and other assets	17	236	21
Investment impairment charges	--	93	--
	$212	$785	$108

Specialty Materials

(Dollars in millions)	2002	2001	2000
Net repositioning charge	$167	$172	$186
Probable and reasonably estimable legal and environmental liabilities	23	--	--
Business impairment charges	763	--	165
Customer claims and settlements of contract liabilities	11	29	39
Write-offs of receivables, inventories and other assets	12	22	9
Investment impairment charges	--	19	--
	$976	$242	$399

Transportation and Power Systems

(Dollars in millions)	2002	2001	2000
Net repositioning charge	$ 26	$133	$ 5
Asbestos related litigation charges, net of insurance	167	--	--
Probable and reasonably estimable legal and environmental liabilities	--	2	--
Business impairment charges	92	145	245
Customer claims and settlements of contract liabilities	--	56	--
Write-offs of receivables, inventories and other assets	10	31	13
	$295	$367	$263

Corporate

(Dollars in millions)	2002	2001	2000

Net repositioning charge	$ 38	$105	$ 8
Asbestos related litigation charges, net of insurance	1,381	159	7
Probable and reasonably estimable legal and environmental liabilities	7	192	80
Customer claims and settlements of contract liabilities	--	--	2
Write-offs of receivables, inventories and other assets	--	2	8
Investment impairment charges	4	--	--
Debt extinguishment loss	--	6	--
General Electric merger expenses	--	42	--
	$1,430	$506	$105

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

Total assets at December 31, 2002 were $27,559 million, an increase of $3,333 million, or 14 percent compared with December 31, 2001. This increase resulted mainly from the recognition of probable recoveries from insurance carriers related to asbestos claims of approximately $2.0 billion, a higher prepaid pension asset due to the voluntary contribution to our U.S. defined benefit pension plans of $830 million in 2002 and an increase in cash of $628 million. This increase was also due to an increase in deferred tax assets of $712 million due to the repositioning, litigation, business impairment and other charges and net operating tax losses in 2002. This increase was partially offset by a decrease in trade accounts receivables and inventories of $506 million in 2002 due to improved working capital turnover and a decline in property, plant and equipment of $878 million due to write-downs in connection with our business impairments and plant closures. Total assets at December 31, 2001 were $24,226 million, a decrease of $949 million, or 4 percent compared with December 31, 2000. Inventories and accounts

receivable were lower compared with the prior year-end driven by an improvement in working capital turnover. The decrease also resulted from asset writedowns in connection with our repositioning actions.

Cash Flow Summary

Cash provided by operating activities of $2,380 million during 2002 increased by $384 million compared with 2001 mainly due to an improvement in working capital (receivables and inventories) turnover and lower tax payments. This increase was partially offset by a cash contribution to our U.S. defined benefit pension plans of $130 million and higher spending for repositioning actions, mainly severance. Cash provided by operating activities of $1,996 million during 2001 increased by $7 million compared with 2000. This increase was driven by an improvement in working capital turnover offset by lower earnings.

Cash used for investing activities of $870 million during 2002 decreased by $36 million compared with 2001 due to higher proceeds from sales of businesses and lower capital spending. During 2002, we realized proceeds from the sales of our BCVS, PFC and Consumer Products businesses. The decrease in capital spending reflected the completion in 2002 of a major plant in our Fluorines business and our intention to limit capital spending at non-strategic businesses. This decrease in cash used for investing activities also reflects the proceeds from the disposition of an equity investment in our Automation and Control Solutions reportable segment. The decrease in cash used for investing activities was partially offset by an increase in spending for acquisitions, principally reflecting the acquisition of Invensys Sensor Systems in October 2002. Cash used for investing activities of $906 million during 2001 decreased by $1,808 million compared with 2000 due principally to our acquisition of Pittway in 2000. This decrease was partially offset by lower proceeds from sales of businesses and property, plant and equipment and a slight increase in capital spending.

Cash used for financing activities of $882 million during 2002 decreased by $11 million compared with 2001 mainly due to lower net debt repayments in the current year partially offset by a decrease in proceeds from issuance of common stock. Total debt of $5,089 million at December 31, 2002 was $181 million, or 3 percent lower than at December 31, 2001 principally reflecting scheduled repayments of long-term debt. Cash used for financing activities of $893 million during 2001 increased by $823 million compared with 2000. This increase resulted principally from reduced long-term borrowings in 2001. During 2001, we issued $500 million of 5 1/8% Notes due 2006, $500 million of 6 1/8% Notes due 2011 and $247 million of 5.25% Notes due 2006. During 2000, we issued $1 billion of 7.50% Notes due 2010 and $750 million of 6.875% Notes due 2005. Total debt of $5,270 million at December 31, 2001 was $353 million, or 6 percent lower than at December 31, 2000. This decrease resulted from lower levels of commercial paper outstanding at year-end. The increase in cash used for financing activities also resulted from lower proceeds from issuances of common stock partially offset by lower repurchases of common stock.

Liquidity

We manage our businesses to maximize operating cash flows as the principal source of our liquidity. Operating cash flows were $2.4 billion in 2002. We have approximately $6.0 billion in working capital (trade receivables and inventories) and each of our businesses has developed a strategic plan to further improve working capital turnover in 2003 to increase operating cash flows. Considering the current economic environment in which each of our businesses operate and our business plans and strategies, including our focus on cost reduction and productivity initiatives, we believe that our operating cash flows will remain our principal source of liquidity. In addition to our operating cash flows and available cash, additional sources of liquidity include committed credit lines, access to the public debt markets using debt securities and commercial paper, as well as our ability to sell trade accounts receivables.

A source of liquidity is our short-term borrowings in the commercial paper market. Our ability to access the commercial paper market and the related cost of these borrowings is affected by the strength of our credit ratings and our $2 billion committed bank revolving credit facility (Revolving Credit Facility). Our credit ratings are periodically reviewed by the major credit rating agencies. Our current ratings as provided by Moody's Investors Service, Standard & Poor's and Fitch, Inc. are A-2, A and A+, respectively, for long-term debt and P-1, A-1 and F-1, respectively, for short-term debt. Our credit ratings by each of the three major credit rating agencies reflect a "negative outlook" due principally to the lower operating results for our Aerospace segment due to the depressed market conditions in the commercial air transport industry. The "negative outlook" ratings have not impaired, nor do we expect it to impair, our access to the commercial paper markets.

We may from time to time issue unsecured short-term promissory notes in the commercial paper market. The commercial paper notes may bear interest or may be sold at a discount and have a maturity of not more than 364 days from date of issuance. Borrowings under the commercial paper program are available for general corporate purposes. There was $201 and $3 million of commercial paper outstanding at year-end 2002 and 2001, respectively.

We maintain a Revolving Credit Facility which is comprised of (a) a $1 billion Five-Year Credit Agreement terminating in December 2004; and, (b) a $1 billion 364-Day Credit Agreement terminating on November 26, 2003. If the credit facility is drawn, any outstanding balance on November 26, 2003 may be converted to a one-year term loan at our option. The Revolving Credit Facility was established principally to support our commercial paper program, but the Revolving Credit Facility is available to us should our access to the commercial paper market be impaired or eliminated. There are no financial covenants under the Revolving Credit Facility and it does not contain any credit ratings downgrade triggers that would accelerate the maturity of our indebtedness. We had no balance outstanding under the Revolving Credit Facility at December 31, 2002. See Note 15 of Notes to Financial Statements for details of long-term debt and a description of our Revolving Credit Facility.

We also have a shelf registration statement filed with the Securities and Exchange Commission which allows us to issue up to $3 billion in debt securities, common stock and preferred stock that may be offered in one or more offerings on terms to be determined at the time of the offering. Net proceeds of any offering would be used for general corporate purposes, including repayment of existing indebtedness, capital expenditures and acquisitions.

We also sell interests in designated pools of trade accounts receivables to third parties. The sold receivables are over-collateralized by $120 million at December 31, 2002 and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivable pools. New receivables are sold under the agreement as previously sold receivables are collected. The retained interests in the receivables are shown at the amounts expected to be collected by us, and such carrying value approximates the fair value of our retained interests. The sold receivables were $500 million at both December 31, 2002 and 2001.

Our principal future cash requirements will be to fund capital expenditures, debt repayments, employee benefit obligations, asbestos claims, severance and exit costs related to repositioning actions taken in 2002 and any strategic acquisitions. Our total capital expenditures in 2003 are currently projected at approximately $700 million which represents a slight increase over our 2002 expenditures. These expenditures are primarily intended for maintenance, replacement, production capacity expansion and cost reduction. There are no significant long-term debt repayments scheduled for 2003. Assuming that actual pension plan returns are consistent with our assumed rate of return in 2003 and interest rates remain constant, we would not be required to make any contributions to our U.S. pension plans in 2003. Cash expenditures for severance and other exit costs necessary to execute the remaining 2002 repositioning actions will approximate $350 million in 2003. Assuming the successful completion of ongoing negotiations regarding asbestos related claims, we expect our cash expenditures for asbestos claims before insurance recoveries in 2003 to be approximately $610 million. Based on these assumptions, we believe that our existing cash and 2003 operating cash flows will be sufficient to meet these needs. However, there is no assurance that ongoing negotiations will be successfully completed. See Asbestos Matters in Note 21 of Notes to Financial Statements for further discussion.

We continuously assess the relative strength of each business in our portfolio as to strategic fit, market position, profit and cash flow contribution in order to upgrade our combined portfolio and identify business units that will most benefit from increased investment. We identify acquisition candidates that will further our strategic plan and strengthen our existing core businesses. We also identify business units that do not fit into our long-term strategic plan based on their market position, relative profitability or growth potential. These business units are considered for potential divestiture, restructuring or other repositioning actions subject to regulatory constraints. In 2002, we realized $183 million in cash proceeds from sales of non-strategic businesses. Total proceeds in 2002, including cash and investment securities, were approximately $435 million.

We believe that our operating cash flows will be sufficient to meet our future cash needs. Our available cash, committed credit lines, access to the public debt markets using debt securities and commercial paper, as well as our ability to sell trade accounts receivables, provide additional sources of short-term and long-term liquidity to fund current operations and future investment opportunities. Based on our current financial position and expected economic performance, we do not believe that our liquidity will be adversely impacted by an inability to access our sources of financing.

Contractual Obligations and Probable Asbestos Payments

Following is a summary of our contractual obligations and probable asbestos payments at December 31, 2002:

	Payments by Period				
(Dollars in millions)	Total	2003	2004-2005	2006-2007	Thereafter
Long-term debt, including capitalized leases(1) ...	$ 4,828	$ 109	$ 955	$1,255	$2,509
Minimum operating lease payments	1,374	310	469	264	331
Purchase obligations(2)	2,605	708	853	366	678
Probable asbestos related liability payments(3) ...	3,310	610	1,175	656	869
	12,117	1,737	3,452	2,541	4,387
Asbestos insurance recoveries(4)	(1,956)	(277)	(941)	(421)	(317)
	$10,161	$1,460	$2,511	$2,120	$4,070

(1) Assumes all long-term debt is outstanding until scheduled maturity.

(2) Purchase obligations are entered into with various vendors in the normal course of business and are consistent with our expected requirements.

(3) These amounts are estimates of probable asbestos related cash payments based on the terms and conditions, including evidentiary requirements, specified in the definitive agreements or agreements in principle and pursuant to Trust Distribution Procedures. Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities to be higher or lower than those projected and recorded. There is no assurance that ongoing settlement negotiations will be successfully completed, that a plan of reorganization will be proposed or confirmed, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. See Asbestos Matters in Note 21 of Notes to Financial Statements.

(4) These amounts represent probable insurance recoveries through 2018. See Asbestos Matters in Note 21 of Notes to Financial Statements.

Off-Balance Sheet Arrangements

Following is a summary of our off-balance sheet arrangements:

Guarantees

We have issued or are a party to the following direct and indirect guarantees at December 31, 2002:

(Dollars in millions)	Maximum Potential Future Payments
Operating lease residual values	$340
Other third parties' financing	181
Unconsolidated affiliates' financing ...	37
Customer and vendor financing	29
	$587

In connection with our disposition of BCVS we guaranteed $172 million of its debt (included in other third parties' financing). Any payment we might make under this guarantee is recoverable from the acquirer of BCVS, whose payment is backed by a letter of credit issued by a commercial bank.

At December 31, 2002, no amounts were recorded related to these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Retained Interests in Factored Pools of Trade Accounts Receivables

As a source of liquidity, we sell interests in designated pools of trade

accounts receivables to third parties. The sold receivables ($500 million at December 31, 2002) are over-collateralized and we retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. The over-collateralization provides credit support to the purchasers of the receivable interest by limiting their losses in the event that a portion of the receivables sold becomes uncollectible. At December 31, 2002, our retained subordinated and undivided interests at risk were $120 and $291 million, respectively. Based on the underlying credit quality of the receivables placed into the designated pools of receivables being sold, we do not expect that any losses related to our retained interests at risk will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Variable Interest Entities

We have entered into agreements to lease land, equipment and buildings. Principally all of our operating leases have initial terms of up to 25 years and some contain renewal options subject to customary conditions. At any time during the terms of some of our leases, we may at our option purchase the leased assets for amounts that approximate fair value. In certain instances, to obtain favorable financing terms from lessors, we used variable interest entities as defined in Financial Accounting Standards Board Interpretation No. 46 (FIN 46) to finance leased property. At December 31, 2002, we were leasing aircraft, equipment, land and buildings with related liabilities of approximately $320 million on which we provided residual value guarantees on the leased assets of approximately $265 million. Pursuant to FIN 46 we must consolidate all variable interest entities in which we are the primary beneficiary no later than July 1, 2003. Minimum operating lease payments are reflected in the table of contractual obligations and residual value guarantees are reflected in the table of guarantees. We do not expect any of our off-balance sheet arrangements to have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Environmental Matters

We are subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury to our employees and employees of our customers and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy (see Note 1 of Notes to Financial Statements) to record appropriate liabilities for environmental matters when environmental assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Remedial response and voluntary cleanup expenditures were $81, $82 and $75 million in 2002, 2001 and 2000, respectively, and are currently estimated to be approximately $75 million in 2003. We expect to fund such expenditures from operating cash flow.

Remedial response and voluntary cleanup costs charged against pretax earnings were $60, $152 and $110 million in 2002, 2001 and 2000, respectively. At December 31, 2002 and 2001, the recorded liability for environmental matters was $435 and $456 million, respectively. In addition, in both 2002 and 2001 we incurred operating costs for ongoing businesses of approximately $75 million relating to compliance with environmental regulations.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations. However, considering our past experience and existing reserves, we do not expect that environmental matters will have a material adverse effect on our consolidated financial position.

See Note 3 of Notes to Financial Statements for a discussion of our legal and environmental charges and Note 21 of Notes to Financial Statements for a discussion of our commitments and contingencies, including those related to environmental matters and toxic tort litigation.

Financial Instruments

As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments. A summary of our accounting policies for derivative financial instruments is included in Note 1 of Notes to Financial Statements.

We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of cash flows in non-functional currencies. We attempt to have all transaction exposures hedged with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the Euro, the British pound, the Canadian dollar, and the U.S. dollar.

Our exposure to market risk from changes in interest rates relates primarily to our debt obligations. As described in Notes 15 and 17 of Notes to Financial Statements, we issue both fixed and variable rate debt and use interest rate swaps to manage our exposure to interest rate movements and reduce overall borrowing costs.

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counter-

parties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities.

The following table illustrates the potential change in fair value for interest rate sensitive instruments based on a hypothetical immediate one-percentage-point increase in interest rates across all maturities, the potential change in fair value for foreign exchange rate sensitive instruments based on a 10 percent increase in U.S. dollar per local currency exchange rates across all maturities, and the potential change in fair value of contracts hedging commodity purchases based on a 20 percent decrease in the price of the underlying commodity across all maturities at December 31, 2002 and 2001.

(Dollars in millions)	Face or Notional Amount	Carrying Value(1)	Fair Value(1)	Estimated Increase (Decrease) In Fair Value
December 31, 2002				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)(2)	$(4,764)	$(4,812)	$(5,261)	$(247)
Interest rate swap agreements	1,132	76	76	(40)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(3)	1,203	(8)	(8)	(36)
Commodity Price Sensitive Instruments				
Forward commodity contracts(4)	--	5	5	(10)
December 31, 2001				
Interest Rate Sensitive Instruments				
Long-term debt (including current maturities)(2)	$(5,133)	$(5,121)	$(5,407)	$(250)
Interest rate swap agreements	1,096	(5)	(5)	(37)
Foreign Exchange Rate Sensitive Instruments				
Foreign currency exchange contracts(3)	1,507	(6)	(6)	(8)
Commodity Price Sensitive Instruments				
Forward commodity contracts(4)	--	(6)	(6)	(4)

(1) Asset or (liability).

(2) Excludes capitalized leases.

(3) Changes in the fair value of foreign currency exchange contracts are offset by changes in the fair value or cash flows of underlying hedged foreign currency transactions.

(4) Changes in the fair value of forward commodity contracts are offset by changes in the cash flows of underlying hedged commodity transactions.

The above discussion of our procedures to monitor market risk and the estimated changes in fair value resulting from our sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these estimated results due to actual developments in the global financial markets. The methods used by us to assess and mitigate risk discussed above should not be considered projections of future events.

OTHER MATTERS

Litigation

See Note 21 of Notes to Financial Statements for a discussion of litigation matters.

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effect of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our financial statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our consolidated financial statements.

We have discussed the selection, application and disclosure of these critical accounting policies with the Audit Committee of our Board of Directors. We did not initially adopt any accounting policies with a material impact during 2002 other than the required adoption of SFAS No. 142 (see Note 1 of Notes to Financial Statements for additional details).

Contingent Liabilities

We are subject to a number of lawsuits, investigations and claims (some of which involve substantial dollar amounts) that arise out of the conduct of our global business operations. These contingencies relate to product liabilities,

including asbestos, commercial transactions, government contracts and environmental health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of any adverse judgments or outcomes to our contingencies, as well as potential ranges of probable losses, and recognize a liability, if any, for these contingencies based on a careful analysis of each individual issue with the assistance of outside legal counsel and other experts. Such analysis includes making judgments concerning matters such as the costs associated with environmental matters, the outcome of negotiations, the number of future asbestos claims and the impact of evidentiary requirements. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments or changes in our settlement strategy. For information on our contingencies, including recognized liabilities, see Notes 1 and 21 of Notes to Financial Statements.

Insurance for Asbestos Related Liabilities

Upon recognizing a liability for asbestos related matters, we recorded asbestos related insurance recoveries that are deemed probable. We have made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our insurance programs. We have approximately $2 billion in insurance coverage remaining that can be specifically allocated to NARCO related asbestos liability. We also have $2 billion in coverage remaining for the Bendix related asbestos liability. This insurance is with both the domestic insurance market and the London excess market. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Some of our insurance carriers have challenged our right to enter into settlement agreements resolving all NARCO related asbestos claims against Honeywell. However, we believe there is no factual or legal basis for such challenges and that it is probable that we will prevail in the resolution of, or in any litigation that is brought regarding these disputes and have recognized approximately $900 million in probable insurance recoveries from these carriers. Based on our analysis, we have recorded asbestos related insurance recoveries that are deemed probable through 2018 of approximately $2.0 billion. Projecting future events is subject to various uncertainties that could cause the insurance recovery on asbestos related liabilities to be higher or lower than that projected and recorded. Given the inherent uncertainty in making future projections, we reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability, our recovery experience or other relevant factors that may impact future insurance recoveries. See Asbestos Matters in Note 21 of Notes to Financial Statements.

Defined Benefit Pension Plans

We maintain defined benefit pension plans covering a majority of our employees and retirees. For financial reporting purposes, net periodic pension cost (income) is calculated based upon a number of actuarial assumptions including a discount rate for plan obligations and an assumed rate of return on plan assets. We consider current market conditions, including changes in investment returns and interest rates, in making these assumptions. We determine the expected long-term rate of return on plan assets based on the building block method which consists of aggregating the expected rates of return for each component of the plans' asset mix. We use historic plan asset returns combined with current market conditions to estimate the rate of return. The expected rate of return on plan assets is a long-term assumption and generally does not change annually. The discount rate reflects the market rate for high-quality fixed income debt instruments on our annual measurement date (December 31) and is subject to change each year. Changes in net periodic pension cost (income) may occur in the future due to changes in these assumptions resulting from economic events. For example, holding all other assumptions constant, a one percentage point increase or decrease in the assumed rate of return on plan assets would decrease or increase, respectively, 2003 net periodic pension expense by approximately $100 million. Likewise, a one-quarter percentage point increase or decrease in the discount rate would decrease or increase, respectively, 2003 net periodic pension expense by approximately $40 million.

The key assumptions used in developing our 2002 net periodic pension income was a 10 percent expected return on plan assets and a 7.25 percent discount rate. These assumptions were consistent with our assumptions used to develop 2001 net periodic pension income except that the discount rate was reduced by one-half percentage point for 2002 due to financial market rates at December 31, 2001. Net periodic pension income in 2002 was lower by $163 million compared with 2001. Net periodic pension expense for 2003 is expected to be $174 million, a $321 million reduction from 2002, primarily as a result of a lower market-related value of plan assets, a reduction in the discount rate from 7.25 to 6.75 percent, a reduction in the assumed rate of return on plan assets from 10 to 9 percent, and the systematic recognition of unrecognized net losses principally resulting from actual plan asset returns below assumed rates of return. Since the year 2000, actual plan asset returns have been less than our assumed rate of return on plan assets contributing to unrecognized net losses of $3.8 billion at December 31, 2002. These unrecognized losses will be systematically recognized as an increase in future net periodic pension expense in accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions" (SFAS No. 87). Under SFAS No. 87, we use the market-related value of plan assets reflecting changes in the fair value over a three-year period. Further, unrecognized losses in excess of 10 percent of the greater of the market-related value of plan assets or the plans' projected benefit obligation are recognized over a six-year period.

Due to the continued poor performance of the equity markets throughout 2002, we made voluntary contributions of $830 million ($700 million in Honeywell common stock and $130 million in cash) to our U. S. pension plans in 2002. Future plan contributions are dependent upon actual plan asset returns and interest rates. Assuming that actual plan returns are consistent with our assumed plan return of 9 percent in 2003 and beyond, and that interest rates remain constant, we would not be required to make any contributions in 2003.

SFAS No. 87 requires recognition of an additional minimum pension liability if the fair value of plan assets is less than the accumulated benefit obligation at the end of the plan year.

Based on the December 31, 2002 plan asset values of $3.1 billion and an accumulated benefit obligation of $4.0 billion, we recognized an additional minimum pension liability resulting in a decrease in Accumulated Other Nonowner Changes in Shareowners' Equity of approximately $606 million after-tax in 2002. Equity market returns and interest rates significantly impact the funded status of our pension plans. Based on future plan asset performance and interest rates, additional charges to equity might be required.

Long-Lived Assets (including Tangible and Definite-Lived Intangible Assets)

To conduct our global business operations and execute our business strategy, we acquire tangible and intangible assets. We periodically evaluate the recoverability of the carrying amount of our long-lived assets (including property, plant and equipment and definite-lived intangible assets) whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset group may not be fully recoverable. These events or changes in circumstances include business plans and forecasts, economic or competitive positions within an industry, as well as current operating performance and anticipated future performance based on a business' competitive position. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of a long-lived asset exceeds its fair value and are recognized in earnings. We continually apply our best judgment when applying the impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairment, and the fair value of an impaired long-lived asset group. The dynamic economic environment in which each of our businesses operate and the resulting assumptions used to estimate future cash flows impact the outcome of all impairment tests. For information on recognized impairment charges see the repositioning, litigation, business impairment and other charges section of this MD&A.

Sales Recognition on Long-Term Contracts

Sales under long-term contracts (primarily in our Aerospace and Automation and Control Solutions segments) are recorded on a percentage-of-completion method. This requires us to make judgments in estimating contract revenues, contract costs and progress toward completion. These judgments form the basis for our determinations regarding overall contract value, contract profitability and timing of revenue recognition. Revenue and cost estimates are monitored on an ongoing basis and revised based on changes in circumstances. Anticipated losses on long-term contracts are recognized when such losses become evident.

Aerospace Customer Incentives

Similar to most suppliers to commercial aircraft manufacturers and airlines, we offer sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our products. These incentives may consist of free products, credits, discounts or upfront cash payments. The cost of these incentives is recognized in the period incurred unless the incentive is subject to recovery through a long-term product maintenance requirement mandated by the Federal Aviation Administration for certified replacement equipment and service. Amounts capitalized at December 31, 2002, 2001 and 2000 were $662, $607 and $507 million, respectively, and are being recognized over the estimated minimum life of the aircraft (up to 25 years) as a reduction in future sales or increases in cost of goods sold based on the type of incentive granted. We routinely evaluate the recoverability of these amounts based on forecasted replacement equipment sales over the estimated minimum life of the aircraft. For additional information see Notes 1 and 13 of Notes to Financial Statements.

Sales to the U.S. Government

Sales to the U.S. Government, acting through its various departments and agencies and through prime contractors, amounted to $2,277, $2,491 and $2,219 million in 2002, 2001 and 2000, respectively. This included sales to the Department of Defense (DoD), as a prime contractor and subcontractor, of $1,833, $1,631 and $1,548 million in 2002, 2001 and 2000, respectively. Sales to the DoD accounted for 8.2, 6.9 and 6.2 percent of our total sales in 2002, 2001 and 2000, respectively. U.S. defense spending increased in 2002 and is also expected to increase in 2003.

Backlog

Our total backlog at year-end 2002 and 2001 was $7,332 and $7,178 million, respectively. We anticipate that approximately $6,194 million of the 2002 backlog will be filled in 2003. We believe that backlog is not necessarily a reliable indicator of our future sales because a substantial portion of the orders constituting this backlog may be canceled at the customer's option.

Inflation

Highly competitive market conditions have minimized inflation's impact on the selling prices of our products and the costs of our purchased materials. Cost increases for materials and labor have generally been low, and productivity enhancement programs, including repositioning actions and Six Sigma initiatives, have largely offset any impact.

Recent Accounting Pronouncements

See Note 1 of Notes to Financial Statements for a discussion of recent accounting pronouncements.

CONSOLIDATED STATEMENT OF OPERATIONS
Honeywell International Inc.

(Dollars in Millions, Except Per Share Amounts)	Years Ended December 31, 2002	2001	2000
Net sales	$22,274	$23,652	$25,023
Costs, expenses and other			
Cost of goods sold	17,615	20,125	18,673
Selling, general and administrative expenses	2,757	3,064	3,134
(Gain) loss on sale of non-strategic businesses	124	--	(112)
Asbestos related litigation charges, net of insurance	1,548	159	7
Business impairment charges	877	145	410
Equity in (income) loss of affiliated companies	(42)	193	89
Other (income) expense	(4)	(17)	(57)
Interest and other financial charges	344	405	481
	23,219	24,074	22,625
Income (loss) before taxes	(945)	(422)	2,398
Tax expense (benefit)	(725)	(323)	739
Net income (loss)	$ (220)	$ (99)	$ 1,659
Earnings (loss) per share of common stock--basic	$ (0.27)	$ (0.12)	$ 2.07
Earnings (loss) per share of common stock--assuming dilution	$ (0.27)	$ (0.12)	$ 2.05

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

CONSOLIDATED BALANCE SHEET
Honeywell International Inc.

(Dollars in Millions)	December 31, 2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,021	$ 1,393
Accounts, notes and other receivables	3,264	3,440
Inventories	2,953	3,355
Deferred income taxes	1,296	972
Other current assets	661	734
Total current assets	10,195	9,894
Investments and long-term receivables	624	466
Property, plant and equipment -- net	4,055	4,933
Goodwill -- net	5,698	5,441
Other intangible assets -- net	1,074	915
Insurance recoveries for asbestos related liabilities	1,636	--
Deferred income taxes	533	145
Prepaid pension benefit cost	2,675	1,643
Other assets	1,069	789
Total assets	$27,559	$24,226
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,912	$ 1,862
Short-term borrowings	60	120
Commercial paper	201	3
Current maturities of long-term debt	109	416
Accrued liabilities	4,292	3,819
Total current liabilities	6,574	6,220
Long-term debt	4,719	4,731
Deferred income taxes	419	875
Postretirement benefit obligations other than pensions	1,684	1,845
Asbestos related liabilities	2,700	--
Other liabilities	2,538	1,385
CONTINGENCIES		
SHAREOWNERS' EQUITY		
Capital -- common stock -- Authorized 2,000,000,000 shares (par value $1 per share):		
-- issued 957,599,900 shares	958	958
-- additional paid-in capital	3,409	3,015
Common stock held in treasury, at cost:		
2002 -- 103,106,750 shares; 2001 -- 142,633,419 shares	(3,783)	(4,252)
Accumulated other nonowner changes	(1,109)	(835)
Retained earnings	9,450	10,284
Total shareowners' equity	8,925	9,170
Total liabilities and shareowners' equity	$27,559	$24,226

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Honeywell International Inc.

(Dollars in Millions)	Years Ended December 31, 2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ (220)	$ (99)	$ 1,659
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
(Gain) loss on sale of non-strategic businesses	124	--	(112)
Repositioning and other charges	634	2,491	549
Litton settlement payment, net of tax refund of $58 in 2002	(162)	(220)	--
Asbestos related litigation charges, net of insurance	1,548	159	7
Business impairment charges	877	145	410
Depreciation	671	724	791
Goodwill and indefinite-lived intangible asset amortization	--	204	206
Undistributed earnings of equity affiliates	(55)	(1)	(4)
Deferred income taxes	(793)	(456)	414
Net taxes paid on sales of businesses	--	(42)	(97)
Retirement benefit plans	(408)	(380)	(509)
Other	(46)	(178)	(201)
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts and notes receivable	181	651	(560)
Inventories	333	168	(45)
Other current assets	51	51	(73)
Accounts payable	63	(400)	186
Accrued liabilities	(418)	(821)	(632)
Net cash provided by operating activities	2,380	1,996	1,989
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(671)	(876)	(853)
Proceeds from disposals of property, plant and equipment	41	46	127
Decrease in investments	91	--	88
(Increase) in investments	--	--	(3)
Cash paid for acquisitions	(520)	(122)	(2,523)
Proceeds from sales of businesses	183	44	467
Decrease (increase) in short-term investments	6	2	(17)
Net cash (used for) investing activities	(870)	(906)	(2,714)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) increase in commercial paper	198	(1,189)	(831)
Net (decrease) increase in short-term borrowings	(46)	9	(191)
Proceeds from issuance of common stock	41	79	296
Proceeds from issuance of long-term debt	6	1,237	1,810
Payments of long-term debt	(428)	(390)	(389)
Repurchases of common stock	--	(30)	(166)
Cash dividends on common stock	(614)	(609)	(599)
Other	(39)	--	--
Net cash (used for) financing activities	(882)	(893)	(70)
Net increase (decrease) in cash and cash equivalents	628	197	(795)
Cash and cash equivalents at beginning of year	1,393	1,196	1,991
Cash and cash equivalents at end of year	$2,021	$ 1,393	$ 1,196

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

CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY
Honeywell International Inc.

(In Millions, Except Per Share Amounts)	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid-in Capital	Common Stock Held in Treasury Shares	Common Stock Held in Treasury Amount	Accumulated Other Non-owner Changes	Retained Earnings	Total Shareowners' Equity
Balance at December 31, 1999	957.6	$958	$2,318	(162.4)	$(4,254)	$ (355)	$ 9,932	$8,599
Net income							1,659	1,659
Foreign exchange translation adjustments						(377)		(377)
Unrealized holding gain on marketable securities						3		3
Nonowner changes in shareowners' equity								1,285
Common stock issued for employee savings and option plans (including related tax benefits of $139)			464	16.0	120			584
Repurchases of common stock				(4.3)	(166)			(166)
Cash dividends on common stock ($.75 per share)							(599)	(599)
Other owner changes				0.4	4			4
Balance at December 31, 2000	957.6	958	2,782	(150.3)	(4,296)	(729)	10,992	9,707
Net loss							(99)	(99)
Foreign exchange translation adjustments						(51)		(51)
Minimum pension liability adjustment						(47)		(47)
Unrealized holding loss on marketable securities						(3)		(3)
Change in fair value of effective cash flow hedges						(5)		(5)
Nonowner changes in shareowners' equity								(205)
Common stock issued for employee savings and option plans (including related tax benefits of $38)			225	8.1	71			296
Repurchases of common stock				(0.8)	(30)			(30)
Cash dividends on common stock ($.75 per share)							(609)	(609)
Other owner changes			8	0.4	3			11
Balance at December 31, 2001	957.6	958	3,015	(142.6)	(4,252)	(835)	10,284	9,170
Net loss							(220)	(220)
Foreign exchange translation adjustments						310		310
Minimum pension liability adjustment						(606)		(606)
Change in fair value of effective cash flow hedges						22		22
Nonowner changes in shareowners' equity								(494)
Common stock issued for employee savings and option plans (including related tax expense of $28)			138	7.7	54			192
Common stock contributed to pension plans			286	31.5	414			700
Cash dividends on common stock ($.75 per share)							(614)	(614)
Other owner changes			(30)	.3	1			(29)
Balance at December 31, 2002	957.6	$958	$3,409	(103.1)	$(3,783)	$(1,109)	$ 9,450	$8,925

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

(Dollars in Millions, Except Per Share Amounts)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Honeywell International Inc. is a diversified technology and manufacturing company, serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products, specialty chemicals, fibers, and electronic and advanced materials. The following is a description of the significant accounting policies of Honeywell International Inc.

Principles of Consolidation

The consolidated financial statements include the accounts of Honeywell International Inc. and all of its subsidiaries in which a controlling interest is maintained. All intercompany transactions and balances are eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less.

Inventories

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

Investments

Investments in affiliates over which we have a significant influence, but not a controlling interest, are accounted for using the equity method of accounting. Other investments are carried at market value, if readily determinable, or cost. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices and a series of historic and projected operating losses by investees are considered in the review. If the decline in fair value is determined to be other-than-temporary, an impairment loss is recorded and the investment is written down to a new cost basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of acquisition costs over the fair value of net assets of businesses acquired and, prior to January 1, 2002, was amortized on a straight-line basis over appropriate periods up to 40 years. Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 142 requires that goodwill and certain other intangible assets having indefinite lives no longer be amortized to income, but instead be replaced with periodic testing for impairment. Intangible assets determined to have definite lives will continue to be amortized over their useful lives. With the adoption of SFAS No. 142, we reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments. Based on that assessment, an amount related to a trademark in our automotive consumer products business was determined to be an indefinite-lived intangible asset because it is expected to generate cash flows indefinitely. There were no other adjustments made to the amortization period or residual values of other intangible assets. We also completed our goodwill impairment testing during the three months ended March 31, 2002 and determined that there was no impairment as of January 1, 2002. Additionally, we have elected to make March 31 the annual impairment assessment date for our reporting units and will perform additional impairment tests when events or changes in circumstances occur. See Note 13 for additional details.

Other Intangible Assets with Determinable Lives

Other intangible assets with determinable lives are amortized on a straight-line basis over the expected period benefited by future cash inflows up to 25 years.

Long-Lived Assets

We periodically evaluate the recoverability of the carrying amount of long-lived assets (including property, plant and equipment, and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. We evaluate events or changes in circumstances based on a number of factors including operating results, business plans and

forecasts, general and industry trends and, economic projections and anticipated cash flows. An impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. We also continually evaluate the estimated useful lives of all long-lived assets and periodically revise such estimates based on current events.

Sales Recognition

Product and service sales are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Sales under long-term contracts in the Aerospace and Automation and Control Solutions segments are recorded on a percentage-of-completion method measured on the cost-to-cost basis for engineering-type contracts and the units-of-delivery basis for production-type contracts. Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident. Revenues from contracts with multiple element arrangements are recognized as each element is earned based on the relative fair value of each element and when there are no undelivered elements that are essential to the functionality of the delivered elements. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately or competitor prices for similar products or services.

Aerospace Customer Incentives

We offer sales incentives to commercial aircraft manufacturers and airlines in connection with their selection of our products. These incentives may consist of free products, credits, discounts or upfront cash payments. The cost of these incentives is recognized in the period incurred unless the incentive is subject to recovery through a long-term product maintenance requirement mandated by the Federal Aviation Administration for certified replacement equipment and service. Amounts capitalized at December 31, 2002 and 2001 were $662 and $607 million, respectively, and are being recognized over the estimated minimum life of the aircraft (up to 25 years) as a reduction in future sales or increase in cost of goods sold based on the type of incentive granted. We routinely evaluate the recoverability of these amounts based on forecasted replacement equipment sales over the estimated minimum life of the aircraft. See Note 13 for additional details.

Environmental Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not provide future benefits, are expensed as incurred. Liabilities are recorded when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated. The timing of these accruals is generally no later than the completion of feasibility studies. The liabilities for environmental costs recorded in Accrued Liabilities and Other Liabilities at December 31, 2002 were $75 and $360 million, respectively, and at December 31, 2001 were $81 and $375 million, respectively.

Research and Development

Research and development costs for company-sponsored research and development projects are expensed as incurred. Such costs are classified as part of Cost of Goods Sold and were $757, $832 and $818 million in 2002, 2001 and 2000, respectively.

Stock-Based Compensation Plans

We account for our fixed stock option plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Accordingly, no compensation cost is recognized for our fixed stock option plans. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) allows, but does not require, companies to record compensation cost for fixed stock option plans using a fair value based method. As permitted by SFAS No. 123, we elected to continue to account for compensation cost for our fixed stock option plans using the intrinsic value based method under APB No. 25. The following table sets forth pro forma information as if compensation cost had been determined consistent with the requirements of SFAS No. 123.

	2002	2001	2000
Net income (loss), as reported	$ (220)	$ (99)	$1,659
Deduct: Total stock-based employee compensation cost determined under fair value method for fixed stock option plans, net of related tax effects	(64)	(85)	(75)
Pro forma net income (loss)	$ (284)	$ (184)	$1,584
Earnings (loss) per share of common stock:			
Basic-- as reported	$(0.27)	$(0.12)	$ 2.07
Basic-- pro forma	$(0.35)	$(0.23)	$ 1.98

Earnings (loss) per share of common stock:			
Assuming dilution -- as reported.....	$(0.27)	$(0.12)	$ 2.05
Assuming dilution-- pro forma.....	$(0.35)	$(0.23)	$ 1.96

Foreign Currency Translation

Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S.

dollars are translated into U.S. dollars using year-end exchange rates. Sales, costs and expenses are translated at the average exchange rates effective during the year. Foreign currency translation gains and losses are included as a component of Accumulated Other Nonowner Changes. For subsidiaries operating in highly inflationary environments, inventories and property, plant and equipment, including related expenses, are remeasured at the exchange rate in effect on the date the assets were acquired, while monetary assets and liabilities are remeasured at year-end exchange rates. Remeasurement adjustments for these operations are included in earnings.

Derivative Financial Instruments

Derivative financial instruments are accounted for under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS No. 133). Under SFAS No. 133, all derivatives are recorded on the balance sheet as assets or liabilities and measured at fair value. For derivatives designated as hedges of the fair value of assets or liabilities, the changes in fair values of both the derivatives and the hedged items are recorded in current earnings. For derivatives designated as cash flow hedges, the effective portion of the changes in fair value of the derivatives are recorded in Accumulated Other Nonowner Changes and subsequently recognized in earnings when the hedged items impact income. Changes in the fair value of derivatives not designated as hedges and the ineffective portion of cash flow hedges are recorded in current earnings.

Transfers of Financial Instruments

Sales, transfers and securitization of financial instruments are accounted for under Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." We sell interests in designated pools of trade accounts receivables to third parties. The receivables are removed from the Consolidated Balance Sheet at the time they are sold. The value assigned to our subordinated interests and undivided interests retained in trade receivables sold is based on the relative fair values of the interests retained and sold. The carrying value of the retained interests approximates fair value due to the short-term nature of the receivable collection period.

Income Taxes

Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures in the accompanying notes. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS No. 146), the provisions of which are effective for any exit or disposal activities initiated by us after December 31, 2002. SFAS No. 146 provides guidance on the recognition and measurement of liabilities associated with exit or disposal activities and requires that such liabilities be recognized when incurred. The adoption of the provisions of SFAS No. 146 will impact the measurement and timing of costs associated with any exit and disposal activities initiated after December 31, 2002.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143), the provisions of which are effective for us on January 1, 2003. SFAS No. 143 requires entities to recognize the fair value of a liability for tangible long-lived asset retirement obligations in the period incurred, if a reasonable estimate of fair value can be made. We estimate that our adoption of SFAS No. 143 as of January 1, 2003 will result in a cumulative effect expense adjustment of approximately $35 million.

In November 2002, The FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which expands previously issued

accounting guidance and disclosure requirements for certain guarantees. FIN 45 requires us to recognize an initial liability for the fair value of an obligation assumed by issuing a guarantee. The disclosure provisions of FIN 45 are

effective as of December 31, 2002 (see Note 21 for additional details). The provisions for initial recognition and measurement of the liability are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. We do not expect the adoption of the provisions of FIN 45 will have a material effect on our consolidated results of operations and financial position.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), which requires that the primary beneficiary of a variable interest entity (VIE) consolidate the VIE. We do not expect the adoption of the provisions of FIN 46 will have a material effect on our consolidated results of operations and financial position.

NOTE 2. ACQUISITIONS

We acquired businesses for an aggregate cost of $520, $122 and $2,646 million in 2002, 2001 and 2000, respectively. All our acquisitions were accounted for under the purchase method of accounting, and accordingly, the assets and liabilities of the acquired businesses were recorded at their estimated fair values at the dates of acquisition. Significant acquisitions made in these years are discussed below.

In October 2002 we acquired Invensys Sensor Systems (ISS) for approximately $416 million in cash with $115 million allocated to tangible net assets, $206 million allocated to goodwill and $95 million allocated to other intangible assets. ISS is a global supplier of sensors and controls used in the medical, office automation, aerospace, HVAC, automotive, off-road vehicle and consumer appliance industries. ISS is part of our Automation and Control Products business in our Automation and Control Solutions reportable segment and is expected to strengthen our product offerings in the high-growth medical and automotive-onboard segments. ISS had sales of approximately $253 million in 2002.

In February 2000 we acquired Pittway Corporation (Pittway) for approximately $2.2 billion in cash and the assumption of net debt with $652 million allocated to tangible net assets, $1.5 billion allocated to goodwill and $17 million allocated to other intangible assets. Pittway is a manufacturer and distributor of security and fire systems and other low-voltage products for homes and buildings. Its systems and products are marketed globally under the Ademco, Notifier, System Sensor, ADI, Northern Computers and other brand names. Pittway is part of our Security and Fire Solutions business in our Automation and Control Solutions reportable segment and gives us access to the higher growth security and fire systems business and allows us to offer integrated solutions combining climate controls with security and fire systems. Pittway had sales of approximately $1.6 billion in 1999.

In connection with all acquisitions in 2002, 2001 and 2000, the amounts recorded for transaction costs and the costs of integrating the acquired businesses into Honeywell were not material. The results of operations of all acquired businesses have been included in the consolidated results of Honeywell from their respective acquisition dates. The pro forma results for 2002, 2001 and 2000, assuming these acquisitions had been made at the beginning of the year, would not be materially different from reported results.

NOTE 3. REPOSITIONING, LITIGATION, BUSINESS IMPAIRMENT AND OTHER CHARGES

A summary of repositioning, litigation, business impairment and other charges follows:

	2002	2001	2000
Severance	$ 270	$ 727	$157
Asset impairments	121	194	141
Exit costs	62	95	40
Reserve adjustments	(76)	(119)	(46)
Total net repositioning charge	377	897	292
Asbestos related litigation charges, net of insurance	1,548	159	7
Litton litigation settlement	--	440	--
Probable and reasonably estimable legal and environmental liabilities	30	249	80
Business impairment charges	877	145	410
Customer claims and settlements of contract liabilities	152	310	93
Write-offs of receivables, inventories and other assets	60	335	84
Investment impairment charges	15	112	--
Aerospace jet engine contract cancellation	--	100	--
General Electric merger expenses	--	42	--
Debt extinguishment loss	--	6	--
Total repositioning, litigation, business impairment and other charges	$3,059	$2,795	$966

The following table summarizes the pretax distribution of total repositioning, litigation, business impairment and other charges by income statement classification.

	2002	2001	2000
Cost of goods sold	$ 561	$2,134	$413
Selling, general and administrative expenses	45	151	--
Asbestos related litigation charges, net of insurance	1,548	159	7
Business impairment charges	877	145	410
Equity in (income) loss of affiliated companies	13	200	136
Other (income) expense	15	6	--
	$3,059	$2,795	$966

The following table summarizes the pretax impact of total repositioning, litigation, business impairment and other charges by reportable business segment.

	2002	2001	2000
Aerospace	$ 146	$ 895	$ 91
Automation and Control Solutions	212	785	108
Specialty Materials	976	242	399
Transportation and Power Systems	295	367	263
Corporate	1,430	506	105
	$3,059	$2,795	$966

In 2002, we recognized a repositioning charge of $453 million for workforce reductions across all of our reportable segments and our UOP process technology joint venture. The charge also related to costs for the planned shutdown and consolidation of manufacturing plants in our Specialty Materials and Automation and Control Solutions reportable segments. Severance costs were related to announced workforce reductions of approximately 8,100 manufacturing and administrative positions of which approximately 2,900 positions have been eliminated as of December 31, 2002. These actions are expected to be completed by December 31, 2003. Asset impairments principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Exit costs related principally to incremental costs to exit facilities, including lease termination losses negotiated or subject to reasonable estimation related mainly to closed facilities in our Automation and Control Solutions and Specialty Materials reportable segments. Also, $76 million of previously established severance accruals were returned to income in 2002, due to fewer employee separations than originally anticipated and higher than expected voluntary employee attrition resulting in reduced severance liabilities in our Aerospace, Automation and Control Solutions and Specialty Materials reportable segments.

In 2001, we recognized a repositioning charge of $1,016 million for the cost of actions designed to reduce our cost structure and improve our future profitability. These actions consisted of announced global workforce reductions of approximately 20,000 manufacturing and administrative positions across all of our reportable segments, which are substantially complete. The repositioning charge also included asset impairments and other exit costs related to plant closures and the rationalization of manufacturing capacity and infrastructure, principally in our Specialty Materials, Engines, Systems and Services and Transportation and Power Systems businesses, including the shutdown of our Turbogenerator product line. Other exit costs consisted of contract cancellations and penalties, including lease terminations, negotiated or subject to reasonable estimation. Also, $119 million of previously established accruals, mainly for severance, were returned to income in 2001 due principally to higher than expected voluntary employee attrition resulting in reduced severance liabilities, principally in our Aerospace and Automation and Control Solutions reportable segments.

In 2000, we recognized a repositioning charge of $338 million related to announced global workforce reductions across all of our reportable segments, costs to close a chip package manufacturing plant and related workforce reductions. The charge also included asset impairments principally associated with the completion of previously announced plant shutdowns in our Specialty Materials reportable segment and closure of an affiliate's chemical manufacturing operations, and other environmental exit costs and period expenses. The announced workforce reductions consisted of approximately 2,800 manufacturing and administrative positions, which are complete. Asset impairments were principally related to manufacturing plant and equipment held for sale and capable of being taken out of service and actively marketed in the period of impairment. Also, $46 million of previously established accruals, principally for severance, were returned to income in 2000 due to higher than expected voluntary employee attrition resulting in reduced severance liabilities, principally in our Automation and Control Solutions and Aerospace reportable segments.

The following table summarizes the status of our total repositioning costs.

	Severance Costs	Asset Impairments	Exit Costs	Merger Fees and Expenses	Total
Balance at December 31, 1999	$ 424	$ --	$ 85	$ 58	$ 567
2000 charges	157	141	40	--	338
2000 usage	(303)	(141)	(41)	(58)	(543)
Adjustments	(42)	--	(4)	--	(46)
Balance at December 31, 2000	236	--	80	--	316
2001 charges	727	194	95	--	1,016
2001 usage	(364)	(194)	(58)	--	(616)
Adjustments	(115)	--	(4)	--	(119)

Balance at December 31, 2001	484	--	113	--	597
2002 charges	270	121	62	--	453
2002 usage	(355)	(121)	(92)	--	(568)
Adjustments	(74)	--	(2)	--	(76)
Balance at December 31, 2002	$ 325	$ --	$ 81	$ --	$ 406

In 2002, we recognized business impairment charges of $877 million related to businesses in our Specialty Materials and Automation and Control Solutions segments, as well as our Friction Materials business. Based on current operating losses and deteriorating economic conditions in certain chemical and telecommunications end markets, we performed impairment tests and recognized impairment charges of $785 million in 2002 principally related to the write-down of property, plant and equipment held for use in our Nylon System, Performance Fibers and Metglas Specialty Materials businesses, as well as an

Automation and Control Solutions communication business. We also recognized impairment charges of $92 million related principally to the write-down of property, plant and equipment of our Friction Materials business, which is classified as assets held for disposal in Other Current Assets (a plan of disposal of Friction Materials was adopted in 2001; in January 2003, we entered into a letter of intent to sell this business to Federal-Mogul Corp. -- See Note 21). In 2002, we recognized asbestos related litigation charges of $1,548 million principally related to costs associated with the potential resolution of asbestos claims of North American Refractories Company (see Note 21). In 2002, we also recognized other charges consisting of customer claims and settlements of contract liabilities of $152 million and write-offs of receivables, inventories and other assets of $60 million. These other charges related mainly to our Advanced Circuits business, bankruptcy of a customer in our Aerospace reportable segment, and customer claims in our Aerospace and Automation and Control Solutions reportable segments. Additionally, we recognized other charges consisting of probable and reasonably estimable environmental liabilities of $30 million and write-offs related to an other than temporary decline in the value of certain equity cost investments of $15 million.

In 2001, we recognized other charges consisting of a settlement of the Litton Systems, Inc. litigation for $440 million, probable and reasonably estimable legal and environmental liabilities of $249 million (see Note 21), asbestos related litigation charges of $159 million (see Note 21), customer claims and settlements of contract liabilities of $310 million and write-offs of receivables, inventories, and other assets of $335 million. Our Friction Materials business was designated as held for disposal, and we recognized an impairment charge of $145 million related to the write-down of property, plant and equipment, goodwill and other identifiable intangible assets to their fair value less costs to sell. We recognized charges of $112 million related to an other than temporary decline in the value of an equity investment and an equity investee's loss contract and a $100 million charge for write-off of investments, including inventory, related to a regional jet engine contract cancellation. We also recognized $42 million of transaction expenses related to the proposed merger with General Electric and redeemed our $200 million 5 3/4% dealer remarketable securities due 2011, resulting in a loss of $6 million.

In 2000, we identified certain business units and manufacturing facilities as non-core to our business strategy. As a result of this assessment, we implemented cost reduction initiatives and conducted discussions with potential acquirers of these businesses and assets. As part of this process, we evaluated the businesses and assets for possible impairment. As a result of our analysis, we recognized impairment charges in 2000 of $245 and $165 million principally related to the write-down of property, plant and equipment, goodwill and other identifiable intangible assets of our Friction Materials business and a chemical manufacturing facility, respectively. We recognized other charges consisting of probable and reasonably estimable environmental liabilities of $80 million, asbestos related litigation charges of $7 million, customer claims and settlements of contract liabilities of $93 million and write-offs of receivables, inventories and other assets of $84 million.

NOTE 4. GAIN (LOSS) ON SALE OF NON-STRATEGIC BUSINESSES

In 2002, we sold the following businesses:

	Pretax gain (loss)	After-tax gain (loss)
Automation and Control Solutions -- Consumer Products	$(131)	$(10)
Specialty Materials -- Advanced Circuits	(83)	18
Specialty Materials -- Pharmaceutical Fine Chemicals (PFC)	(35)	108
Transportation and Power Systems -- Bendix Commercial Vehicle Systems (BCVS)	125	79
	$(124)	$195

We realized proceeds of approximately $435 million in cash and investment securities on the sale of these businesses in 2002. Our Advanced Circuits and PFC businesses had a higher deductible tax basis than book basis which resulted in an after-tax gain. The divestitures of these businesses reduced net sales and increased segment profit in 2002 compared with 2001 by approximately $500 and $31 million, respectively.

In 2000, as a result of a government mandate in connection with the merger of AlliedSignal and the former Honeywell, we sold the TCAS product line of the former Honeywell. We received approximately $215 million in cash resulting in a pretax gain of $112 million. The TCAS product line had annual sales of approximately $100 million.

NOTE 5. OTHER (INCOME) EXPENSE

	Years Ended December 31,		
	2002	2001	2000

Interest income and other	$(68)	$(50)	$(79)
Minority interests	8	24	34
Foreign exchange (gain) loss	56	9	(12)
	$ (4)	$(17)	$(57)

NOTE 6. INTEREST AND OTHER FINANCIAL CHARGES

	Years Ended December 31,		
	2002	2001	2000
Total interest and other financial charges	$365	$422	$497
Less -- capitalized interest	(21)	(17)	(16)
	$344	$405	$481

Cash payments of interest during the years 2002, 2001 and 2000 were $352, $297 and $573 million, respectively.

The weighted average interest rate on short-term borrowings and commercial paper outstanding at December 31, 2002 and 2001 was 1.23 and 7.46 percent, respectively.

NOTE 7. INCOME TAXES

Income (loss) before taxes

	Years Ended December 31,		
	2002	2001	2000
United States	$(1,262)	$(751)	$1,842
Foreign	317	329	556
	$ (945)	$(422)	$2,398

Tax expense (benefit)

	Years Ended December 31,		
	2002	2001	2000
United States	$(894)	$(472)	$508
Foreign	169	149	231
	$(725)	$(323)	$739

	Years Ended December 31,		
	2002	2001	2000
Tax expense (benefit) consist of:			
Current:			
United States	$(128)	$ (33)	$126
State	28	(1)	2
Foreign	168	167	197
	68	133	325
Deferred:			
United States	(726)	(350)	325
State	(68)	(88)	55
Foreign	1	(18)	34
	(793)	(456)	414
	$(725)	$(323)	$739

	Years Ended December 31,		
	2002	2001	2000
The U.S. statutory federal income tax rate is reconciled to our effective income tax rate as			

follows:			
Statutory U.S. federal income tax rate	(35.0)%	(35.0)%	35.0%
Taxes on foreign earnings over (under) U.S. tax rate(1)	10.0	15.3	(.7)
Asset basis differences	(33.1)	(18.5)	2.5
Nondeductible amortization	2.4	13.4	2.8
State income taxes(1)	(2.6)	(9.3)	1.3
Tax benefits on export sales	(8.5)	(25.4)	(5.0)
ESOP dividend tax benefit	(1.9)	(4.3)	(.7)
Tax credits	(1.5)	(7.7)	(3.5)
Equity income	(1.7)	(3.6)	(.4)
All other items -- net	(4.8)	(1.5)	(.5)
	(76.7)%	(76.6)%	30.8%

(1) Net of changes in valuation allowance.

Deferred tax assets (liabilities)

	December 31,	
	2002	2001
The principal components of deferred tax assets and (liabilities) are as follows:		
Property, plant and equipment basis differences	$ (572)	$(878)
Postretirement benefits other than pensions and postemployment benefits	781	828
Investment and other asset basis differences	(192)	(219)
Other accrued items	796	376
Net operating losses	863	597
U.S. net capital loss	196	--
Tax credits	253	167
Undistributed earnings of subsidiaries	(33)	(54)
All other items -- net	(491)	(466)
	1,601	351
Valuation allowance	(191)	(111)
	$1,410	$ 240

The amount of federal tax net operating losses available for carryback or carryforward at December 31, 2002 was $1.1 billion, including $987 million generated in 2002. The current year's loss can be carried back five years or carried forward twenty years. Also, included are $118 million of loss carryforwards that were generated by certain subsidiaries prior to their acquisition and have expiration dates through 2019. The use of pre-acquisition operating losses is subject to limitations imposed by the Internal Revenue Code. We do not anticipate that these limitations will affect utilization of the carryforwards prior to their expiration. Various subsidiaries have state tax net operating loss carryforwards of $4.2 billion at December 31, 2002 with varying expiration dates through 2022. We also have foreign net operating losses of $1.2 billion which are available to reduce future income tax payments in several countries, subject to varying expiration rules.

In 2002, we reported a U.S. net capital loss of $559 million. This loss will be carried back to 1999 and 2000 where there are sufficient capital gains to absorb this loss.

We have U.S. tax credit carryforwards of $101 million at December 31, 2002, including carryforwards of $71 million with various expiration dates through 2022, and tax credits of $30 million which are not subject to expiration. In addition, we have $152 million of foreign tax credits available for carryback or carryforward at December 31, 2002.

The increase in the valuation allowance of $80 million in 2002 was primarily due to foreign tax credits which are not expected to be realized and state tax net operating loss carryforwards (net of federal impact) which we believe will expire unutilized. The portion of the valuation allowance charged to contributed capital was $18 million (net of federal impact), therefore the future realization of any of these tax benefits will be allocated to contributed capital.

Deferred income taxes have not been provided on approximately $2.2 billion of undistributed earnings of foreign affiliated companies, which are considered to be permanently reinvested. It is not practicable to estimate the amount of tax that might be payable on the eventual remittance of such earnings.

Cash payments (refunds) of income taxes during the years 2002, 2001 and 2000 were $(14), $79 and $442 million, respectively.

NOTE 8. EARNINGS (LOSS) PER SHARE

The following table sets forth the computations of basic and diluted earnings (loss) per share:

	Net Income (Loss)	Average Shares	Per Share Amount
2002			
Earnings (loss) per share of common stock -- basic	$ (220)	820,292,870	$(0.27)
Dilutive securities issuable in connection with stock plans		--	
Earnings (loss) per share of common stock -- assuming dilution	$ (220)	820,292,870	$(0.27)
2001			
Earnings (loss) per share of common stock -- basic	$ (99)	812,273,417	$(0.12)
Dilutive securities issuable in connection with stock plans		--	
Earnings (loss) per share of common stock -- assuming dilution	$ (99)	812,273,417	$(0.12)
2000			
Earnings per share of common stock -- basic	$1,659	800,317,543	$ 2.07
Dilutive securities issuable in connection with stock plans		9,149,959	
Earnings per share of common stock -- assuming dilution	$1,659	809,467,502	$ 2.05

As a result of the net loss for 2002 and 2001, 2,527,229 and 4,269,601, respectively, of dilutive securities issuable in connection with stock plans have been excluded from the diluted loss per share calculations because their effect would reduce the loss per share. In 2000, the diluted earnings per share calculation excludes the effect of stock options when the options' exercise prices exceed the average market price of the common shares during the period. In 2000, the number of stock options not included in the computation was 14,563,673. These stock options were outstanding at the end of 2000.

NOTE 9. ACCOUNTS, NOTES AND OTHER RECEIVABLES

	December 31,	
	2002	2001
Trade	$3,064	$3,168
Other	347	400
	3,411	3,568
Less -- Allowance for doubtful accounts	(147)	(128)
	$3,264	$3,440

We sell interests in designated pools of trade accounts receivables to third parties. The sold receivables are over-collateralized by $120 million at December 31, 2002 and we

retain a subordinated interest in the pool of receivables representing that over-collateralization as well as an undivided interest in the balance of the receivables pools. New receivables are sold under the agreement as previously sold receivables are collected. Losses are recognized when our interest in the receivables are sold. The retained interests in the receivables are shown at the amounts expected to be collected by us, and such carrying value approximates the fair value of our retained interests. We are compensated for our services in the collection and administration of the receivables.

	December 31,	
	2002	2001
Designated pools of trade receivables	$ 911	$ 803
Interest sold to third parties	(500)	(500)
Retained interest	$ 411	$ 303

Losses on sales of receivables were $10, $22 and $34 million in 2002, 2001 and 2000, respectively. No credit losses were incurred during those years.

NOTE 10. INVENTORIES

	December 31,	
	2002	2001
Raw materials	$ 936	$1,024
Work in process	804	869
Finished products	1,361	1,603
	3,101	3,496
Less --		
Progress payments	(28)	(25)
Reduction to LIFO cost basis	(120)	(116)
	$2,953	$3,355

Inventories valued at LIFO amounted to $146 and $136 million at December 31, 2002 and 2001, respectively. Had such LIFO inventories been valued at current costs, their carrying values would have been approximately $120 and $116 million higher at December 31, 2002 and 2001, respectively.

NOTE 11. INVESTMENTS AND LONG-TERM RECEIVABLES

	December 31,	
	2002	2001
Investments	$160	$312
Long-term receivables	464	154
	$624	$466

There were no equity securities classified as available-for-sale at December 31, 2002. The fair value and cost basis of equity securities classified as available-for-sale at December 31, 2001 was $92 million.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	December 31,	
	2002	2001
Land and improvements	$ 297	$ 316
Machinery and equipment	8,646	8,874
Buildings and improvements	1,836	1,968
Construction in progress	378	523
	11,157	11,681
Less -- Accumulated depreciation and amortization	(7,102)	(6,748)
	$ 4,055	$ 4,933

Depreciation expense was $671, $724 and $791 million in 2002, 2001 and 2000, respectively.

NOTE 13. GOODWILL AND OTHER INTANGIBLES -- NET

The change in the carrying amount of goodwill for the year ended December 31, 2002 by reportable segment is as follows:

	December 31, 2001	Acquisitions	Divestitures	Currency Translation Adjustment	December 31, 2002
Aerospace	$1,595	$ 46	$ --	$ 3	$1,644
Automation and Control Solutions	2,461	211	(13)	19	2,678
Specialty Materials	861	--	(24)	12	849
Transportation and Power Systems	524	--	--	3	527
	$5,441	$257	$(37)	$37	$5,698

Intangible assets are comprised of:

	December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with determinable lives:			
Investments in Aerospace customer incentives	$ 769	$(107)	$ 662
Patents and trademarks	411	(286)	125
Other	433	(183)	250
	1,613	(576)	1,037
Trademark with indefinite life	46	(9)	37
	$1,659	$(585)	$1,074

	December 31, 2001		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with determinable lives:			
Investments in Aerospace customer incentives	$ 685	$ (78)	$607
Patents and trademarks	412	(276)	136
Other	320	(185)	135
	1,417	(539)	878
Trademark with indefinite life	46	(9)	37
	$1,463	$(548)	$915

Intangible assets amortization expense was $59, $56 and $60 million in 2002, 2001 and 2000, respectively. Estimated intangible assets amortization expense for each of the five succeeding years approximates $60 million.

In accordance with SFAS No. 142, prior year amounts were not restated. A reconciliation of the previously reported net income (loss) and earnings (loss) per share to the amounts adjusted for the reduction of amortization expense, net of the related income tax effect, is as follows:

	Years Ended December 31,	
	2001	2000
Net Income (Loss)		
Reported net income (loss)	$ (99)	$1,659
Amortization adjustment	196	197
Adjusted net income	$ 97	$1,856
Earnings (loss) per share of common stock-- basic		
Reported earnings (loss) per share -- basic	$(0.12)	$ 2.07
Amortization adjustment	0.24	0.25
Adjusted earnings per share -- basic	$ 0.12	$ 2.32
Earnings (loss) per share of common stock -- assuming dilution		
Reported earnings (loss) per share -- assuming dilution	$(0.12)	$ 2.05
Amortization adjustment	0.24	0.24
Adjusted earnings per share -- assuming dilution	$ 0.12	$ 2.29

NOTE 14. ACCRUED LIABILITIES

	December 31,	
	2002	2001
Compensation and benefit costs	$ 440	$ 638
Customer advances	458	489
Income taxes	56	31
Environmental costs	75	81
Asbestos related liabilities	741	182
Litton litigation settlement	--	220
Severance	325	484
Product warranties and performance guarantees	179	178
Other	2,018	1,516
	$4,292	$3,819

NOTE 15. LONG-TERM DEBT AND CREDIT AGREEMENTS

	December 31,

	2002	2001
6.875% notes due 2005	$ 750	$ 750
5.25% notes due 2006	282	247
8 5/8% debentures due 2006	100	100
5 1/8% notes due 2006	500	500
7.0% notes due 2007	350	350
7 1/8% notes due 2008	200	200
6.20% notes due 2008	200	200
Zero coupon bonds and money multiplier notes, 13.0% - 14.26%, due 2009	100	100
7.50% notes due 2010	1,000	1,000
6 1/8% notes due 2011	500	500
Industrial development bond obligations, 4.40% - 6.75%, maturing at various dates through 2036	86	80
6 5/8% debentures due 2028	216	216
9.065% debentures due 2033	51	51
Other (including capitalized leases), 1.54% - 12.50%, maturing at various dates through 2033	384	437
	$4,719	$4,731

The schedule of principal payments on long-term debt is as follows:

	At December 31, 2002
2003	$ 109
2004	30
2005	925
2006	899
2007	356
Thereafter	2,509
	4,828
Less-- current portion	(109)
	$4,719

We maintain $2 billion of bank revolving credit facilities with a group of banks which are comprised of: (a) a $1 billion Five-Year Credit Agreement and (b) a $1 billion 364-Day Credit Agreement. The credit agreements are maintained for general corporate purposes including support for the issuance of commercial paper. We had no balance outstanding under either agreement at December 31, 2002.

Neither of the credit agreements restricts our ability to pay dividends and neither contains financial covenants. The failure to comply with customary conditions or the occurrence of customary events of default contained in the credit agreements would prevent any further borrowings and would generally require the repayments of any outstanding borrowings under such credit agreements. Such events of default include (a) non-payment of credit agreement debt and interest, (b) noncompliance with the terms of the credit agreement covenants, (c) default on other debt in certain circumstances, (d) bankruptcy and (e) defaults upon obligations under the Employee Retirement Income Security Act. Additionally, each of the banks has the right to terminate its commitment to lend under the credit agreements if any person or group acquires beneficial ownership of 30 percent or more of our voting stock or, during any 12-month period, individuals who were directors of Honeywell at the beginning of the period cease to constitute a majority of the Board of Directors (the Board).

Loans under the Five-Year Credit Agreement are required to be repaid no later than December 2, 2004. We have agreed to pay a facility fee of 0.065 percent per annum on the aggregate commitment for the Five-Year Credit Agreement.

Interest on borrowings under the Five-Year Credit Agreement would be determined, at our option, by (a) an auction bidding procedure; (b) the highest of the floating base rate of the agent bank, 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate or (c) the Eurocurrency rate plus 0.135 percent (applicable margin).

The commitments under the 364-Day Credit Agreement terminate on November 26, 2003. If the credit facility is drawn, any outstanding balance on November 26, 2003 may be converted to a one year term loan at our option. We have agreed to pay a facility fee of 0.06 percent per annum on the aggregate commitment for the 364-Day Credit Agreement, and we have paid upfront fees of 0.04 percent.

Interest on borrowings under the 364-Day Credit Agreement would be determined, at our option, by (a) an auction bidding procedure; (b) the highest of the floating base rate of the agent bank, 0.5 percent above the average CD rate, or 0.5 percent above the Federal funds rate or (c) the Eurocurrency rate plus 0.24 percent (applicable margin). The applicable margin on and after the term loan conversion is 0.60 percent.

The facility fee and the applicable margin over the Eurocurrency rate on both the Five-Year Credit Agreement and the 364-Day Credit Agreement are subject to increase or decrease if our long-term debt ratings change, but the revolving credit facilities are not subject to termination based on a decrease in our debt ratings.

NOTE 16. LEASE COMMITMENTS

Future minimum lease payments under operating leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

	At December 31, 2002
2003	$ 310
2004	265
2005	204
2006	145
2007	119
Thereafter	331
	$1,374

We have entered into agreements to lease land, equipment and buildings. Principally all our operating leases have initial terms of up to 25 years, and some contain renewal options subject to customary conditions. At any time during the terms of some of our leases, we may at our option purchase the leased assets for amounts that approximate fair value. In certain instances, to obtain favorable financing terms from lessors, we used variable interest entities (as defined in FIN 46) to finance leased property. At December 31, 2002, we were leasing aircraft, equipment, land and buildings with related liabilities of approximately $320 million on which we provided residual value guarantees on the leased assets of approximately $265 million. Pursuant to FIN 46, we must consolidate all variable interest entities in which we are the primary beneficiary no later than July 1, 2003. We do not expect that any of our commitments under the lease agreements will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

Rent expense was $274, $321 and $306 million in 2002, 2001 and 2000, respectively.

NOTE 17. FINANCIAL INSTRUMENTS

As a result of our global operating and financing activities, we are exposed to market risks from changes in interest and foreign currency exchange rates and commodity prices, which may adversely affect our operating results and financial position. We minimize our risks from interest and foreign currency exchange rate and commodity price fluctuations

through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments.

Credit and Market Risk

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties are substantial investment and commercial banks with significant experience using such derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments.

We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. While concentrations of credit risk associated with our trade accounts and notes receivable are considered minimal due to our diverse customer base, a significant portion of our customers are in the commercial air transport industry (aircraft manufacturers and airlines) accounting for approximately 17 percent of our consolidated sales in 2002. Following the abrupt downturn in the aviation industry after the terrorist attacks on September 11, 2001 and the already weak economy, we modified terms and conditions of our credit sales to mitigate or eliminate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

Foreign Currency Risk Management

We conduct our business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and anticipated transactions arising from international trade. Our objective is to preserve the economic value of cash flows in non-functional currencies. We attempt to have all transaction exposures hedged with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign currency forward and option agreements with third parties. Our principal currency exposures relate to the Euro, the British pound, the Canadian dollar, and the U.S. dollar.

We hedge monetary assets and liabilities denominated in foreign currencies. Prior to conversion into U.S dollars, these assets and liabilities are remeasured at spot exchange rates in effect on the balance sheet date. The effects of changes in spot rates are recognized in earnings and included in Other (Income) Expense. We hedge our exposure to changes in foreign exchange rates principally with forward contracts. Forward contracts are marked-to-market with the resulting gains and losses similarly recognized in earnings offsetting the gains and losses on the foreign currency denominated monetary assets and liabilities being hedged.

We partially hedge forecasted 2003 sales and purchases denominated in foreign currencies with currency forward contracts. When the dollar strengthens against foreign currencies, the decline in value of forecasted foreign currency cash inflows (sales) or outflows (purchases) is partially offset by the recognition of gains (sales) and losses (purchases), respectively, in the value of the forward contracts designated as hedges. Conversely, when the dollar weakens against foreign currencies, the increase in value of forecasted foreign currency cash inflows (sales) or outflows (purchases) is partially offset by the recognition of losses (sales) and gains (purchases), respectively, in the value of the forward contracts designated as hedges. Market value gains and losses on these contracts are recognized in earnings when the hedged transaction is recognized. Deferred gains and losses on forward contracts, used to hedge forecasted sales and purchases, were $2 and $1 million, respectively, at December 31, 2002. The deferred gains and losses are expected to be reclassified into Sales and Cost of Goods Sold within the next twelve months. All open forward contracts mature by December 31, 2003.

At December 31, 2002 and 2001, we had contracts with notional amounts of $1,203 and $1,507 million, respectively, to exchange foreign currencies, principally in the Euro countries and Great Britain.

Commodity Price Risk Management

Our exposure to market risk for commodity prices arises from changes in our cost of production. We mitigate our exposure to commodity price risk through the use of long-term, firm-price contracts with our suppliers and forward commodity purchase agreements with third parties hedging anticipated purchases of several commodities (principally natural gas). Forward commodity purchase agreements are marked-to-market, with the resulting gains and losses recognized in earnings when the hedged transaction is recognized.

Interest Rate Risk Management

We use a combination of financial instruments, including medium-term and short-term financing, variable-rate commercial paper, and interest rate swaps to manage the interest rate mix of our total debt portfolio and related overall cost of borrowing. At December 31, 2002 and 2001, interest rate swap agreements designated as fair value hedges effectively

changed $1,132 and $1,096 million, respectively, of fixed rate debt at an average rate of 6.51 and 6.55 percent, respectively, to LIBOR based floating rate debt. Our interest rate swaps mature through 2007.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, trade accounts and notes receivables, payables, commercial paper and short-term borrowings contained in the Consolidated Balance Sheet approximates fair value. Summarized below are the carrying values and fair values of our other financial instruments at December 31, 2002 and 2001. The fair values are based on the quoted market prices for the issues (if traded), current rates offered to us for debt of the same remaining maturity and characteristics, or other valuation techniques, as appropriate.

	December 31, 2002		December 31, 2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Available-for-sale equity securities	$ --	$ --	$ 92	$ 92
Long-term receivables	464	443	154	145
Interest rate swap agreements	76	76	5	5
Foreign currency exchange contracts	8	8	5	5
Forward commodity contracts	5	5	1	1
Liabilities				
Long-term debt and related current maturities (excluding capitalized leases)	$(4,812)	$(5,261)	$(5,121)	$(5,407)
Interest rate swap agreements	--	--	(10)	(10)
Foreign currency exchange contracts	(16)	(16)	(11)	(11)
Forward commodity contracts	--	--	(7)	(7)

NOTE 18. CAPITAL STOCK

We are authorized to issue up to 2,000,000,000 shares of common stock, with a par value of one dollar. Common shareowners are entitled to receive such dividends as may be declared by the Board, are entitled to one vote per share, and are entitled, in the event of liquidation, to share ratably in all the assets of Honeywell which are available for distribution to the common shareowners. Common shareowners do not have preemptive or conversion rights. Shares of common stock issued and outstanding or held in the treasury are not liable to further calls or assessments. There are no restrictions on us relative to dividends or the repurchase or redemption of common stock.

We are authorized to issue up to 40,000,000 shares of preferred stock, without par value, and can determine the number of shares of each series, and the rights, preferences and limitations of each series. At December 31, 2002, there was no preferred stock outstanding.

NOTE 19. OTHER NONOWNER CHANGES IN SHAREOWNERS' EQUITY

Total nonowner changes in shareowners' equity are included in the Consolidated Statement of Shareowners' Equity. The components of Accumulated Other Nonowner Changes are as follows:

	Pretax	Tax	After-Tax
Year Ended December 31, 2002			
Unrealized gains on securities available-for-sale	$ --	$ --	$ --
Reclassification adjustment for gains on securities available-for-sale included in net income	--	--	--
Net unrealized gains arising during the year	--	--	--
Foreign exchange translation adjustments	310	--	310
Change in fair value of effective cash flow hedges	35	(13)	22
Minimum pension liability adjustment	(956)	350	(606)
	$(611)	$337	$(274)

Year Ended December 31, 2001			
Unrealized losses on securities available-for-sale	$ (4)	$ 1	$ (3)
Reclassification adjustment for losses on securities available-for-sale included in net income	--	--	--
Net unrealized losses arising during the year	(4)	1	(3)
Foreign exchange translation adjustments	(51)	--	(51)
Change in fair value of effective cash flow hedges	(8)	3	(5)
Minimum pension liability adjustment	(78)	31	(47)
	$(141)	$ 35	$(106)
Year Ended December 31, 2000			
Unrealized gains on securities available-for-sale	$ 4	$ (1)	$ 3
Reclassification adjustment for gains on securities available-for-sale included in net income	--	--	--
Net unrealized gains arising during the year	4	(1)	3
Foreign exchange translation adjustments	(377)	--	(377)
	$(373)	$ (1)	$(374)

The components of Accumulated Other Nonowner Changes are as follows:

	December 31,		
	2002	2001	2000
Cumulative foreign exchange translation adjustment	$ (413)	$(723)	$(672)
Unrealized holding gains on securities available-for-sale	--	--	3
Change in fair value of effective cash flow hedges	17	(5)	--
Minimum pension liability	(713)	(107)	(60)
	$(1,109)	$(835)	$(729)

NOTE 20. STOCK-BASED COMPENSATION PLANS

We have stock plans available to grant incentive stock options, non-qualified stock options and stock appreciation rights to officers and employees.

Fixed Stock Options

The exercise price, term and other conditions applicable to each option granted under the stock plans are generally determined by the Management Development and Compensation Committee of the Board. The options are granted at a price equal to our stock's fair market value on the date of grant. The options generally become exercisable over a three-year period and expire after ten years.

The following table summarizes information about stock option activity for the three years ended December 31, 2002:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 1999 ..	56,040,503	$36.81
Granted	4,506,804	45.68
Exercised	(12,115,659)	23.22
Lapsed or canceled	(2,431,324)	52.87
Outstanding at December 31, 2000 ..	46,000,324	40.36
Granted	15,479,120	36.23
Exercised	(3,121,867)	21.49
Lapsed or canceled	(4,477,952)	51.24
Outstanding at December 31, 2001 ..	53,879,625	39.37
Granted	2,996,005	33.61
Exercised	(1,692,005)	18.15
Lapsed or canceled	(3,168,916)	43.14
Outstanding at December 31, 2002 ..	52,014,709	39.50

The following table summarizes information about stock options outstanding at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number Outstanding	Weighted Average Life(1)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$16.00 - $29.79	8,796,515	2.3	$20.88	7,545,015	$20.76
$30.14 - $39.94	24,086,509	7.4	36.10	14,583,207	36.39
$40.02 - $49.97	10,265,929	6.0	43.39	9,286,785	43.09
$50.13 - $66.73	8,865,756	6.9	62.66	6,764,201	62.62
	52,014,709	6.2	39.50	38,179,208	39.58

(1) Average remaining contractual life in years.

There were 30,142,728 and 26,998,346 options exercisable at weighted average exercise prices of $37.66 and $32.06 at December 31, 2001 and 2000, respectively. There were 19,524,057 shares available for future grants under the terms of our stock option plans at December 31, 2002.

The following table sets forth fair value per share information, including

related assumptions, used to determine compensation cost (see Note 1) consistent with the requirements of SFAS No. 123.

	2002	2001	2000
Weighted average fair value per share of options granted during the year(1)	$12.64	$13.71	$18.21
Assumptions:			
Historical dividend yield	1.9%	1.5%	1.4%
Historical volatility	43.8%	40.9%	27.8%
Risk-free rate of return	4.2%	5.2%	6.4%
Expected life (years)	5.0	5.0	5.0

(1) Estimated on date of grant using Black-Scholes option-pricing model.

Restricted Stock Units

Restricted stock unit (RSU) awards entitle the holder to receive one share of common stock for each unit when the units vest. RSU's are issued to certain key employees as compensation and as incentives tied directly to the achievement of certain performance objectives.

RSU's issued were 1,777,700, 186,500 and 1,374,640 in 2002, 2001 and 2000, respectively. There were 2,342,960, 1,580,091 and 2,449,749 RSU's outstanding, with a weighted average grant date fair value per share of $37.12, $43.49 and $47.33 at December 31, 2002, 2001 and 2000, respectively.

Non-Employee Directors' Plan

We also have a Stock Plan for Non-Employee Directors (Directors' Plan) under which restricted shares and options are granted. Each new director receives a one-time grant of 3,000 shares of common stock, subject to specific restrictions.

The Directors' Plan provides for an annual grant to each director of options to purchase 2,000 shares of common stock at the fair market value on the date of grant. We have set aside 450,000 shares for issuance under the Directors' Plan. Options generally become exercisable over a three-year period and expire after ten years.

Employee Stock Match Plans

We sponsor employee savings plans under which we match, in the form of our common stock, certain eligible U.S. employee savings plan contributions. Shares issued under the stock match plans were 5.6, 4.9 and 3.9 million in 2002, 2001 and 2000, respectively, at a cost of $173, $185 and $161 million, respectively.

NOTE 21. COMMITMENTS AND CONTINGENCIES

Shareowner Litigation

Honeywell and seven of its current and former officers were named as defendants in several purported class action lawsuits filed in the United States District Court for the District of New Jersey (the Securities Law Complaints). The Securities Law Complaints principally allege that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning Honeywell's financial performance, thereby allegedly causing the value of Honeywell's stock to be artificially inflated. On January 15, 2002, the District Court dismissed the consolidated complaint against four of Honeywell's current and former officers. The Court has granted plaintiffs' motion for class certification defining the purported class as all purchasers of Honeywell stock between December 20, 1999 and June 19, 2000.

The parties have agreed to participate in a two day settlement mediation in April, 2003 in an attempt to resolve the cases without resort to a trial. All significant discovery in the cases has been stayed pending further order of the court.

Notwithstanding our agreement to mediate, we believe there is no factual or legal basis for the allegations in the Securities Law Complaints. Although it is not possible at this time to predict the litigation outcome of these cases, we expect to prevail if the cases are not resolved through mediation. However, an adverse litigation outcome could be material to our consolidated financial position or results of operations. As a result of the uncertainty regarding the outcome of this matter no provision has been made in our financial statements with respect to this contingent liability.

Environmental Matters

We are subject to various federal, state and local government requirements relating to the protection of employee health and safety and the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury to our employees and employees of our customers and that our handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred remedial response and voluntary cleanup costs for site contamination and are a party to lawsuits and claims associated with environmental matters, including past production of products containing toxic substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

With respect to environmental matters involving site contamination, we continually conduct studies, individually at our owned sites, and jointly as a member of industry groups at non-owned sites, to determine the feasibility of various remedial techniques to address environmental matters. It is our policy to record appropriate liabilities for environmental matters when environmental assessments are made or remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. With respect to site contamination, the timing of these accruals is generally no later than the completion of feasibility studies. We expect to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of litigation and settlements of personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

Although we do not currently possess sufficient information to reasonably estimate the amounts of liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined, they could be material to our consolidated results of operations. However, considering our past experience and existing reserves, we do not expect that these matters will have a material adverse effect on our consolidated financial position.

Asbestos Matters

Like many other industrial companies, Honeywell is a defendant in personal injury actions related to asbestos. We did not mine or produce asbestos, nor did we make or sell insulation products or other construction materials that have been identified as the primary cause of asbestos related disease in the vast majority of claimants. Rather, we made several products that contained small amounts of asbestos.

Honeywell's Bendix Friction Materials business manufactured automotive brake pads that included asbestos in an encapsu-

lated form. There is a group of potential claimants consisting largely of professional brake mechanics. From 1981 through December 31, 2002, we have resolved approximately 60,000 Bendix claims at an average indemnity cost per claim of approximately two thousand dollars. Through the second quarter of 2002, Honeywell had no out-of-pocket costs for these cases since its insurance deductible was satisfied many years ago. Beginning with claim payments made in the third quarter of 2002, Honeywell began advancing indemnity and defense claim costs which amounted to approximately $70 million in payments in the second half of 2002. A substantial portion of this amount is expected to be reimbursed by insurance and $57 million has been recorded as a receivable. There are currently approximately 50,000 claims pending and we have no reason to believe that the historic rate of dismissal will change.

On January 30, 2003, Honeywell and Federal-Mogul Corp. (Federal-Mogul) entered into a letter of intent (LOI) pursuant to which Federal-Mogul would acquire Honeywell's automotive Bendix Friction Materials (Bendix) business, with the exception of certain U.S. based assets. In exchange, Honeywell would receive a permanent channeling injunction shielding it from all current and future personal injury asbestos liabilities related to Honeywell's Bendix business.

Federal-Mogul, its U.S. subsidiaries and certain of its United Kingdom subsidiaries voluntarily filed for financial restructuring under Chapter 11 of the U.S. Bankruptcy Code in October 2001. Federal-Mogul will seek to establish one or more trusts under Section 524(g) of the U.S. Bankruptcy Code as part of its reorganization plan, including a trust for the benefit of Bendix asbestos claimants. The reorganization plan to be submitted to the Bankruptcy Court for approval will contemplate that the U.S. Bankruptcy Court in Delaware would issue an injunction in favor of Honeywell that would channel to the Bendix 524(g) trust all present and future asbestos claims relating to Honeywell's Bendix business. The 524(g) trust created for the benefit of the Bendix claimants would receive the rights to proceeds from Honeywell's Bendix related insurance policies and would make these proceeds available to the Bendix claimants. Honeywell would have no obligation to contribute any additional amounts toward the settlement or resolution of Bendix related asbestos claims.

In the fourth quarter of 2002, we recorded a charge of $167 million consisting of a $131 million reserve for the sale of Bendix to Federal-Mogul, our estimate of asbestos related liability net of insurance recoveries and costs to complete the anticipated transaction with Federal-Mogul. Completion of the transaction contemplated by the LOI is subject to the negotiation of definitive agreements, the confirmation of Federal-Mogul's plan of reorganization by the Bankruptcy Court, the issuance of a final, non-appealable 524(g) channeling injunction permanently enjoining any Bendix related asbestos claims against Honeywell, and the receipt of all required governmental approvals. We do not believe that completion of such transaction would have a material adverse impact on our consolidated results of operations or financial position. There can be no assurance, however, that the transaction contemplated by the LOI will be completed. Honeywell presently has $2 billion of insurance coverage remaining with respect to Bendix related asbestos claims. Although it is impossible to predict the outcome of pending or future claims, in light of our potential exposure, our prior experience in resolving these claims, and our insurance coverage, we do not believe that the Bendix related asbestos claims will have a material adverse effect on our consolidated financial position.

Another source of claims is refractory products (high temperature bricks and cement) sold largely to the steel industry in the East and Midwest by North American Refractories Company (NARCO), a business we owned from 1979 to 1986. Less than 2 percent of NARCO's products contained asbestos.

When we sold the NARCO business in 1986, we agreed to indemnify NARCO with respect to personal injury claims for products that had been discontinued prior to the sale (as defined in the sale agreement). NARCO retained all liability for all other claims. NARCO had resolved approximately 176,000 claims through January 4, 2002, the date NARCO filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code, at an average cost per claim of two thousand two hundred dollars. Of those claims, 43 percent were dismissed on the ground that there was insufficient evidence that NARCO was responsible for the claimant's asbestos exposure. As of the date of NARCO's bankruptcy filing, there were approximately 116,000 remaining claims pending against NARCO, including approximately 7 percent in which Honeywell was also named as a defendant. Since 1983, Honeywell and our insurers have contributed to the defense and settlement costs associated with NARCO claims. We have approximately $2 billion of insurance remaining that can be specifically allocated to NARCO related liability.

As a result of the NARCO bankruptcy filing, all of the claims pending against NARCO are automatically stayed pending the reorganization of NARCO. In addition, because the claims pending against Honeywell necessarily will impact the liabilities of NARCO, because the insurance policies held by Honeywell are essential to a successful NARCO reorganization, and because Honeywell has offered to commit the value of those policies to the reorganization, the bankruptcy court has temporarily enjoined any claims against Honeywell, current or future, related to NARCO. Although the stay has been extended eleven times since January 4, 2002, there is no assurance that such stay will remain in effect. In connection with NARCO's bankruptcy filing, we paid NARCO's parent

company $40 million and agreed to provide NARCO with up to $20 million in financing. We also agreed to pay $20 million to NARCO's parent company upon the filing of a plan of reorganization for NARCO acceptable to Honeywell, and to pay NARCO's parent company $40 million, and to forgive any outstanding NARCO indebtedness, upon the confirmation and consummation of such a plan.

As a result of ongoing negotiations with counsel representing NARCO related asbestos claimants regarding settlement of all pending and potential NARCO related asbestos claims against Honeywell, we have reached definitive agreements or agreements in principle with approximately 236,000 claimants, which represents approximately 90 percent of the approximately 260,000 current claimants who are now expected to file a claim as part of the NARCO reorganization process. We are also in discussions with the NARCO Committee of Asbestos Creditors on Trust Distribution Procedures for NARCO. We believe that, as part of the NARCO plan of reorganization, a trust will be established pursuant to these Trust Distribution Procedures for the benefit of all asbestos claimants, current and future. If the trust is put in place and approved by the court as fair and equitable, Honeywell as well as NARCO will be entitled to a permanent channeling injunction barring all present and future individual actions in state or federal courts and requiring all asbestos related claims based on exposure to NARCO products to be made against the federally-supervised trust. As part of its ongoing settlement negotiations, Honeywell is seeking to cap its annual contributions to the trust with respect to future claims at a level that would not have a material impact on Honeywell's operating cash flows. Given the substantial progress of negotiations between Honeywell and NARCO related asbestos claimants and between Honeywell and the Committee of Asbestos Creditors during the fourth quarter of 2002, Honeywell has developed an estimated liability for settlement of pending and future asbestos claims.

During the fourth quarter of 2002, Honeywell recorded a charge of $1.4 billion for NARCO related asbestos litigation charges, net of insurance recoveries. This charge consists of the estimated liability to settle current asbestos related claims, the estimated liability related to future asbestos related claims through 2018 and obligations to NARCO's parent, net of insurance recoveries of $1.8 billion.

The estimated liability for current claims is based on terms and conditions, including evidentiary requirements, in definitive agreements or agreements in principle with approximately 90 percent of current claimants. Once finalized, settlement payments with respect to current claims are expected to be made over approximately a four-year period.

The liability for future claims estimates the probable value of future asbestos related bodily injury claims asserted against NARCO over a 15 year period and obligations to NARCO's parent as discussed above. In light of the uncertainties inherent in making long-term projections we do not believe that we have a reasonable basis for estimating asbestos claims beyond 2018 under Statement of Financial Accounting Standard No. 5 "Accounting for Contingencies." Honeywell retained the expert services of Hamilton, Rabinovitz and Alschuler, Inc. (HR&A) to project the probable number and value, including trust claim handling costs, of asbestos related future liabilities. The methodology used to estimate the liability for future claims has been commonly accepted by numerous courts and is the same methodology that is utilized by the expert who is routinely retained by the asbestos claimants committee in asbestos related bankruptcies. The valuation methodology includes an analysis of the population likely to have been exposed to asbestos containing products, epidemiological studies to estimate the number of people likely to develop asbestos related diseases, NARCO claims filing history and the pending inventory of NARCO asbestos related claims.

Honeywell has substantial insurance that reimburses it for portions of the costs incurred to settle NARCO related claims and court judgments as well as defense costs. This coverage is provided by a large number of insurance policies written by dozens of insurance companies in both the domestic insurance market and the London excess market. Over one-half of this coverage is with Equitas and other London-based insurance companies with a majority of this coverage subject to a coverage-in-place agreement. Coverage-in-place agreements are settlement agreements between policyholders and the insurers specifying the terms and conditions under which coverage will be applied as claims are presented for payment. These agreements govern such things as what events will be deemed to trigger coverage, how liability for a claim will be allocated among insurers and what procedures the policyholder must follow in order to obligate the insurer to pay claims. We conducted an analysis to determine the amount of insurance that we estimate is probable that we will recover in relation to payment of current and projected future claims. While the substantial majority of our insurance carriers are solvent, some of our individual carriers are insolvent, which has been considered in our analysis of probable recoveries. Some of our insurance carriers have challenged our right to enter into settlement agreements resolving all NARCO related asbestos claims against Honeywell. However, we believe there is no factual or legal basis for such challenges and we believe that it is probable that we will prevail in the resolution of, or in any litigation that is brought regarding these disputes and have recognized approximately $900 million in probable insurance recoveries from these carriers. We made judgments concerning insurance coverage that we believe are reasonable and consistent with our historical dealings with our insurers, our knowledge of any pertinent solvency issues surrounding insurers and various judicial determinations relevant to our

insurance programs. Based on our analysis, we recorded insurance recoveries that are deemed probable through 2018 of $1.8 billion.

Projecting future events is subject to many uncertainties that could cause the NARCO related asbestos liabilities to be higher or lower than those projected and recorded. There is no assurance that ongoing settlement negotiations will be successfully completed, that a plan of reorganization will be proposed or confirmed, that insurance recoveries will be timely or whether there will be any NARCO related asbestos claims beyond 2018. Given the inherent uncertainty in predicting future events, we plan to review our estimates periodically, and update them based on our experience and other relevant factors. Similarly we will reevaluate our projections concerning our probable insurance recoveries in light of any changes to the projected liability or other developments that may impact insurance recoveries.

NARCO and Bendix asbestos related balances are included in the following balance sheet accounts:

	December 31,	
	2002	2001
Other current assets	$ 320	$180
Insurance recoveries for asbestos related liabilities	1,636	--
	$1,956	$180
Accrued liabilities	$ 741	$182
Asbestos related liabilities	2,700	--
	$3,441	$182

Warranties and Guarantees

We have issued or are a party to the following direct and indirect guarantees at December 31, 2002:

	Maximum Potential Future Payments
Operating lease residual values	$340
Other third parties' financing	181
Unconsolidated affiliates' financing	37
Customer and vendor financing	29
	$587

In connection with our disposition of BCVS we guaranteed $172 million of its debt (included in other third parties' financing). Any payment we might make under this guarantee is recoverable from the acquirer of BCVS, whose payment is backed by a letter of credit issued by a commercial bank.

At December 31, 2002, no amounts were recorded related to these guarantees. We do not expect that these guarantees will have a material adverse effect on our consolidated results of operations, financial position or liquidity.

In connection with the disposition of certain businesses and facilities we have indemnified the purchasers for the expected cost of remediation of environmental contamination, if any, existing on the date of disposition. Such expected costs are accrued when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

In the normal course of business we issue product warranties and product performance guarantees. We accrue for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale. Adjustments to initial obligations for warranties and guarantees are made as changes in the obligations become reasonably estimable. The following table summarizes information concerning our recorded obligations for product warranties and product performance guarantees:

	December 31,		
	2002	2001	2000
Beginning of year	$217	$198	$187
Accruals for warranties/guarantees issued during the year	158	216	197
Adjustment of pre-existing			

warranties/guarantees	(18)	(3)	(3)
Settlement of warranty/guarantee claims	(140)	(194)	(183)
End of year	$217	$217	$198

Product warranties and product performance guarantees are included in the following balance sheet accounts:

	December 31,	
	2002	2001
Accrued liabilities	$179	$178
Other liabilities	38	39
	$217	$217

Other Matters

We are subject to a number of other lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the conduct of our business. With respect to all these other matters, including those relating to commercial transactions, government contracts, product liability and non-environmental health and safety matters, while the ultimate results of these lawsuits, investigations and claims cannot be determined, we do not expect that these matters will have a material adverse effect on our consolidated results of operations or financial position.

NOTE 22. PENSION AND OTHER POSTRETIREMENT BENEFITS

We maintain pension plans covering the majority of our employees and retirees, and postretirement benefit plans for

retirees that include health care benefits and life insurance coverage. Pension benefits for substantially all U.S. employees are provided through non-contributory, defined benefit pension plans. Employees in foreign countries, who are not U.S. citizens, are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes. Our retiree medical plans cover U.S. employees who retire with pension eligibility for hospital, professional and other medical services. Most of the U.S. retiree medical plans require deductibles and copayments, and virtually all are integrated with Medicare. Retiree contributions are generally required based on coverage type, plan and Medicare eligibility. The retiree medical and life insurance plans are not funded. Claims and expenses are paid from our general assets.

Net periodic pension and other postretirement benefit costs (income) for our significant plans include the following components:

	Pension Benefits		
	2002	2001	2000
Service cost	$ 201	$ 194	$ 193
Interest cost	753	765	702
Assumed return on plan assets	(1,164)	(1,201)	(1,151)
Amortization of transition asset	(7)	(11)	(13)
Amortization of prior service cost	43	49	53
Recognition of actuarial (gains) losses	13	(52)	(114)
Settlements and curtailments	14	(54)	(50)
Benefit (income)	$ (147)	$ (310)	$ (380)

	Other Postretirement Benefits		
	2002	2001	2000
Service cost	$ 21	$ 20	$ 23
Interest cost	141	142	131
Assumed return on plan assets	--	--	--
Amortization of prior service (credit)	(22)	(19)	(18)
Recognition of actuarial (gains) losses	10	2	(4)
Settlements and curtailments	(30)	--	(34)
Benefit cost	$120	$145	$ 98

The following table summarizes the balance sheet impact, including the benefit obligations, assets, funded status and actuarial assumptions associated with our significant pension and other postretirement benefit plans.

	Pension Benefits		Other Postretirement Benefits	
	2002	2001	2002	2001
Change in benefit obligation:				
Benefit obligation at beginning of year	$10,952	$10,132	$ 2,149	$ 1,952
Service cost	201	194	21	20
Interest cost	753	765	141	142
Plan amendments	25	37	(32)	(6)
Actuarial losses	633	748	215	210
Acquisitions (divestitures)	(105)	(7)	--	--
Benefits paid	(868)	(857)	(199)	(169)
Settlements and curtailments	(48)	(49)	(34)	--
Other	117	(11)	(20)	--
Benefit obligation at end of year	11,660	10,952	2,241	2,149
Change in plan assets:				
Fair value of plan assets at beginning of year	11,051	12,264	--	--
Actual return on plan assets	(912)	(383)	--	--
Company contributions	885	46	--	--
Acquisitions (divestitures)	(103)	(8)	--	--
Benefits paid	(868)	(857)	--	--
Other	125	(11)	--	--
Fair value of plan assets at end of year	10,178	11,051	--	--
Funded status of plans	(1,482)	99	(2,241)	(2,149)

Unrecognized transition (asset) ..	1	(8)	--	--
Unrecognized net loss	3,829	1,118	528	297
Unrecognized prior service cost (credit)	193	239	(153)	(157)
Net amount recognized	$ 2,541	$ 1,448	$ (1,866)	$(2,009)
Actuarial assumptions at December 31:				
Discount rate	6.75%	7.25%	6.75%	7.25%
Assumed rate of return on plan assets	10.00%	10.00%	--	--
Assumed annual rate of compensation increase	4.00%	4.00%	--	--

The assumed rate of return on plan assets used to determine pension income in 2002, 2001 and 2000 was 10 percent. Based on our historic plan asset returns and the continued deterioration in financial market returns in 2002 we are reducing the assumed rate of return on plan assets from 10 to 9 percent for purposes of determining 2003 pension benefit cost (income).

In 2002 we made voluntary contributions of $830 million to our U.S. defined benefit pension plans to improve the funded status of our plans. The contributions included $700 million of Honeywell common stock. We have appointed an independent fiduciary to hold and make all investment decisions with respect to the contributed shares. At December 31, 2002 and 2001, the fair value of our pension plan assets invested in Honeywell common stock were $811 and $79 million, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for our pension plans with accumulated benefit obligations in excess of plan assets

were $4,315, $4,036 and $3,109 million, respectively, at December 31, 2002 and $1,296, $1,262 and $865 million, respectively, at December 31, 2001.

Due to the continued poor market performance of our pension fund assets and a decline in the discount rate used to estimate our pension liabilities, we were required to adjust the minimum pension liability recorded in our Consolidated Balance Sheet at December 31, 2002. The effect of this adjustment was to increase pension liabilities by $921 million (total minimum pension liability included in other liabilities at December 31, 2002 was $1.2 billion), increase intangible assets by $8 million, increase deferred income tax assets by $350 million, and increase accumulated other nonowner changes by $606 million ($956 million on a pretax basis).

For measurement purposes, we assumed an annual healthcare cost trend rate of 9 percent for covered healthcare benefits in 2003. The rate was assumed to decrease gradually to 5 percent in 2007 and remain at that level thereafter. Assumed health-care cost trend rates have a significant effect on the amounts reported for our retiree health-care plan. A one-percentage-point change in assumed health-care cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 9	$ (8)
Effect on postretirement benefit obligation...	$124	$(111)

NOTE 23. SEGMENT FINANCIAL DATA

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), establishes standards for reporting information about operating segments. The following information is provided in accordance with the requirements of SFAS No. 131 and is consistent with how business results are reported internally to management.

We globally manage our business operations through strategic business units (SBUs) serving customers worldwide with aerospace products and services, control, sensing and security technologies for buildings, homes and industry, automotive products and chemicals. Based on similar economic and operational characteristics, our SBUs are aggregated into the following four reportable segments:

- Aerospace includes Engines, Systems and Services (auxiliary power units; propulsion engines; environmental control systems; engine controls; repair and overhaul services; hardware; logistics and power generation systems); Aerospace Electronic Systems (flight safety communications, navigation, radar and surveillance systems; aircraft and airfield lighting; management and technical services and advanced systems and instruments); and Aircraft Landing Systems (aircraft wheels and brakes).

- Automation and Control Solutions includes Automation and Control Products (controls for heating, cooling, indoor air quality, ventilation, humidification and home automation; advanced software applications for home/building control and optimization; sensors, switches, control systems and instruments for measuring pressure, air flow, temperature, electrical current and, security and fire detection, access control and video surveillance systems); Service (installs, maintains and upgrades systems that keep buildings safe, comfortable and productive); and Industry Solutions (provides full range of automation and control solutions for industrial plants, offering advanced software and automation systems that integrate, control and monitor complex processes in many types of industrial settings).

- Specialty Materials includes fibers; specialty films; intermediate chemicals; fluorine-based products; pharmaceutical and agricultural chemicals; specialty waxes, adhesives and sealants; process technology; wafer fabrication materials and services; and amorphous metals.

- Transportation and Power Systems includes Garrett Engine Boosting Systems (turbochargers and charge-air coolers); the Consumer Products Group (car care products including anti-freeze, filters, spark plugs, cleaners, waxes and additives); and Friction Materials (friction material and related brake system components).

The accounting policies of the segments are the same as those described in Note 1. We evaluate segment performance based on segment profit, which excludes general corporate unallocated expenses, gains (losses) on sales of non-strategic businesses, equity income, other (income) expense, interest and other financial charges and repositioning, litigation, business impairment and other charges. Intersegment sales approximate market and are not significant. Reportable segment data were as follows:

	2002	2001	2000
Net sales			

Aerospace	$ 8,855	$ 9,653	$ 9,988
Automation and Control Solutions	6,978	7,185	7,384
Specialty Materials	3,205	3,313	4,055
Transportation and Power Systems	3,184	3,457	3,527
Corporate	52	44	69
	$22,274	$23,652	$25,023

	2002	2001	2000
Depreciation			
Aerospace	$ 224	$ 232	$ 268
Automation and Control Solutions	167	178	178
Specialty Materials	180	199	204
Transportation and Power Systems	66	78	89
Corporate	34	37	52
	$ 671	$ 724	$ 791
Goodwill and indefinite-lived intangible asset amortization			
Aerospace	$ --	$ 60	$ 60
Automation and Control Solutions	--	92	86
Specialty Materials	--	32	40
Transportation and Power Systems	--	20	20
	$ --	$ 204	$ 206
Segment profit			
Aerospace	$ 1,358	$ 1,741	$ 2,195
Automation and Control Solutions	890	819	986
Specialty Materials	57	52	334
Transportation and Power Systems	357	289	274
Corporate	(154)	(153)	(160)
	$ 2,508	$ 2,748	$ 3,629
Capital expenditures			
Aerospace	$ 182	$ 212	$ 225
Automation and Control Solutions	106	154	193
Specialty Materials	233	325	261
Transportation and Power Systems	108	172	145
Corporate	42	13	29
	$ 671	$ 876	$ 853
Total assets			
Aerospace	$ 7,094	$ 8,003	$ 8,454
Automation and Control Solutions	7,044	6,827	7,510
Specialty Materials	3,512	4,053	4,243
Transportation and Power Systems	2,201	2,195	2,792
Corporate	7,708	3,148	2,176
	$27,559	$24,226	$25,175

A reconciliation of segment profit to consolidated income (loss) before taxes is as follows:

	2002	2001	2000
Segment profit	$ 2,508	$ 2,748	$3,629
Gain (loss) on sale of non-strategic businesses	(124)	--	112
Asbestos related litigation charges, net of insurance	(1,548)	(159)	(7)
Business impairment charges	(877)	(145)	(410)
Repositioning and other charges(1)	(634)	(2,490)	(549)
Equity in income of affiliated companies	55	7	47
Other income	19	22	57
Interest and other financial charges	(344)	(405)	(481)
Income (loss) before taxes	$ (945)	$ (422)	$2,398

(1) In 2001 includes cumulative effect adjustment of $1 million of income related to adoption of SFAS No. 133.

NOTE 24. GEOGRAPHIC AREAS -- FINANCIAL DATA

	Net Sales(1)		
	2002	2001	2000
United States	$15,522	$17,421	$18,007
Europe	4,192	4,264	4,313
Other International	2,560	1,967	2,703

	$22,274	$23,652	$25,023

	Long-lived Assets(2)		
	2002	2001	2000
United States	$ 8,665	$ 9,402	$ 9,540
Europe	1,756	1,491	1,617
Other International	406	396	517
	$10,827	$11,289	$11,674

(1) Sales between geographic areas approximate market and are not significant. Net sales are classified according to their country of origin. Included in United States net sales are export sales of $2,249, $3,074 and $3,194 million in 2002, 2001 and 2000, respectively.

(2) Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets.

NOTE 25. UNAUDITED QUARTERLY FINANCIAL INFORMATION

	2002				
	MAR. 31(1)(2)	JUNE 30(3)(4)	SEPT. 30	DEC. 31(5)(6)	YEAR
Net sales	$5,199	$5,651	$5,569	$ 5,855	$22,274
Gross profit	1,126	1,220	1,333	980	4,659
Net income (loss)	376	459	412	(1,467)	(220)
Earnings (loss) per share-- basic	.46	.56	.50	(1.78)	(.27)
Earnings (loss) per share-- assuming dilution	.46	.56	.50	(1.78)(11)	(.27)(11)
Dividends paid	.1875	.1875	.1875	.1875	.75
Market price(12)					
High	40.37	40.76	36.50	27.08	40.76
Low	29.11	34.85	21.66	19.20	19.20

	2001				
	MAR. 31(7)	JUNE 30(8)	SEPT. 30(9)	DEC. 31(10)	YEAR
Net sales	$5,944	$6,066	$5,789	$5,853	$23,652
Gross profit	971	1,110	614	832	3,527
Net income (loss)	41	50	(308)	118	(99)
Earnings (loss) per share-- basic	.05	.06	(.38)	.14	(.12)
Earnings (loss) per share-- assuming dilution	.05	.06	(.38)(11)	.14	(.12)(11)
Dividends paid	.1875	.1875	.1875	.1875	.75
Market price(12)					
High	49.42	53.50	38.95	34.50	53.50
Low	35.93	34.90	23.59	25.65	23.59

Note: 2001 includes amortization of goodwill and indefinite-lived intangible assets in the after-tax amount of $49 million, or $0.06 per share in each quarter. See Note 13 for additional details.

(1) Includes a $53 million net provision for repositioning charges and business impairment charges of $43 million for the write-down of long-lived assets of our Friction Materials business and a chemical manufacturing facility. The total pretax charge was $96 million, after-tax $69 million, or $0.08 per share. The total pretax charge included in gross profit was $46 million.

(2) Includes an after-tax gain of $79 million, or $0.09 per share, on the disposition of our Bendix Commercial Vehicle Systems business.

(3) Includes a $137 million net provision for repositioning and other charges, after-tax $93 million, or $0.11 per share. The total pretax charge included in gross profit was $127 million.

(4) Includes an after-tax gain of $98 million, or $0.12 per share, on the dispositions of our Pharmaceutical Fine Chemicals and Automation and Control's Consumer Products businesses.

(5) Includes a $444 million net provision for repositioning and other charges, business impairment charges of $834 million and asbestos related litigation charges of $1,548 million. The total pretax charge was $2,826 million, after-tax $1,897 million, or $2.30 per share. The total pretax charge included in gross profit was $444 million.

(6) Includes an after-tax gain of $18 million, or $0.02 per share, on the disposition of our Advanced Circuits business.

(7) Includes a $495 million provision for repositioning and other charges, a charge of $95 million for the impairment of an equity investment and an equity investee's loss contract and a net provision of $5 million, consisting of $6 million for a charge related to the early extinguishment of debt and a $1 million benefit recognized upon the adoption of SFAS No. 133. The total pretax charge was $595 million, after-tax $374 million, or $0.46 per share. The total pretax charge included in gross profit was $474 million.

(8) Includes a $462 million net provision for repositioning and other charges, asbestos related litigation charges of $111 million and a charge of $78 million for the impairment of an equity investment. The total pretax charge was $651 million, after-tax $400 million, or $0.49 per share. The total pretax charge included in gross profit was $397 million.

(9) Includes a $788 million net provision for repositioning and other charges, business impairment charges of $145 million, asbestos related litigation charges of $48 million and a charge of $27 million for the impairment of an equity investment. The total pretax charge was $1,008 million, after-tax $668 million, or $0.82 per share. The total pretax charge included in gross profit was $723 million.

(10) Includes a charge of $440 million for the Litton litigation settlement and a charge of $100 million for the write-off of investments related to an Aerospace regional jet engine contract cancellation. The total pretax charge was $540 million, all of which was included in gross profit, after-tax $329 million, or $0.40 per share.

(11) Dilutive securities issuable in connection with stock plans have been excluded from the calculation of loss per share because their effect would reduce the loss per share.

(12) From composite tape -- stock is primarily traded on the New York Stock Exchange.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of Honeywell International Inc. and subsidiaries are the responsibility of the Company's management and have been prepared in accordance with generally accepted accounting principles in the United States of America. Management is responsible for the integrity and objectivity of the financial statements, including estimates and judgments reflected in them, and fulfills this responsibility primarily by establishing and maintaining accounting systems and practices supported by internal controls.

Our internal controls are designed to provide reasonable assurance as to the integrity and reliability of our consolidated financial statements and to adequately safeguard, verify and maintain accountability of assets. Our internal controls include disclosure controls and procedures designed to ensure timely, accurate and complete disclosure. These internal controls are based on established written policies and procedures, are implemented by trained and skilled personnel, and are monitored and evaluated by management.

PricewaterhouseCoopers LLP, independent accountants, are retained to audit Honeywell International Inc.'s consolidated financial statements. Their accompanying report is based on an audit conducted in accordance with auditing standards generally accepted in the United States of America, which include the consideration of the Company's internal controls to establish the basis for determining the nature, timing and extent of audit tests to be applied.

Our Board of Directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of independent, non-employee Directors. The Audit Committee meets regularly with the independent auditors and with the Company's internal auditors, both privately and with management present, to review accounting, auditing, internal control and financial reporting matters.

/s/ David M. Cote
David M. Cote
Chairman and Chief
Executive Officer

/s/ Richard F. Wallman
Richard F. Wallman
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF
HONEYWELL INTERNATIONAL INC.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareowners' equity and of cash flows present fairly, in all material respects, the financial position of Honeywell International Inc. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ Pricewaterhouse Coopers LLP
PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 6, 2003

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME	COUNTRY OR STATE OF INCORPORATION	SECURITIES OWNED	
		CLASS	PERCENT OWNERSHIP
Honeywell International Finance Corporation.....	Delaware	Common Stock	100
Honeywell Technology Solutions Inc.	Delaware	Common Stock	100
Honeywell Intellectual Properties Inc.	Arizona	Common Stock	100
Honeywell Specialty Wax & Additives Inc.	Delaware	Common Stock	100
ASI Specialty Chemicals, L.L.C.	Delaware	Common Stock	100
Grimes Aerospace Company.....	Delaware	Common Stock	100
Pittway Corporation.....	Delaware	Common Stock	100
Prestone Products Corporation.....	Delaware	Common Stock	100

The names of Honeywell's other consolidated subsidiaries, which are primarily totally-held by Honeywell, are not listed because all such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-09896, 33-51455, 33-55410, 33-58347, 333-57509, 333-57515, 333-57517, 333-57519, 333-83511, 333-34764, 333-49280, 333-57866, 333-57868, 333-91582 and 333-91736), and Form S-3 (Nos. 33-14071, 33-55425, 333-22355, 333-49455, 333-68847, 333-74075, 333-34760, 333-86874 and 333-101455) and on Form S-4 (No. 333-82049) of our report dated February 6, 2003 relating to the financial statements, which appears in the Annual Report to Shareowners, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 6, 2003 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Florham Park, New Jersey
March 6, 2003

EXHIBIT 24

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Peter M. Kreindler, Richard F. Wallman, Thomas F. Larkins, John T. Tus and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact and agent for me and in my name, place and stead in any and all capacities,

(i) to sign the Company's Annual Report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 2002,

(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ David M. Cote

David M. Cote

Dated: February 6, 2003

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Peter M. Kreindler, Richard F. Wallman, Thomas F. Larkins, John T. Tus and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements under the Securities Act of 1933, or any amendment or post-effective amendment to any registration statement heretofore or hereafter filed by the Company:

(a) on Form S-8 or other appropriate form for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan I, Honeywell Savings and Ownership Plan II, the Honeywell Truck Brake Systems Company Savings Plan, the Vericor Power Systems Savings Plan, the Data Instrument Inc. Employee Stock Ownership Plan, the Honeywell Supplemental Savings Plan, the Honeywell Executive Supplemental Savings Plan, the UK Share Purchase Plan of the Company, the Ireland Employees Share Ownership program of the Company, the Employee Stock Purchase Plan of the Company, the Stock Plan for Non-Employee Directors of the Company, the 1993 Honeywell Stock Plan for Employees of the Company and its Affiliates, the 2003 Stock Incentive Plan of Honeywell International Inc., and any plan which is a successor to such plans or is a validly authorized plan pursuant to which securities of the Corporation are issued to employees, and

(b) on Form S-3 or other appropriate form for the registration of shares of the Company's Common Stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any plan which is a successor to such plan.

I hereby grant to each such attorney full power and authority to perform every act necessary to be done as fully as I might do in person.

I hereby revoke any or all prior appointments of attorneys-in-fact to sign the above-described documents.

/s/ David M. Cote

David M. Cote

Dated: February 6, 2003

POWER OF ATTORNEY

I, David M. Cote, a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint Peter M. Kreindler, Richard F. Wallman, Thomas F. Larkins, John T. Tus and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements under the Securities Act of 1933, or any amendment or post-effective amendment to any registration statement heretofore or hereafter filed by the Company on Form S-3 or other appropriate form for the registration of:

(i) debt securities of the Company (which may be convertible into or exchangeable for or accompanied by warrants to purchase debt or equity securities of the Company, it subsidiaries, joint ventures or affiliates or another person or entity, provided the number of shares of the Company's Common Stock into or for which such debt securities may be converted or exchanged or which may be issued upon exercise of such warrants shall not exceed 25,000,000, as adjusted for stock splits and dividends) with aggregate proceeds not to exceed $3 billion (or the equivalent thereof in any foreign currency), including any accompanying warrants and any guarantees by the Company of such debt securities of its subsidiaries, joint ventures or affiliates;

(ii) preferred stock of the Company (which may be convertible into or redeemable or exchangeable for Common Stock or other securities or property of the Company) with proceeds not to exceed $500 million;

(iii) debt securities, Common Stock or preferred stock of the Company or warrants to purchase such securities to be issued in exchange for debt or equity securities of the Company, its subsidiaries, joint ventures or affiliates with an aggregate principal amount, liquidation, preference or value not to exceed $815,740,000;

(iv) any securities into or for which any of the securities specified in clauses (i), (ii) or (iii) are convertible or exchangeable or which may be issued upon exercise thereof; and

(v) shares of Common Stock of the Company sold or otherwise disposed of to carry out transactions (a) which have been specifically authorized by the Board of Directors, and any warrants to purchase such shares, or (b) not requiring specific authorization by the Board of Directors (not to exceed in any one transaction the lesser of (1) two percent of the Common Stock of the Company issued and outstanding at the end of the preceding fiscal year, as adjusted for stock splits and stock dividends, or (2) shares having a market value of $200,000,000), and any warrants to purchase such shares.

I hereby grant to each such attorney full power and authority to perform every act necessary to be done as fully as I might do in person.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

/s/ David M. Cote

David M. Cote

Dated: February 6, 2003

EXHIBIT 24

POWER OF ATTORNEY

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(ii) to sign any amendment to the Annual Report referred to in (i) above, and

(iii) to file the documents described in (i) and (ii) above and all exhibits thereto and any and all other documents in connection therewith,

granting unto each said attorney and agent full power and authority to do and perform every act and thing requisite, necessary or desirable to be done in connection therewith, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Hans W. Becherer
- ----------
Hans W. Becherer, Director

/s/ Bruce Karatz

Bruce Karatz, Director

/s/ Gordon W. Bethune
- ----------
Gordon W. Bethune, Director

/s/ Robert P. Luciano

Robert P. Luciano, Director

/s/ Marshall N. Carter
- ----------
Marshall N. Carter, Director

/s/ Russell E. Palmer

Russell E. Palmer, Director

/s/ Jaime Chico Pardo
- ----------
Jaime Chico Pardo, Director

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg, Director

/s/ Ann M.Fudge
- ----------
Ann M. Fudge, Director

/s/ John R. Stafford

John R. Stafford, Director

/s/ James J. Howard
- ----------
James J. Howard, Director

/s/ Michael W. Wright

Michael W. Wright, Director

Dated: February 6, 2003

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint David M. Cote, Peter M. Kreindler, Richard F. Wallman, Thomas F. Larkins, John T. Tus and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements under the Securities Act of 1933, or any amendment or post-effective amendment to any registration statement heretofore or hereafter filed by the Company:

(a) on Form S-8 or other appropriate form for the registration of shares of the Company's Common Stock (or participations where appropriate) to be offered under the savings, stock or other benefit plans of the Company, its affiliates or any predecessor thereof, including the Honeywell Savings and Ownership Plan I, Honeywell Savings and Ownership Plan II, the Honeywell Truck Brake Systems Company Savings Plan, the Vericor Power Systems Savings Plan, the Data Instrument Inc. Employee Stock Ownership Plan, the Honeywell Supplemental Savings Plan, the Honeywell Executive Supplemental Savings Plan, the UK Share Purchase Plan of the Company, the Ireland Employees Share Ownership program of the Company, the Employee Stock Purchase Plan of the Company, the Stock Plan for Non-Employee Directors of the Company, the 1993 Honeywell Stock Plan for Employees of the Company and its Affiliates, the 2003 Stock Incentive Plan of Honeywell International Inc., and any plan which is a successor to such plans or is a validly authorized plan pursuant to which securities of the Corporation are issued to employees, and

(b) on Form S-3 or other appropriate form for the registration of shares of the Company's Common Stock to be offered under the Dividend Reinvestment and Share Purchase Plan of the Company and any plan which is a successor to such plan.

I hereby grant to each such attorney full power and authority to perform every act necessary to be done as fully as I might do in person.

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/s/ Hans W. Becherer
- ----------------------------------
Hans W. Becherer, Director

/s/ Bruce Karatz

Bruce Karatz, Director

/s/ Gordon W. Bethune
- ----------------------------------
Gordon W. Bethune, Director

/s/ Robert P. Luciano

Robert P. Luciano, Director

/s/ Marshall N. Carter
- ----------------------------------
Marshall N. Carter, Director

/s/ Russell E. Palmer

Russell E. Palmer, Director

/s/ Jaime Chico Pardo
- ----------------------------------
Jaime Chico Pardo, Director

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg, Director

/s/ Ann M.Fudge
- ----------------------------------
Ann M. Fudge, Director

/s/ John R. Stafford

John R. Stafford, Director

/s/ James J. Howard
- ----------------------------------
James J. Howard, Director

/s/ Michael W. Wright

Michael W. Wright, Director

Dated: February 6, 2003

POWER OF ATTORNEY

Each of the undersigned, as a director of Honeywell International Inc. (the "Company"), a Delaware corporation, hereby appoint David M. Cote, Peter M. Kreindler, Richard F. Wallman, Thomas F. Larkins, John T. Tus and James V. Gelly, each with power to act without the other and with power of substitution and resubstitution, as my attorney-in-fact to sign on my behalf in my capacity as a director of the Company one or more registration statements under the Securities Act of 1933, or any amendment or post-effective amendment to any registration statement heretofore or hereafter filed by the Company on Form S-3 or other appropriate form for the registration of:

(i) debt securities of the Company (which may be convertible into or exchangeable for or accompanied by warrants to purchase debt or equity securities of the Company, it subsidiaries, joint ventures or affiliates or another person or entity, provided the number of shares of the Company's Common Stock into or for which such debt securities may be converted or exchanged or which may be issued upon exercise of such warrants shall not exceed 25,000,000, as adjusted for stock splits and dividends) with aggregate proceeds not to exceed $3 billion (or the equivalent thereof in any foreign currency), including any accompanying warrants and any guarantees by the Company of such debt securities of its subsidiaries, joint ventures or affiliates;

(ii) preferred stock of the Company (which may be convertible into or redeemable or exchangeable for Common Stock or other securities or property of the Company) with proceeds not to exceed $500 million;

(iii) debt securities, Common Stock or preferred stock of the Company or warrants to purchase such securities to be issued in exchange for debt or equity securities of the Company, its subsidiaries, joint ventures or affiliates with an aggregate principal amount, liquidation, preference or value not to exceed $815,740,000;

(iv) any securities into or for which any of the securities specified in clauses (i), (ii) or (iii) are convertible or exchangeable or which may be issued upon exercise thereof; and

(v) shares of Common Stock of the Company sold or otherwise disposed of to carry out transactions (a) which have been specifically authorized by the Board of Directors, and any warrants to purchase such shares, or (b) not requiring specific authorization by the Board of Directors (not to exceed in any one transaction the lesser of (1) two percent of the Common Stock of the Company issued and outstanding at the end of the preceding fiscal year, as adjusted for stock splits and stock dividends, or (2) shares having a market value of $200,000,000), and any warrants to purchase such shares.

I hereby grant to each such attorney full power and authority to perform every act necessary to be done as fully as I might do in person.

I hereby revoke any or all prior appointments of attorneys-in-fact to the extent that they confer authority to sign the above-described documents.

This Power of Attorney may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

/s/ Hans W. Becherer
- ----------
Hans W. Becherer, Director

/s/ Bruce Karatz

Bruce Karatz, Director

/s/ Gordon W. Bethune
- ----------
Gordon W. Bethune, Director

/s/ Robert P. Luciano

Robert P. Luciano, Director

/s/ Marshall N. Carter
- ----------
Marshall N. Carter, Director

/s/ Russell E. Palmer

Russell E. Palmer, Director

/s/ Jaime Chico Pardo
- ----------
Jaime Chico Pardo, Director

/s/ Ivan G. Seidenberg

Ivan G. Seidenberg, Director

/s/ Ann M.Fudge
- ----------
Ann M. Fudge, Director

/s/ John R. Stafford

John R. Stafford, Director

/s/ James J. Howard
- ----------
James J. Howard, Director

/s/ Michael W. Wright

Michael W. Wright, Director

Dated: February 6, 2003

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the year ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David M. Cote, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David M. Cote

David M. Cote
Chief Executive Officer
March 6, 2003

Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Honeywell International Inc. (the Company) on Form 10-K for the year ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Richard F. Wallman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Richard F. Wallman

Richard F. Wallman
Chief Financial Officer
March 6, 2003