U.S. Department of Justice

Antitrust Division

City Center Building
1401 H Street, NW
Washington, DC 20530

March 9, 2000

Mr. Michael J. Kelly
36 William Drive
Rockaway, NJ 07866

Re: Comment on Proposed Final Judgment in *United States v. AlliedSignal Inc. and Honeywell Inc.*, No. 1:99 CV 002959 (PLF) (D.D.C. November 8, 1999)

Dear Mr. Kelly:

This letter responds to your November 10, 1999 comment on the proposed Final Judgment in *United States v. AlliedSignal Inc. and Honeywell Inc*., currently pending before the federal district court for the District of Columbia. The United States' complaint alleges that the merger as proposed between AlliedSignal Inc. and Honeywell Inc. would have substantially lessened competition in four product areas--traffic alert and collision avoidance systems; search and surveillance weather radar; reaction and momentum wheels, and inertial systems. The proposed Final Judgment would settle the case by requiring the post-merger company, now known as Honeywell International Inc. ("Honeywell"), to divest, among other assets, its space and navigation business in Teterboro, New Jersey. That business produces numerous products, including ring laser gyroscopes, fiber optic gyroscopes and reaction and momentum wheels.

In a transaction approved in advance by both the U.S. Department of Justice and the U.S. Department of Defense in December 1999, L-3 Communications Corporation ("L-3") has now purchased the space and navigation business and certain other divested assets from Honeywell. The purchase was approved by the Government only after a careful review of L-3 led to the conclusion that L-3 had the financial capability, the intent and the managerial expertise to operate the space and navigation business in competition with other businesses making the same products, including Honeywell. We disagree with the suggestion in your letter that separating the space and navigation business from the remainder of Honeywell's Teterboro operations makes it more likely that the space and navigation business, or any other operation, will fail. A more likely outcome is that L-3's specific focus on the management and growth of its recent acquisition will insure that the space and navigation business has the best chance possible to succeed.

Your November 10 letter further expresses the concern that L-3 may not honor the same severance benefits provided by Honeywell in the past, and notes that this benefit is particularly important in the context of a business struggling to survive in a tough business environment. Understanding the importance of this benefit, the United States does not generally dictate the terms and conditions pursuant to which a particular purchase is made; these details are subject to negotiation between the buyer and seller. Section IV(E) of the proposed Final Judgment encourages L-3 to make reasonable offers to those employees it desires to recruit by precluding Honeywell from hiring any employee for a period of two years once a reasonable offer has been received from L-3. This requirement, together with L-3's already-strong incentive to make attractive offers to key personnel it needs to recruit, provides reasonable protection to Honeywell employees joining L-3 or any other approved purchaser of a divested business. Following its review of the space and navigation business, L-3 offered jobs to roughly 383 persons; virtually all of those offers (about 94 percent) have now been accepted.

Thank you for bringing your concerns to our attention; we hope this information will help alleviate them. Pursuant to the Antitrust Procedures and Penalties Act, 15 U.S.C. §16(d), a copy of your comment and this response will be published in the Federal Register and filed with the Court.

Sincerely yours,

J. Robert Kramer II
Chief
Litigation II Section

cc: Honorable Frank Lautenberg
Honorable Robert Torricelli
Honorable Rodney Frelinghuysen