UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA, Plaintiff, v. ALLIEDSIGNAL INC. and HONEYWELL INC., Defendants.	Case No.: 1:99CV002959 (PLF) Filed: March 9, 2000

UNITED STATES' CERTIFICATE OF COMPLIANCE WITH
PROVISIONS OF THE ANTITRUST PROCEDURES AND PENALTIES ACT

The United States of America hereby certifies that it has complied with the provisions of the Antitrust Procedures and Penalties Act ("APPA"), 15 U.S.C. §§ 16(b)-(h), and states:

1. The Complaint, proposed Final Judgment and the Hold Separate Stipulation and Order ("Hold Separate Order") in this case were filed on November 8, 1999. The United States' Competitive Impact Statement was filed on November 22, 1999.

2. Pursuant to 15 U.S.C. § 16(b), the proposed Final Judgment, Hold Separate Order, and Competitive Impact Statement were published in the *Federal Register* on December 14, 1999 (64 *Fed. Reg.* 69784). A copy of that *Federal Register* notice is attached as Exhibit 1.

3. Pursuant to 15 U.S.C. §16 (d), the United States furnished copies of the Complaint, Hold Separate Order, proposed Final Judgment and Competitive Impact Statement to anyone requesting them.

4. Pursuant to 15 U.S.C. § 16(c), a summary of the terms of the proposed Final Judgment and the Competitive Impact Statement was published in *The Washington Post,* a newspaper of general circulation in the District of Columbia, on December 1-7, 1999. A copy of the certificate of publication from *The Washington Post* appears in Exhibit 2.

5. On November 22, 1999, Honeywell Inc. filed with the Court its statement describing each communication with employees of the United States Department of Justice concerning the proposed Final Judgment, as required by 15 U.S.C. § 16(g). On November 23, 1999, AlliedSignal Inc. filed its respective statement with the Court, as required by 15 U.S.C. § 16(g).

6. In accordance with the terms of the Hold Separate Order and the proposed Final Judgment, defendants AlliedSignal Inc. and Honeywell Inc. merged on or about December 1, 1999. The combined company is now known as Honeywell International Inc. ("Honeywell").

7. During the 60-day comment period after publication of notice in the *Federal Register* and *The Washington Post,* the United States received five written comments on the proposed settlement. These comments were from: (a) INSPEC INTERNATIONAL Company Ltd. ("INSPEC") of Tokyo, Japan; (b) Stephen Suckenik of New York, New York (author of three separate comments); and (c) Michael J. Kelly of Rockaway, New Jersey.

8. The United States evaluated and responded to each of the comments it received. The comments did not convince the United States that it should withdraw its consent to the proposed settlement. The complete text of the respective comments and responses appears in Exhibits 3-5; they are summarized below.

A. The INSPEC INTERNATIONAL Company Ltd. Comment (Exhibit 3)

INSPEC manufactures an electro-mechanical product which is supplied to the Honeywell traffic collision and avoidance system ("TCAS") business soon to be divested pursuant to the terms of the proposed Judgment. INSPEC comments that the proposed divestiture may damage its business unfairly and terminate its hard-earned relationship with Honeywell. Given INSPEC's investment in the products it now sells to Honeywell, it requests that the United States consider requiring the new owner of the TCAS assets to purchase products from INSPEC. In response, the United States respectfully declines to require any new purchaser of the TCAS assets to deal with a specific supplier. The U.S. antitrust laws are intended to preserve competition, not specific competitors. INSPEC's competitive assets, technological know-how and reputation with the employees of the TCAS business in Glendale, Colorado provide a platform for the company to continue to compete successfully against other potential suppliers.

B. The Stephen Suckenik Comments (Exhibit 4)

Mr. Suckenik submitted comments on November 30, 1999, December 27, 1999 and January 6, 2000 expressing various concerns about the proposed Final Judgment and the resulting divestiture of Honeywell's space and navigation business in Teterboro, New Jersey to L-3 Communications Corporation ("L-3"). In his November 30 letter, Mr. Suckenik notes that the long-term viability of the space and navigation business being divested will be threatened because a large number of senior staff members will likely retire at the time of the sale rather than risk having their vested pension and retiree health benefits redefined by L-3. Mr. Suckenik's December 27 comment questions why the Teterboro space and navigation business employees who accept offers from L-3 are not given the same severance and pension benefits as

certain other employee groups listed in Section IV(E) of the proposed Final Judgment. On January 6, Mr. Suckenik again asserts in correspondence that key employees of the divested space and navigation business are being encouraged to resign by the failure of Honeywell International Inc. and L-3 to insure that those Honeywell employees joining L-3 receive comparable jobs and comparable or identical retiree benefits.

The response to Mr. Suckenik's concerns regarding the potential resignation of key employees is best provided by the facts. L-3 considered approximately 430 applicants who had been previously employed by Honeywell in the space and navigation business. L-3 subsequently offered jobs to roughly 383 persons, and virtually all of those offers (about 94 percent) have been accepted. L-3 believes that it has successfully recruited the key Honeywell employees it requires to insure the long-term viability of the divested space and navigation business.

In addition, Section IV(E) of the proposed Final Judgment intentionally provides a different incentive package to specified groups of Honeywell employees based on the United States' assessment that certain employee groups would require greater motivation to join the new purchaser of a divested business. Where a product to be divested constitutes less than an entire Honeywell business unit or sub-unit, the opportunity for affected employees to remain at Honeywell in a similar capacity is greater because the Honeywell business unit in which the employee works will still be part of Honeywell. In those situations, incentives to motivate movement to the new purchaser of a divested product were increased by requiring Honeywell to vest all unvested pension rights of the employee and to provide that employee with all severance benefits to which the employee would have been entitled if terminated without cause. The Teterboro space and navigation business functioned as a separate Honeywell business sub-unit,

and was not therefore entitled to the additional incentives described above. The virtual unanimity with which key employees of the space and navigation business accepted L-3's offers of employment confirms the correctness of the United States' judgment on this issue.

C. The Michael J. Kelly Comment (Exhibit 5)

Mr. Kelly asserts that the United States' requirement that the Teterboro space and navigation business be divested insures that the already-troubled Teterboro facility will ultimately fail and be closed. In addition, space and navigation business employees may lose important severance benefits if L-3 declines to offer comparable benefits to those who join it.

The United States responds to Mr. Kelly by noting that the space and navigation business has now been divested to a financially successful company, L-3, which has the managerial and operational expertise to assist the divested business in competing more effectively than it has in the past. In addition, 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.

9. Pursuant to 15 U.S.C. §§ 16(b)-(h), the United States will publish in the *Federal Register* by March 31, 2000, a copy of the comments and the United States' responses.

10. The parties have now fulfilled their obligations under the APPA. Pursuant to the Hold Separate Order that the Court entered on November 9, 1999, the Court may now enter the proposed Final Judgment, if it determines that the entry of the Judgment is in the public interest.

For the reasons set forth in the Competitive Impact Statement, and in its responses to the public comments, the United States strongly believes that the proposed Final Judgment is in the public interest and that the Court should enter it promptly.

Dated: March 9, 2000

Respectfully submitted,

_____/s/_____
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