

SYPRIS SOLUTIONS INC
Form S-3/A
March 11, 2004
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As Filed with the Securities and Exchange Commission on March 11, 2004.

Registration No. 333-112760

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1 to

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SYPRIS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-1321992
(I.R.S. Employer
Identification No.)

101 Bullitt Lane, Suite 450

Louisville, Kentucky 40222

(502) 329-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey T. Gill

President & Chief Executive Officer

Sypris Solutions, Inc.

101 Bullitt Lane, Suite 450

Louisville, Kentucky 40222

Telephone (502) 329-2000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With Copies to:

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 other than securities offered in connection with dividend or interest reinvestment plans, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated March 11, 2004

PROSPECTUS

3,000,000 Shares

Common Stock

We are offering 3,000,000 shares of our common stock. Our common stock is quoted on the Nasdaq National Market under the symbol SYPR. On March 10, 2004, the last reported sale price for our common stock on the Nasdaq National Market was \$18.41 per share.

Investing in our common stock involves risks. See **Risk Factors** beginning on page 5.

	<i>Per share</i>	<i>Total</i>
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds, before expenses, to Sypris Solutions, Inc.	\$	\$

The underwriters have a 30-day right to purchase up to an additional 450,000 shares of our common stock from us to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. It is illegal for any person to tell you otherwise.

Needham & Company, Inc.

Robert W. Baird & Co.

Raymond James

The date of this prospectus is _____ *, 2004.*

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information different from that contained in this prospectus. We are not, and the underwriters are not, making an offer to sell or seeking offers to buy, these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of these securities.

In this prospectus, Sypris, SYPR, we, us and our refer to Sypris Solutions, Inc. and its subsidiaries and predecessors, collectively. Sypris Solutions and Sypris are our trademarks. All other trademarks, servicemarks or trade names referred to in this prospectus are the property of their respective owners.

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PROSPECTUS SUMMARY

This summary highlights our business and other selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus carefully, including our financial statements and other information included or incorporated by reference in this prospectus, before deciding to invest. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in those forward-looking statements as a result of factors described under the heading "Risk Factors" and elsewhere in this prospectus.

Our Business

We are a diversified provider of outsourced services and specialty products. We perform a wide range of manufacturing, engineering, design, testing and other technical services, typically under multi-year, sole-source contracts with corporations and government agencies in the markets for aerospace & defense electronics, truck components & assemblies, and for users of test & measurement equipment. Revenue from our three core markets accounted for approximately 94% of our revenue during the year ended December 31, 2003, while revenue from our outsourced services accounted for approximately 83% of our revenue. We expect these percentages to increase in the future.

We focus on those markets where we have the expertise, qualifications and leadership position to sustain a competitive advantage. We develop strong partnerships with industry leaders who embrace multi-year contractual relationships as a strategic component of their supply chain management and have the potential for long-term growth. The quality of these contracts, many of which are sole-source by part number and which are for terms of up to eight years, enable us to invest in leading-edge technologies to help our customers remain competitive.

The investments we make in advanced manufacturing and process technologies in support of our contracts provide us with the productivity, flexibility, capabilities and economies of scale that help differentiate us from the competition when it comes to cost, quality, reliability and customer service. For example, between 2000 and 2003 we invested approximately \$59 million to expand and automate the services we provide to our customers in the truck components & assemblies market. The automation substantially increased our output per man hour and the integration of new machining capabilities with our existing operations should enable us to reduce labor and shipping costs and minimize cycle times for our customers. In addition, the ability to use these assets to meet the production needs of a number of customers should help us to balance our risk and increase capacity utilization, thereby further reducing our total cost of production.

We have established positions of leadership in each of our core markets, which consist of the following:

Aerospace & Defense Electronics. We have been a supplier of manufacturing and technical services to major aerospace & defense companies and agencies of the U.S. Government for over 37 years. Our customers include Boeing Company, General Dynamics Corporation, Honeywell International, Inc., Lockheed Martin Corporation, Northrop Grumman Corporation and Raytheon Company. We manufacture complex circuit cards, high-level assemblies and subsystems for applications where performance, precision and reliability are critical, including missile guidance systems, satellite communications systems and avionics. We also have a long-term relationship with the National Security Agency to design and build secure communications equipment and write encryption software. The defense budget for fiscal 2004 contains provisions to increase spending for missiles, smart weapons, sensors, surveillance, intelligence and secure communications, areas for which we have long provided essential services and products. Our aerospace & defense electronics business accounted for approximately 51% of net revenue in 2003.

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Truck Components & Assemblies. We are the principal supplier of manufacturing services for the forging and machining of medium and heavy-duty truck axle shafts in North America. We provide these services under

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multi-year, sole-source contracts with ArvinMeritor, Inc. and Dana Corporation, the two primary providers of drive train assemblies for the leading truck manufacturers, including Ford Motor Company, Freightliner LLC, Mack Trucks, Inc., Navistar International Corporation, PACCAR, Inc. and Volvo Truck Corporation. We also supply Visteon Corporation with light axle shafts for Ford's F150, F250, F350 and Ranger series pickup trucks, Ford Expedition, Lincoln Navigator and the Ford Mustang GT. We continue to support our customers' strategies to outsource non-core operations by supplying additional components and providing additional value added operations for drive train assemblies. Our truck components & assemblies business accounted for approximately 31% of net revenue in 2003.

Test & Measurement Services. We provide technical services for the calibration, certification and repair of test & measurement equipment in the U.S. Our customers include AT&T Corporation, Bose Corporation, Lucent Technologies, Inc., Nokia Corporation, Siemens AG, TRW Inc. and Tyco International, Ltd., which utilize these services to ensure their equipment is maintained in accordance with the requirements of certain manufacturing and quality assurance standards. We are the sole provider of calibration, certification and repair services for equipment used by the Federal Aviation Administration to maintain the radar systems and directional beacons at each of the airports it serves in the U.S., the Caribbean and the South Pacific. We also have a sole-source relationship with the National Weather Service to calibrate and certify the equipment that is used to maintain the NEXRAD Doppler radar systems at each of its advanced warning weather service radar stations. We also have a multi-year contract with AT&T Corporation to provide calibration and certification services at over 300 of its central and field switching locations. We are seeing an increased interest by large companies in awarding multi-site contracts for calibration services in order to accelerate vendor reduction programs and reduce costs. Our test & measurement services business accounted for approximately 12% of net revenue in 2003.

We believe the trend toward outsourcing is continuing because outsourcing frequently represents a more efficient, lower cost means for producing a product or delivering a service. We believe that our core markets will experience even greater growth in outsourcing in response to industry consolidation and global competition as companies increasingly embrace the use of outsourcing specialists as a strategic means to enhance operating flexibility, reduce costs, preserve capital and gain access to advanced manufacturing and process technologies.

Our objective is to increase our leadership position in each of our core markets. We intend to serve our customers and achieve this objective by continuing to:

concentrate on our core markets;

dedicate our resources to support strategic partnerships;

pursue the strategic acquisition of customer-owned assets;

grow through the addition of new value-added services; and

invest to increase our competitiveness and that of our partners.

We believe that by maintaining a concentrated focus, we will benefit as companies increasingly favor outsourcing specialists who have the financial, managerial and capital resources to assume an increasingly greater role in the management of their supply chains.

Recent Developments

On December 31, 2003, we completed the first phase of a proposed two-phase transaction with Dana in which we entered into a new eight-year agreement to supply a wide range of drive train components to Dana for the light, medium and heavy-duty truck markets. In connection with this agreement, we acquired the property, plant, and equipment as well as certain component inventories associated with Dana's manufacturing plant in Morganton, North Carolina. In the proposed second phase of the transaction, which is evidenced by a letter of intent dated August 25, 2003, we expect to enter into an eight-year agreement with Dana for the supply of forged

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and machined components for use in the medium and heavy-duty truck markets effective as of the closing, which is expected to occur during 2004. As part of the proposed transaction, we plan to acquire a portion of Dana's manufacturing campus in Toluca, Mexico and certain production equipment currently located at other Dana facilities in the U.S.

On January 13, 2004, we signed a letter of intent with ArvinMeritor to supply trailer axle beams and a variety of drive train components to ArvinMeritor under a series of multi-year agreements, the first of which is expected to commence during 2004, with the balance expected to occur during the next two to three years in accordance with a predetermined transition plan. As part of the proposed transaction, we plan to acquire ArvinMeritor's Kenton, Ohio plant that specializes in the manufacture of trailer axle beams. In addition, the proposed transaction provides for a five-year extension of an existing five-year supply agreement that is otherwise expected to expire on December 31, 2004 under which we supply ArvinMeritor with axle shafts for medium and heavy-duty trucks.

The proposed agreements with Dana and ArvinMeritor remain subject to due diligence and board approvals among other contingencies, and in the case of ArvinMeritor's Kenton plant, the negotiation and approval of a new union collective bargaining agreement.

We are organized as a Delaware corporation. Our principal executive office is located at 101 Bullitt Lane, Suite 450, Louisville, Kentucky 40222, and our telephone number is (502) 329-2000. We maintain a corporate web site at www.sypris.com. The information on our web site is not part of this prospectus.

The Offering

Unless otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their over-allotment option to purchase up to 450,000 additional shares of our common stock from us.

Common stock offered by Sypris Solutions, Inc. 3,000,000 shares

Common stock to be outstanding after this offering 17,329,753 shares

Use of proceeds The proceeds from the common stock offering will be used to pay down our credit facility. Available funds from our credit facility will be used for any completion of pending and future acquisitions and for general corporate purposes.

Nasdaq National Market symbol SYPR

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Common stock to be outstanding after this offering is based on 14,329,753 shares outstanding as of March 3, 2004 and excludes options to purchase 2,330,566 shares of our common stock exercisable at a weighted average exercise price of \$9.06 per share and 1,358,995 shares of common stock reserved for future grant or issuance under our equity incentive compensation plans. Because of the expiration of our existing plans in 2004, a new equity incentive plan will be proposed by the Board of Directors for stockholder approval at our annual meeting on April 27, 2004. If approved, this plan would authorize the issuance of an additional 3,000,000 shares of common stock over the next ten years.

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We derived the summary financial information below as of December 31, 2003 and for each of the years ended December 31, 2001, 2002 and 2003 from our audited financial statements included elsewhere in this prospectus.

The as adjusted information reflects the application of the net proceeds from the sale of 3,000,000 shares of our common stock in this offering at an assumed public offering price of \$18.41 per share, after deducting underwriting discounts and estimated offering expenses payable by us, and the repayment of \$51.7 million in outstanding debt.

	Years Ended December 31,		
	2001	2002	2003
Consolidated Income Statement Data:			
Net revenue	\$ 254,640	\$ 273,477	\$ 276,605
Gross profit	43,547	49,521	46,012
Operating income	13,030	18,956	14,941
Net income	6,367	11,439	8,135
Earnings per common share:			
Basic	\$ 0.65	\$ 0.87	\$ 0.57
Diluted	\$ 0.63	\$ 0.84	\$ 0.56
Shares used in computing earnings per common share:			
Basic	9,828	13,117	14,237
Diluted	10,028	13,664	14,653

	December 31, 2003	
	Actual	As Adjusted
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 12,019	\$ 12,019
Working capital	80,516	80,516
Total assets	263,495	263,495
Current portion of long-term debt	3,200	
Long-term debt, net of current portion	53,000	4,471
Total stockholders' equity	144,781	196,510

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and all the other information in this prospectus before making an investment decision about our common stock. If any of the following risks actually occurs, our business, operating results or financial condition could be materially adversely affected, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

Our business is dependent on multi-year contracts which contain terms that could negatively affect our future financial results.

A material portion of our business is conducted under multi-year contracts, which do not include minimum purchase requirements. As a result, we cannot predict the demand for our services and products under these contracts. In many instances, we may be required to make investments in order to service potential future requirements under these contracts and we may not be able to make those investments or those investments may prove to be less profitable than we anticipate. In general, under our contracts, start-up costs, the management of labor and equipment resources in connection with the establishment of new programs and any inability to accurately project required resources could adversely affect our gross margins, operating results and capital resources.

A substantial part of our revenue is derived from manufacturing services in which we provide material sourcing, procurement, testing and assembly, among other functions. In our aerospace & defense business, we sometimes bear the risk of component price increases, which could increase costs and reduce our operating income. The majority of our contracts are fixed-price type contracts. Under this type of contract, we bear the inherent risk that actual performance cost may exceed the fixed contract price. This is particularly true where the contract was awarded and the price finalized in advance of final completion of design. For these and other reasons, including competitive pressures attendant to the bidding process under which many of our U.S. Government contracts are awarded, contracts we enter into may prove to be unprofitable.

Several of our multi-year contracts have provisions that specify price reductions on a periodic basis during the life of the contract. Our ability to control costs, achieve productivity improvements and develop new processes will be essential if we are to maintain our profit margins during future reductions of prices under these contracts. If we are unable to offset these reductions in price with savings through increased operating efficiencies or from other sources, our financial performance will suffer.

In connection with certain of our multi-year contracts, we use the percentage of completion method of accounting, which involves substantial estimation processes, including estimates of future costs to complete contracts. Revisions of estimates are reflected in operating results in the period in which the factors causing the revisions become known. Accordingly, operating results are subject to the effect of these revisions.

Our multi-year contracts, some of which require a significant capital investment, may be terminated or our customers may delay orders under these contracts, which would reduce our revenues, cash flows and expected return on investment.

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We often provide manufacturing services and products under contracts that contain detailed specifications, quality standards and other terms that we must comply with in performing our contract obligations. If we are unable to perform in accordance with the terms of any contract, the customer could seek to terminate that contract, or, at a minimum, downgrade our past performance rating, which increasingly has become the determinative factor among offerors in federal procurement competitions. Moreover, most of our U.S. Government contracts are subject to termination by the U.S. Government either at its convenience or upon our default. Termination-for-convenience provisions provide only for the recovery of costs incurred or committed, settlement expenses and profit on work completed prior to termination. Termination-for-default provisions

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provide only for the recovery of costs incurred for accepted items, and impose liability on the contractor for excess costs incurred by the U.S. Government in reprocurring undelivered items from another source. If any of our significant contracts were to be terminated or not renewed, we would lose substantial revenues and our operating results, as well as prospects for future business opportunities would be adversely affected.

We, like other government contractors, are subject to various audits, reviews and investigations, including private party whistleblower lawsuits, relating to our compliance with federal and state laws. Generally, claims arising out of these U.S. Government inquiries and voluntary disclosures can be resolved without resorting to litigation. However, should the business involved be charged with wrongdoing, or should the U.S. Government determine that the unit or division is not a presently responsible contractor, that business, and conceivably our company as a whole, could be temporarily suspended or, in the event of a conviction, debarred for up to three or more years from receiving new government contracts or government-approved subcontracts.

We are required to make substantial capital investments in order to supply manufacturing services to customers launching new programs. If a new program in which a substantial investment had been made were to be delayed or terminated, we could lose the benefit of the associated start-up costs, as well as the anticipated revenues from the program, and our operating results could be harmed. Moreover, the inability or unwillingness of any customer to perform under a significant contract, particularly certain of our multi-year contracts, could materially and adversely affect our financial condition and results of operations.

The demand for our services and products is subject to the needs of our customers, which could vary dramatically, resulting in reduced revenues and operating results.

Our customer orders can fluctuate dramatically for a variety of reasons, including anticipated and unanticipated product life cycle durations, new product introductions, unanticipated facility shutdowns by our customers and competitive conditions in our customers' industries. These fluctuations may be in the form of reductions, delayed delivery or complete cancellations. Many of our customers will not commit to firm production schedules for more than one week in advance and we may be requested to accommodate delivery schedule modifications. As a result, we may be unable to accurately forecast the level of our customers' service and product requirements, which in turn may affect, and in some instances impair, our ability to maintain stable utilization of our manufacturing capacity and manage our inventories. In addition, we have at times been required to increase or decrease staffing and incur other expenses to meet the fluctuating demands of our customers. Finally, many of our costs and operating expenses are fixed so that a reduction in customer demand could harm our gross profit and operating income. The fluctuation, cancellation and deferral of customers' orders have had an adverse effect on our operating results in the past and there can be no assurance that we will not experience such effects in the future.

We recently entered into a multi-year supply agreement with Dana and we may sign additional multi-year contracts, but these contracts may not be successful.

We are looking for strategic opportunities to grow our business through multi-year supply agreements. In this regard, we recently signed an eight-year supply agreement with Dana and acquired a facility in Morganton, North Carolina along with certain manufacturing assets. Even when an acquired facility has already developed and marketed products, the products may not continue to be successful, product enhancements may not be made in a timely fashion and pre-acquisition due diligence may not have identified all possible issues that might arise with respect to the acquired facility or its products. Evaluating our business and prospects may be difficult because of the impact of the recent Dana transaction. There can be no assurance that we will be successful in integrating the operations associated with these transactions.

Failure to complete or achieve expected levels of revenue for our recently-proposed transactions could have a negative effect on us.

We have previously announced two proposed transactions which involve the acquisition of certain assets in Toluca, Mexico and Kenton, Ohio from Dana and ArvinMeritor, respectively, in connection with multi-year

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supply agreements. Our management has spent, and intends to continue to spend, significant resources to close these transactions. Our failure to close on one or both of these transactions, or our failure to realize the levels of revenue and return on investment expected from these transactions, could have a negative effect on our results of operations and ability to grow and expand our business. Because the extension of our existing supply agreement with ArvinMeritor from 2005 through the end of 2009 is an integral part of our proposal to acquire ArvinMeritor's Kenton facility, our failure to acquire that facility could negatively affect our negotiations to extend this supply agreement beyond 2004.

We have a high degree of dependence on the aerospace & defense and truck components & assemblies industries, and any negative developments in these industries could have a material adverse impact on our business.

We are dependent upon the continued growth, viability and financial stability of our customers, which are in turn substantially dependent upon the growth, viability and financial stability of the industries in which they operate, including the aerospace & defense and truck components & assemblies industries. These industries have been characterized by technological change and shortened product life cycles and recently have experienced pricing and profit pressures. In addition, our customers are affected by general economic conditions. Adverse changes in the industries in which our customers operate or a loss of market share by our customers could have a material adverse effect on our operating results. Our business may also be adversely affected by changes in funding levels for certain government programs and the manner in which services and products are acquired under these programs.

The aerospace & defense industries have historically been subject to cyclicity. Congress recently approved a supplemental appropriation in response to the war in Iraq, a significant portion of which is expected to be spent on defense. However, the overall U.S. military budget declined in real dollars from the mid-1980s through the late-1990s and the missile electronics component of the budget declined in absolute dollars during the first half of the 1990s. Any significant decline in defense spending, or changes in the allocations of defense appropriations, particularly in the areas of missile systems and secured electronic communications systems, could have an adverse impact on our results of operations.

We provide manufacturing services for a number of companies that supply components and subassemblies for use in the manufacture of medium and heavy-duty trucks, including ArvinMeritor and Dana. The automotive and truck markets are highly cyclical and can be subject to dramatic swings in demand, including changes in demand related to the onset of new government regulations. According to America's Commercial Transportation (ACT) Publications, the market for medium and heavy-duty trucks has declined significantly from the highs experienced in 1999, resulting in a decrease in production levels of approximately 37% from 1999 to 2003. The trucking industry has been impacted by the general downturn in the economy, the existence of large volumes of high quality used equipment, a lack of credit availability to expand fleets, higher fuel prices and driver wages and rising insurance costs. Should these factors continue in the future, the further decline in these markets could have an adverse impact on our results of operations. Many of our customers in this industry are undergoing restructuring, which creates uncertainty and therefore risk for our business.

Most of our sales come from a small number of customers and many of these customers are in industries that are experiencing recent consolidation. If we lose any of our customers, our net revenue could decline significantly.

Our five largest customers accounted for approximately 50% and 51% of our net revenue in 2002 and 2003, respectively. The aerospace & defense electronics industry, in particular, has been characterized by consolidation in the last several years. If any of our significant customers were to be involved in a business combination, it is possible that, subject to the terms of our multi-year supply agreements, the combined entity might choose to terminate business with us or originate new business with our competitors. If one or more of our major customers does not engage us to provide additional services and products, or if it reduces the amount of our services and

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products that it uses, and we are not able to sell our services and products to new customers at comparable levels, our revenue could decline materially. In addition, the non-payment or late payment of amounts due from our major customers could adversely affect us.

We generate a substantial amount of revenue from sales to agencies of the federal government, which can be negatively impacted by budgetary constraints and Congressional priorities.

We sell manufacturing services and products to a number of government agencies, which in the aggregate represented approximately 16% and 18% of net revenue during 2002 and 2003, respectively. We also serve as a contractor for a number of large aerospace & defense companies, including Boeing, General Dynamics, Honeywell, Lockheed Martin, Northrop Grumman and Raytheon, that participate in federally funded programs. Sales to these companies, in the aggregate, represented approximately 32% and 29% of net revenue during 2002 and 2003, respectively. Performance under government contracts has certain inherent risks that could have an adverse impact on our business, results of operations and financial condition.

Government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress typically appropriates funds for a given program on a fiscal-year basis even though contract performance may take more than one year. As a result, at the beginning of a major program, a contract is typically only partially funded and additional monies are normally committed to the contract by the procuring agency only as appropriations are made by Congress for future fiscal years. Due to the recent armed conflicts in Iraq and Afghanistan and other political and economic factors, future levels of defense spending cannot be predicted and delays or declines or changes in U.S. military expenditures could adversely affect our business, results of operations and financial condition, depending upon the programs affected, the timing and size of the changes, and our ability to offset the impact with new business or cost reductions.

Our success is substantially dependent upon the continuing trend of our customers to purchase the manufacturing services and products we provide.

Our success in originating business is dependent upon the continuing belief by our customers that outsourcing the services and products we provide is a means to reduce excess capacity, lower costs, improve quality and/or increase balance sheet productivity. Should structural or other changes occur in the industries we serve that cause outsourcing to be less attractive, our financial results could be harmed.

The markets for our services and products are subject to technological change. Our failure to respond timely or adequately to those changes may render our existing technology less competitive or obsolete, and our operating results may suffer.

The markets for our services and products are characterized by changing technology and continuing process development. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, make required capital investments, develop and market services and products that meet changing customer needs, and successfully anticipate or respond to technological changes on a cost-effective and timely basis. We and other providers of outsourced services and products to the aerospace & defense electronics and truck components & assemblies industries could in the future encounter competition from new or revised technologies that render existing technology and equipment less competitive or obsolete. There can be no assurance that we will effectively respond to the technological requirements of the changing market, including the need for substantial additional capital expenditures that may be required as a result of those changes and as a result, our operating results may suffer.

We face substantial competition and our failure to compete successfully will limit our ability to retain or increase our market share.

We operate in a highly competitive environment and compete against numerous domestic and foreign companies. In addition, we are dependent upon the continuing trend of original equipment manufacturers, or

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OEMs, to outsource, and we consider the internal capabilities of our customers to be a source of substantial competition. We believe that the principal competitive factors in our markets include the availability of capacity, technological capability, flexibility and timeliness in responding to design and schedule changes, price, quality, delivery and financial strength. Our net revenue could decline if our competitors or customers are able to provide comparable manufacturing services or products at a lower cost, or if we fail to make the investments in our business necessary to provide the range and quality of manufacturing services and products our customers require.

Some of our competitors are larger and have greater financial and organizational resources, larger customer bases and greater brand or name recognition than we do. As a consequence, our competitors may be better able to respond to technological changes or customer needs or finance acquisitions or internal growth. If we fail to compete successfully, we may not be able to retain or increase our market share and our business could be seriously harmed. There can be no assurance that our business will not be adversely affected by increased competition, or that we will be able to maintain our profitability if the competitive environment changes.

We purchase certain components that are available from only a limited number of suppliers and/or are subject to allocation among users, and any interruption in the supply of these components could adversely affect our profitability.

Some of our manufacturing services or products require one or more components that are available from a limited number of providers or from sole-source providers. In the past, some of the materials we use, including capacitors and memory and logic devices, have been subject to industry-wide shortages. As a result, suppliers have been forced to allocate available quantities among their customers and we have not been able to obtain all of the materials desired. Our inability to obtain these or any other needed materials could slow production or assembly, delay shipments to our customers, increase costs and reduce operating income.

Growth in our operations may strain our resources. If we are unable to successfully manage our growth, our business could be seriously harmed.

If we are unable to successfully manage our growth or if we have problems implementing our new systems or controls, our business could be seriously harmed. This growth has placed, and our future growth may place, a significant strain on our management and other resources. To manage this growth, we will be required to implement new operational and financial systems, procedures and controls and expand and train our employee base. We cannot assure you that our management or systems will be adequate to support our existing or future operations. If we are unable to manage our growth and assimilate new operations cost effectively, our profitability could decline. Growth in our business will also likely require us to invest in manufacturing equipment to improve our manufacturing processes and efficiency. We may have limited experience or expertise in installing or operating such equipment, which could negatively impact our ability to deliver products on time or with acceptable costs. In addition, a material portion of our manufacturing equipment requires significant maintenance to operate effectively and we may experience maintenance and repair issues with our manufacturing equipment. We may also be required to relocate equipment between facilities, which could negatively impact our production processes.

Our growth strategy includes acquiring complementary businesses. Most of our acquisitions require the approval of our bank group. We cannot assure you that we will be able to successfully identify suitable acquisition opportunities or finance and complete any particular acquisition, combination or other transaction on acceptable terms and prices. Furthermore, acquisitions may involve a number of risks for us, including:

diversion of management's attention;

difficulties in integrating systems, operations and cultures;

potential loss of key employees and customers of the acquired companies;

lack of experience operating in the geographic market of the acquired business;

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an increase in our expenses and working capital requirements;

risks of entering into markets or producing products where we have limited or no experience, including difficulties in integrating purchased technologies and products with our technologies and products;

our ability to improve productivity and implement cost reductions;

our ability to secure collective bargaining agreements with employees; and

exposure to unanticipated liabilities.

We must integrate acquisitions successfully in order to maintain profitability of the acquired businesses and operations.

If we are unable to obtain additional capital on favorable terms, our growth could be adversely affected.

Our future liquidity and capital requirements are difficult to predict because they depend on numerous factors, including the pace at which we grow our business and acquire new facilities. One method we have used to obtain multi-year supply agreements is to buy a customer's non-core manufacturing assets and produce products for them. In addition to the net proceeds we will receive from this offering, we may need to raise substantial additional funds in order to grow our business. We cannot be certain that we will be able to obtain additional financing on favorable terms or at all. Additional equity financing could result in dilution to existing holders, including holders of common stock purchased in this offering. If additional financing is obtained in the form of debt, the terms of the debt could place restrictions on our ability to operate or increase the financial risk of our capital structure. Our ability to borrow under our current credit facility is conditioned upon our compliance with various financial covenants.

If we are unable to raise additional funds when needed, our ability to operate and grow our business could be impeded. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. These factors may make the timing, amount, terms and conditions of additional financing unattractive for us.

The unavailability or increase in cost of utilities would negatively affect our business and the businesses of our customers.

We and our customers depend on a constant supply of electricity and natural gas from utility providers for the operation of our respective businesses and facilities. During the third quarter of 2003, we and many of our customers experienced a severe power outage which reduced both our ability to manufacture and deliver products and our customers' demand for products. If we or our customers experience future interruptions in service from these providers, our production and/or delivery of products will be negatively affected. Additionally, due to the heavy consumption of energy in our production process and the businesses of our customers, if the cost of energy significantly increases, our results of operations, and those of our customers, could be negatively impacted.

Our competitiveness could be challenged and our business could be negatively impacted should we fail to maintain satisfactory labor relations.

We currently have collective bargaining agreements, covering approximately 390 employees, or approximately 23% of total employees, with the United Steelworkers of America, the International Association of Machinists, the International Brotherhood of Electrical Workers, and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, AFL-CIO. Although we believe overall that our relations with our labor unions are positive, there can be no assurance that present and future issues with our unions will be resolved favorably or that we will not experience a work stoppage, which could adversely affect our results of operations.

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Due to the nature of our business, we may incur product liability claims.

We face an inherent risk of exposure to product liability claims in the event that the failure of our products results, or is alleged to result, in bodily injury or property damage. We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend such claims. Although we are currently covered by insurance against product liability claims, we cannot assure you that such coverage will be adequate for liabilities ultimately incurred or that it will continue to be available on terms acceptable to us. In addition, if any of the products of which our components are a part are alleged to be defective, we may be required to participate in a recall involving such products. Each vehicle manufacturer has its own policy regarding product recalls and other product liability actions relating to its suppliers. However, as suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, vehicle manufacturers are increasingly looking to their suppliers for contribution when faced with product liability claims. A successful claim brought against us in excess of our available insurance coverage, or a requirement to participate in a product recall, may have a material adverse effect on our business.

We are subject to risks associated with environmental regulations, which expose us to potential liability.

We are subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals and substances used in our operations. If we fail to comply with present or future regulations, the following adverse effects could occur:

we could be forced to alter manufacturing processes;

we could be fined substantial amounts;

our production could be suspended; or

we could be forced to discontinue certain operations.

One method we have used to obtain multi-year supply agreements is to buy a customer's non-core manufacturing assets and produce products for them. Groundwater and other contamination has occurred at certain of our current and former facilities during the operation of those facilities by their former owners and this contamination may occur at future facilities we operate or acquire. Although we typically receive environmental indemnification agreements from previous owners of these facilities, there is no assurance that the indemnification of us by the former owners of those facilities for any contamination will be adequate to protect us from liability.

In particular, our Marion, Ohio facility is subject to soil and groundwater contamination involving petroleum compounds, semi-volatile and volatile organic compounds, certain metals, PCBs and other contaminants, some of which exceed the state voluntary action program standards applicable to the site. We continue to test and assess this site to determine the extent of this contamination by the prior owners of the facility. A leased facility we formerly occupied in Tampa, Florida is subject to remediation activities related to groundwater contamination involving methyl chloride and other volatile organic compounds which occurred prior to our use of the facility, and such contamination extends beyond the boundaries of the facility. The prior operator of the facility has entered into a consent order with the State of Florida and agreed to remediate the contamination, the full scope of which has not yet been determined. We previously acquired certain business assets formerly located at a leased facility in Littleton, Colorado, where chlorinated solvents had been disposed of on site by a prior owner of the business at the site, contaminating the groundwater at and around the site. The seller of the assets to us is operating a remediation system on the site approved by the State of Colorado and has entered into a consent order with the EPA providing for additional investigation at the site. Our Morganton, North Carolina

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facility is subject to soil contamination involving petroleum compounds. Under our purchase agreement for this facility, Dana has agreed to indemnify us for environmental violations that existed as of the closing provided that we notify Dana of these violations prior to December 31, 2005.

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Our ability to operate effectively could be impaired if we were to lose key personnel or fail to attract and retain qualified employees.

Our future success will depend to a large extent upon the efforts and abilities of key senior management, managerial and technical employees. The loss of services of certain of these key employees could have a material adverse effect on our business. Our future success will also be influenced by our ability to continue to attract and retain qualified employees. We generally do not enter into employment agreements with our employees and have limited the use of employment agreements to executive recruitment and the retention of key management associated with an acquisition.

Risks Related to this Offering

Our stock price has been volatile, which may make it more difficult to realize a gain on your investment in our stock.

The market price of our common stock has been volatile. The value of our common stock may decline regardless of our operating performance or prospects. The trading price of our common stock could be subject to wide fluctuations in response to:

our perceived prospects;

variations in our operating results and our achievement of key business targets;

changes in securities analysts' recommendations or earnings estimates;

differences between our reported results and those expected by investors and securities analysts;

announcements of new contracts by our competitors;

market reaction to any acquisitions, joint ventures or strategic investments announced by us or our competitors; and

general economic or stock market conditions unrelated to our operating performance.

A small group of our existing stockholders owns a significant amount of our stock, and their interests may differ from other stockholders.

Immediately after this offering, members of the Gill family, as a group, will own approximately 49% of our common stock. As a result, the Gill family, should they vote as a group, has the ability to significantly influence the election of our board of directors or the approval or disapproval of matters submitted to a vote of stockholders, including proposals regarding any merger, consolidation or other change of control transaction or a sale of all or substantially all of our assets. Due to the expected record date for the stockholders entitled to participate in our next annual meeting, it is unlikely that shares acquired in this offering will be entitled to vote at that meeting.

Our management will have broad discretion over the use of the capital resources made available by this offering and you may not agree with the way they are used.

While we currently intend to use the net proceeds of this offering to reduce borrowings under our credit facility, we may subsequently choose to make additional borrowings under or expand that facility for a variety of purposes, including to finance acquisitions or other expansions of our business, and for general corporate purposes including any completion of the ArvinMeritor Kenton transaction and the Dana Toluca, Mexico transaction. The effect of the offering will be to increase capital resources available to our management, and our management may allocate these capital resources as it determines is necessary. You will be relying on the judgment of our management with regard to the use of the capital resources generated by this offering.

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Our stock price may decline if additional shares are sold in the market after the offering.

Future sales of substantial amounts of shares of our common stock by our existing stockholders in the public market, or the perception that these sales could occur, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through future sales of equity securities. Holders of 8,584,893 shares of our common stock have agreed with the underwriters to refrain from selling their shares for a period of 90 days after this offering. Increased sales of our common stock in the market after expiration of the lock-up agreements could exert significant downward pressure on our stock price.

Our anti-takeover provisions and the concentration of ownership of our common stock may deter potential acquirers and may depress our stock price.

Certain provisions of our certificate of incorporation and by-laws may discourage, delay or prevent a change of control, or changes in our management, that stockholders consider favorable. Such provisions include:

a provision authorizing the issuance by our board of blank check preferred stock without any action by our stockholders;

a classified board of directors with staggered, three-year terms; and

a requirement for a vote of not less than 80% of voting shares outstanding to call a special meeting of stockholders.

Additionally, because members of the Gill family will continue to hold substantial voting power after the offering, they may be able to prevent most changes of control. Moreover, in 2001, we adopted a stockholder rights plan, which could substantially deter a takeover attempt on terms we deem unacceptable. Lastly, the Delaware General Corporation Law imposes limitations on persons proposing to merge with or acquire us. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

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FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements including statements concerning the future of our industries, product development, business strategy, the possibility of future acquisitions, continued acceptance and growth of our products and dependence upon significant customers. These statements can be identified by the use of forward-looking terminology such as may, will, expect, anticipate, estimate, continue or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or include other forward-looking information. You should not place undue reliance on these forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. The risk factors noted above and other factors noted throughout this prospectus could cause our actual results to differ significantly from the results contained in any forward-looking statement.

In this prospectus, we rely on and refer to information and statistics regarding the markets in which we compete. We obtained this information and these statistics from various third party sources and publications that are not produced for the purposes of securities offerings or economic analysis. We have not independently verified the data and cannot assure you of the accuracy of the data we have included.

USE OF PROCEEDS

The net proceeds to us from the sale of the 3,000,000 shares of common stock offered with this prospectus will be approximately \$51.7 million, assuming a public offering price of \$18.41 per share and after deduction of the underwriting discounts and estimated offering expenses to be paid by us.

We intend to use the net proceeds from the offering to pay down outstanding debt under our credit facility. Available funds from our credit facility will be used for any completion of pending and future acquisitions and for general corporate purposes. The weighted average interest rate on borrowings under our credit facility, which expires in October 2008, was approximately 2.8% at March 3, 2004.

We may subsequently choose to make additional borrowings under or expand our credit facility for a variety of purposes, including to finance acquisitions or other business expansions.

Table of Contents**PRICE RANGE OF COMMON STOCK**

Our common stock is traded on the Nasdaq National Market under the symbol SYPR. The following table sets forth, for the periods indicated, the high and low closing sale prices per share of the common stock as reported by the Nasdaq National Market.

	<u>High</u>	<u>Low</u>
Year ended December 31, 2002:		
First Quarter	\$ 16.35	\$ 12.50
Second Quarter	21.35	15.30
Third Quarter	16.03	10.00
Fourth Quarter	12.28	9.94
Year ended December 31, 2003:		
First Quarter	\$ 11.25	\$ 6.88
Second Quarter	10.75	7.50
Third Quarter	16.61	10.25
Fourth Quarter	17.75	12.78
Year ending December 31, 2004:		
First Quarter (through March 10, 2004)	\$ 21.90	\$ 17.12

The last reported sale price of our common stock on the Nasdaq National Market on March 10, 2004 was \$18.41 per share. As of March 3, 2004, there were 1,121 holders of record of our common stock.

DIVIDEND POLICY

On September 22, 2002, our Board of Directors declared an initial quarterly cash dividend of \$0.03 per common share outstanding. Cash dividends of \$0.03 per common share have been paid quarterly since the initial dividend was declared in 2002. Dividends may be paid on common stock only when, as and if declared by our Board of Directors in its sole discretion.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2003 and as adjusted to reflect the sale of 3,000,000 shares of our common stock offered by this prospectus at an assumed public offering price of \$18.41 per share, after deducting underwriting discounts and offering expenses payable by us, and the repayment of \$51.7 million in outstanding debt.

	December 31, 2003	
	Actual	As Adjusted
	(in thousands)	
Cash and cash equivalents	\$ 12,019	\$ 12,019
Current portion of long-term debt	\$ 3,200	\$
Long-term debt, net of current portion	\$ 53,000	\$ 4,471
Stockholders' equity:		
Preferred stock, par value \$.01 per share, 981,600 shares authorized; no shares issued		
Series A preferred stock, par value \$.01 per share, 18,400 shares authorized; no shares issued		
Common stock, non-voting, par value \$.01 per share, 10,000,000 shares authorized; no shares issued		
Common stock, par value \$.01 per share, 30,000,000 shares authorized; 14,283,323 shares issued and outstanding, actual; 17,283,323 shares issued and outstanding, as adjusted	143	173
Additional paid-in capital	83,541	135,240
Retained earnings	63,443	63,443
Accumulated other comprehensive income (loss)	(2,346)	(2,346)
Total stockholders' equity	144,781	196,510
Total capitalization	\$ 197,781	\$ 200,981

The outstanding share information excludes outstanding options to purchase 2,345,385 shares of common stock exercisable at a weighted-average exercise price per share, as of December 31, 2003, of \$8.96 and 1,375,011 shares of common stock reserved for future issuance under our equity incentive compensation plans. Because of the expiration of our existing plans in 2004, a new equity incentive plan will be proposed by the Board of Directors for stockholder approval at our annual meeting on April 27, 2004. If approved, this plan would authorize the issuance of an additional 3,000,000 shares of common stock over the next ten years.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA****(in thousands, except per share data)**

The following selected financial data should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this prospectus. The selected financial data set forth below with respect to statements of income for each of the years in the three-year period ended December 31, 2003 and with respect to the balance sheets at December 31, 2002 and 2003, are derived from our audited financial statements. These financial statements are included elsewhere in this prospectus and the data below are qualified by reference to those financial statements and related notes. The statements of income data for the years ended December 31, 1999 and 2000 and the balance sheet data at December 31, 1999, 2000 and 2001 are derived from our audited financial statements not included in this prospectus.

	Years Ended December 31,				
	1999	2000	2001 ⁽¹⁾	2002 ⁽²⁾	2003
Consolidated Income Statement Data:					
Net revenue	\$ 202,130	\$ 216,571	\$ 254,640	\$ 273,477	\$ 276,605
Cost of sales	157,181	176,258	211,093	223,956	230,593
Gross profit	44,949	40,313	43,547	49,521	46,012
Selling, general and administrative	23,388	26,881	26,134	27,114	26,711
Research and development	6,409	3,574	3,054	3,354	4,166
Amortization of intangible assets	986	1,436	1,329	97	194
Special charges		2,945			
Operating income	14,166	5,477	13,030	18,956	14,941
Interest expense, net	1,730	4,035	4,111	2,742	1,693
Other (income) expense, net	(219)	(344)	(358)	(159)	230
Income before income taxes	12,655	1,786	9,277	16,373	13,018
Income taxes (benefit)	3,099	(1,398)	2,910	4,934	4,883
Net income	\$ 9,556	\$ 3,184	\$ 6,367	\$ 11,439	\$ 8,135
Net income per share:					
Basic	\$ 1.00	\$ 0.33	\$ 0.65	\$ 0.87	\$ 0.57
Diluted	\$ 0.97	\$ 0.32	\$ 0.63	\$ 0.84	\$ 0.56
Cash dividends declared per common share	\$	\$	\$	\$ 0.06	\$ 0.12
Shares used in computing per share amounts:					
Basic	9,515	9,671	9,828	13,117	14,237
Diluted	9,861	9,964	10,028	13,664	14,653
	December 31,				
	1999	2000	2001	2002	2003 ⁽³⁾

Consolidated Balance Sheet Data:

Cash and cash equivalents	\$ 10,406	\$ 14,674	\$ 13,232	\$ 12,403	\$ 12,019
Working capital	53,705	58,602	67,325	77,593	80,516
Total assets	148,564	179,122	211,444	223,605	263,495
Current portion of long-term debt	5,400	2,500	7,500	7,000	3,200
Long-term debt, net of current portion	49,000	62,500	80,000	30,000	53,000
Total stockholders' equity	60,820	64,205	70,120	137,035	144,781

- (1) On May 31, 2001, we completed the acquisition of the net assets of Dana's Marion, Ohio facility and its results of operations are included from that date forward.
- (2) On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" which required us to discontinue the amortization of goodwill. See Note 1 of our consolidated financial statements for the year ended December 31, 2003 included elsewhere in this prospectus.
- (3) On December 31, 2003, we completed the acquisition of the net assets of Dana's Morganton, North Carolina facility.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of our results of operations and financial condition should be read together with the other financial information and consolidated financial statements included in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in the forward-looking statements as a result of a variety of factors, including those discussed in Risk Factors and elsewhere in this prospectus.

Overview

We are a diversified provider of outsourced services and specialty products. We perform a wide range of manufacturing, engineering, design, testing and other technical services, typically under multi-year, sole-source contracts with major companies and government agencies in the markets for aerospace & defense electronics, truck components & assemblies, and for users of test & measurement equipment. Revenue from our three core markets accounted for approximately 94% of our revenue for the year ended December 31, 2003, while revenue from our outsourced services accounted for approximately 83% of our revenue. We expect these percentages to increase in the future.

We have four major operating subsidiaries that are grouped into two reportable segments, the Electronics Group and the Industrial Group. The Electronics Group is comprised of Sypris Data Systems, Inc., Sypris Electronics, LLC and Sypris Test & Measurement, Inc. Revenue from this group is derived primarily from the sale of manufacturing services, technical services and products to customers in the markets for aerospace & defense electronics and test & measurement services. The Industrial Group consists solely of Sypris Technologies, Inc., which generates revenue primarily from the sale of manufacturing services to customers in the market for truck components & assemblies and from the sale of products to the energy and chemical markets.

Our objective is to become the leading outsourcing specialist in each of our core markets for aerospace & defense electronics, truck components & assemblies, and for users of test & measurement equipment. We have focused our efforts on establishing long-term relationships with industry leaders who embrace multi-year contractual relationships as a strategic component of their supply chain management.

Recent Contract Awards. The pursuit of multi-year contractual relationships with industry leaders in each of our core market segments is a key component of our strategy. We focus primarily on those candidates that will enable us to consolidate positions of leadership in our existing markets, further develop strategic partnerships with leading companies, and expand our capability and capacity to increase our value-added service offerings. The quality of these contracts has enabled us to invest in leading-edge technologies that we believe will serve as an important means for differentiating ourselves in the future from the competition when it comes to cost, quality, reliability and customer service.

We recently announced the closing of a transaction with Dana as well as letters of intent for transactions we expect to close in 2004 with Dana and ArvinMeritor.

On December 31, 2003, we completed the first phase of a proposed two-phase transaction with Dana in which we entered into a new eight-year agreement to supply a wide range of drive train components for the light, medium and heavy-duty truck markets to Dana. In connection with this agreement, we acquired the property, plant, and equipment and certain component inventories associated with Dana's manufacturing plant in

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Morganton, North Carolina for a purchase price of approximately \$22 million. In addition, the parties agreed to a three-year extension of an existing seven-year supply agreement that we originally entered into on May 31, 2001. In the proposed second phase of the transaction, which is evidenced by a letter of intent signed on August 25, 2003, we expect to enter into an eight-year agreement with Dana for the supply of forged and machined components for use in the medium and heavy-duty truck markets effective as of the closing, which is expected to occur during 2004. As part of the proposed transaction, we plan to acquire a portion of Dana's manufacturing campus in Toluca, Mexico and certain production equipment located at other Dana facilities in the U.S. The first phase of the transaction with Dana is expected to generate approximately \$55 to \$60 million of revenue per year, or approximately \$440 million over the term of the contract while the three-year contract extension currently

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represents approximately \$50 million of revenue per year, or \$150 million over the new period. Should we complete the second phase of the transaction with Dana successfully, the total outsourcing arrangement excluding the contract extension is expected to result in revenue of approximately \$130 million per year, based upon current market conditions.

On January 13, 2004, we signed a letter of intent with ArvinMeritor to supply trailer axle beams and a variety of drive train components to ArvinMeritor under a series of multi-year agreements, the first of which is expected to close during 2004, with the balance scheduled to occur during the next two to three years in accordance with a predetermined transition plan. As part of the proposed transaction, we plan to acquire ArvinMeritor's Kenton, Ohio plant that specializes in the manufacture of trailer axle beams. In addition, the proposed transaction provides for a five-year extension of an existing five-year supply agreement that is otherwise expected to expire on December 31, 2004 under which we supply ArvinMeritor with axle shafts for medium and heavy-duty trucks. Should we complete the proposed transaction with ArvinMeritor successfully, the total outsourcing arrangement is expected to generate approximately \$75 million of revenue per year, based upon current market conditions.

The proposed second phase of the Dana transaction and the proposed ArvinMeritor transaction remain subject to due diligence, negotiation and execution of definitive agreements and board approvals among other contingencies, and in the case of ArvinMeritor's Kenton plant, the negotiation and approval of a new union collective bargaining agreement.

The expected revenues from these transactions are based upon current market volumes and neither Dana nor ArvinMeritor have an obligation to purchase a particular level of services under either the recently executed or proposed contracts and there can be no assurance that the expected revenue will be realized. The prices contained in these agreements for our services are fixed for an initial term and generally reduced thereafter in accordance with schedules contained in the agreements. We believe these price reductions will not materially affect our profitability. We purchase raw steel and fabricated steel parts for these agreements at the direction of our customers, with any periodic changes in the price of steel being reflected in the prices we are paid for our services, such that we neither benefit from nor are harmed by any future changes in the price of steel. The agreements also provide for us to share in the benefits of any cost reduction suggestions that we make that are accepted by our customers.

Accounting Policies. Our significant accounting policies are described in Note 1 to the consolidated financial statements included elsewhere in this prospectus. We believe our most critical accounting policies include revenue recognition and cost estimation on certain contracts for which we use percentage of completion methods of accounting, as described immediately below.

The complexity of the estimation process and all issues related to the assumptions, risks and uncertainties inherent with the application of the percentage of completion methodologies affect the amounts reported in our financial statements. A number of internal and external factors affect our cost of sales estimates, including labor rate and efficiency variances, revised estimates of warranty costs, estimated future material prices and customer specification and testing requirement changes. If our business conditions were different, or if we used different assumptions in the application of this and other accounting policies, it is likely that materially different amounts would be reported in our financial statements.

Net Revenue. The majority of our outsourced services revenue is derived from manufacturing services contracts under which we supply products to our customers according to specifications provided under our contracts. We generally recognize revenue for these outsourced services, as well as our product sales, when we ship the products, at which time title generally passes to the customer.

Contract revenue in our Electronics Group is recognized using the percentage of completion method, generally using units-of-delivery as the basis to measure progress toward completing the contract. Revenue is recognized on these contracts when units are delivered to the customer, with unit revenue based upon unit prices as set forth in the applicable contracts. The costs attributed to contract revenue are based upon the

estimated

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average costs of all units to be shipped. The cumulative average costs of units shipped to date are adjusted through current operations as estimates of future costs to complete change. Revenue under certain other multi-year fixed price contracts is recorded using achievement of performance milestones or cost-to-cost as the basis to measure progress toward completing the contract. The basis for the measurement of progress toward completion is applied consistently to contracts with similar performance characteristics. Amounts representing contract change orders or claims are included in revenue when these costs are reliably estimated and realization is probable. We recognize all other revenue as product is shipped and title passes or when the service is provided to the customer. Our net revenue includes adjustments for estimated product warranty and allowances for returns by our customers.

Generally, the percentage of completion method based on units of delivery is applied by our Electronics Group for outsourced services provided under multi-year contracts with aerospace & defense customers. Approximately 53%, 44% and 35% of total net revenue was recognized under the percentage of completion method based on units of delivery during 2001, 2002 and 2003, respectively. Approximately 5% of total net revenue was recognized under the percentage of completion method based on milestones or cost-to-cost during 2003.

Cost of Sales. Cost of sales consists primarily of our payments to our suppliers, compensation, payroll taxes and employee benefits for service and manufacturing personnel, and purchasing and manufacturing overhead costs. The contracts for which our Electronics Group recognizes net revenue under the percentage of completion method involve the use of estimates for cost of sales. We compare estimated costs to complete an entire contract to total net revenue for the term of the contract to arrive at an estimated gross margin percentage for each contract. Each month, the estimated gross margin percentage is applied to the cumulative net revenue recognized on the contract to arrive at cost of sales for the period.

These estimates require judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. These estimates are complicated and subject to many variables. Contract costs include material, labor and subcontract costs, as well as an allocation of indirect costs. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable.

Management reviews these estimates monthly and the effect of any change in the estimated gross margin percentage for a contract is reflected in cost of sales in the period in which the change is known. If increases in projected costs-to-complete are sufficient to create a loss contract, the entire estimated loss is charged to operations in the period the loss first becomes known. Additionally, our reserve for excess and obsolete inventory is primarily based upon forecasted demand for our products and any change to the reserve arising from forecast revisions is reflected in cost of sales in the period the revision is made.

Impairments. Consistent with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, goodwill is tested at least annually for impairment by calculating the estimated fair value of each business with which goodwill is associated. The estimated fair value is based on a discounted cash flow analysis that requires judgment in our evaluation of the business and establishing an appropriate discount rate and terminal value to apply in the calculations. In selecting these and other assumptions, for each business we consider historical performance, forecasted operating results, general market conditions and industry considerations specific to the business. We likely would compute a materially different fair value for a business if different assumptions were used or if circumstances were to change.

We evaluate long-lived assets for impairment and assess their recoverability based upon our estimate of future cash flows. If facts and circumstances lead us to believe that the cost of one of our assets may be impaired, we will write down that carrying amount to fair value to the extent necessary. In determining an estimate of future cash flows, we consider historical performance, forecasted operating results, general market conditions and industry considerations specific to the assets. We likely would compute a materially different estimate of future cash flows if different assumptions were used or if circumstances were to change.

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Results of Operations

The tables presented below, which compare our results of operations from one year to another, present the results for each year, the change in those results from one year to another in both dollars and percentage change and the results for each year as a percentage of net revenue. The columns present the following:

The first two data columns in each table show the absolute results for each year presented.

The columns entitled *Year Over Year Change* and *Year Over Year Percentage Change* show the change in results, both in dollars and percentages. These two columns show favorable changes as positive and unfavorable changes as negative. For example, when our net revenue increases from one year to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one year to the next, that change is shown as a negative number in both columns.

The last two columns in each table show the results for each period as a percentage of net revenue. In these two columns, the cost of sales and gross profit for each are given as a percentage of that segment's net revenue. These amounts are shown in italics.

In addition, as used in these tables, *NM* means *not meaningful*.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Years Ended		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Years Ended	
December 31,				December 31,	
2002	2003	Favorable (Unfavorable)	Favorable (Unfavorable)	2002	2003
(in thousands, except percentage data)					
Revenue:					
Electronics					
Supplies	\$ 186,562	\$ 180,733	\$ (5,829)	(3.1)%	68.2%
Industrial	86,915	95,872	8,957	10.3	31.8
Total	273,477	276,605	3,128	1.1	100.0
Cost of Sales:					
Electronics					
Supplies	148,766	144,467	4,299	2.9	79.7
Industrial	75,190	86,126	(10,936)	(14.5)	86.5

al	223,956	230,593	(6,637)	(3.0)	81.9	83
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Honeywell would be required to immediately transfer the policy to an irrevocable trust and fund the trust in an amount sufficient to pay projected future premiums with respect to the policy. See also “Retirement Benefits.”

Under the Severance Plan for Senior Executives, the executive officers named in the Summary Compensation Table (except Mr. Fradin) would be entitled to payments equivalent to base salary and annual incentive bonus (and continuation of certain benefits, such as group life and medical insurance coverage) for a period of 36 months if their employment is terminated by Honeywell other than for “gross cause” (which includes fraud, theft, intentional misconduct and criminal conduct). Mr. Fradin will receive severance payments and benefits for a period of 18 months under the Severance Plan for Senior Executives. Following a voluntary resignation for ‘good reason’ after a change in control, the payments would be made in a lump sum. The Severance Plan for Senior Executives provides for an additional payment sufficient to eliminate the effect of any applicable excise tax on payments in excess of an amount determined under Section 280G of the Internal Revenue Code. Payments subject to the excise tax would not be deductible by Honeywell.

Retirement Benefits

The following table illustrates the estimated annual pension benefits which would be provided on retirement at age 65 under Honeywell’s Retirement Earnings Plan and related unfunded supplemental retirement plans (collectively, the “Honeywell Pension Program”), after applicable deductions for Social Security benefits and assuming completion of the required five years of service, to the salaried executives identified in the following paragraph with the specified average annual remuneration and years of service.

Average Annual Remuneration	5	10	15	20	25-30	35	40
\$ 1,200,000	\$ 106,299	\$ 226,299	\$ 346,299	\$ 466,299	\$ 586,299	\$ 624,160	\$ 713,326
1,300,000	116,299	246,299	376,299	506,299	636,299	676,660	773,326
1,400,000	126,299	266,299	406,299	546,299	686,299	729,160	833,326
1,500,000	136,299	286,299	436,299	586,299	736,299	781,660	893,326
3,500,000	336,299	686,299	1,036,299	1,386,299	1,736,299	1,831,660	2,093,326

The benefit amounts shown in the Pension Table are computed on a straight-life annuity basis. Except as otherwise noted below, upon their retirement, executives may elect to receive the value of their supplemental retirement plan benefits in a lump sum. At January 1, 2005, the following individuals have approximately the indicated number of years of credited service for purposes of the Honeywell Pension Program: Mr. Anderson 1.5; Mr. Johnson, 10; and Mr. Kreindler, 13. Mr. Johnson is covered by a non-qualified pension arrangement that provides that, if he continues his active employment with Honeywell until December 31, 2005, for pension purposes, he will be credited with two years of service for each year of service with AlliedSignal/Honeywell.

Mr. Anderson's basic benefit under the Honeywell Pension Program is a lump sum amount equal to 6% of average annual remuneration (as defined below) times full years of credited service. Mr. Anderson is also covered by a non-qualified pension arrangement that provides pension benefits in addition to the basic pension benefit described in the preceding sentence. If Mr. Anderson retires on or after attaining age 56, he will be entitled to the pension benefits described in the above table (reduced by his basic benefit under the Honeywell Pension Program) and service shall include both his Honeywell and ITT service for all purposes. If Mr. Anderson retires from the Company on or after attaining age 60, he is terminated by the Company for reasons other than cause after completing at least two years of service, or there is a change in control regardless of the number of years of service Mr. Anderson has at that time, he will be entitled to an additional annual pension benefit of \$125,000 (or \$175,000 if he retires from the Company on or after attaining age 62).

The amounts in the Salary and Bonus columns of the Summary Compensation Table for 2004 would be included in computing remuneration for pension purposes as well as any payroll based reward and recognition awards. Average annual remuneration under the Honeywell Pension Program is

calculated based on the highest paid 60 consecutive months of an employee's last 120 months of employment.

Under Mr. Cote's employment agreement he is entitled to receive a retirement benefit, expressed as a single life annuity commencing at age 60, equal to 60 percent of final average compensation (based on his highest three years of base salary and bonus) payable annually for his lifetime, with a lifetime surviving spouse benefit equal to 75% of his benefit. Benefits under his agreement will be reduced by (i) 4% per year for each year that such benefits commence prior to Mr. Cote's 60th birthday, and (ii) any retirement benefits payable under the Honeywell Pension Program (or under any other generally applicable Honeywell pension arrangements) and benefits payable under retirement plans of former employers. The value of the non-qualified portion of this benefit is also available in a lump sum following termination of employment. Mr. Cote's agreement further provides that his retirement benefit is forfeitable if he voluntarily terminates employment with Honeywell without good reason prior to completing 5 years of service or is terminated by Honeywell for cause. The additional retirement benefit required by Mr. Cote's employment agreement is payable at the same time, in the same manner and under the same terms and conditions, as under any other non-qualified pension plan in the Honeywell Pension Program in which Mr. Cote participates on his termination date. If Mr. Cote is entitled to severance payments following his termination, the additional retirement benefit will not be paid until the severance period ends. For purposes of calculating final average compensation and service, up to twelve months of severance payments shall be taken into account.

Assuming his retirement at age 60, based on his current final average compensation, Mr. Cote would be entitled to an annual retirement benefit of \$2,175,000 under his agreement, before reduction of such amount by retirement benefits payable from prior employers.

Mr. Fradin's basic benefit under the Honeywell Pension Program will be expressed as an annuity based on 1.2% of his eligible pay each year up to the average of the Social Security wage bases over a period defined in the Honeywell Pension Program; plus 1.85% of his eligible pay in excess of such average. Because of his prior service with the Pittway Corporation, Mr. Fradin is also covered by a two part non-qualified pension arrangement that provides pension benefits in addition to the basic pension described in the preceding sentence. For service on or before June 30, 2003, Mr. Fradin's pension benefit is calculated using the basic benefit formula with eligible pay up to \$300,000 per year. For service on or after July 1, 2003, Mr. Fradin's pension benefit is calculated as a lump sum amount equal to 6% of average annual remuneration (as defined below) (with no dollar limitation) times credited service on or after July 1, 2003. At the time employment began with the Pittway Corporation, Mr. Fradin did not elect to receive his additional pension benefit for service on or before June 30, 2003 in the form of a lump sum. Therefore, when he retires, he will receive such benefits in annuity form. If Mr. Fradin's base compensation were to grow at 4% per year, and his bonus was paid at 100% of target, the estimated total annual retirement benefit payable at age 65 on a straight line annuity basis would be \$282,000.

Certain Relationships and Related Transactions

The Honeywell ADI business leases its administrative office building in Melville, New York at a market value rent of \$788,000 per year. Subsequent to the time that ADI entered into this lease, the property was acquired by a partnership known as “New Island Holdings.” Mr. Fradin, President and Chief Executive Officer, Honeywell Automation and Controls, is a limited partner, holding a twelve percent ownership interest, in New Island Holdings. The terms of the lease have not been changed since the original negotiation between ADI and the prior owner.

MANAGEMENT PROPOSALS

Proposal No. 3—APPROVAL OF AMENDMENTS TO RESTATED CERTIFICATE OF INCORPORATION AND BY-LAWS ELIMINATING THE CLASSIFIED STRUCTURE OF THE BOARD OF DIRECTORS

Honeywell's Restated Certificate of Incorporation (Article SEVENTH) and By-Laws (Article III, Sections 2 and 10) currently provide for the classification of the Board of Directors into three classes, with each class being elected every three years, and contain provisions relating to such classification concerning the filling of director vacancies and the removal of directors. The Board of Directors has determined that the Restated Certificate of Incorporation and By-laws should be amended to repeal these provisions and to make certain conforming changes as appropriate and has unanimously adopted resolutions approving such amendments, declaring their advisability and recommending such amendments to our shareowners.

The affirmative vote of shareowners holding at least 80% of the shares of Honeywell Common Stock issued and outstanding as of the record date is required for approval of this proposal. All abstentions and failures to return a proxy card will have the same effect as a vote against this proposal.

If the proposed amendments are approved by our shareowners, the classified Board structure will be eliminated, the current term of office of each director will end at the 2006 Annual Meeting of Shareowners, and all directors will thereafter be elected for one-year terms at each Annual Meeting of Shareowners. Furthermore, any director chosen as a result of a newly created directorship or to fill a vacancy on the Board of Directors will hold office until the next Annual Meeting of Shareowners.

If the proposed amendments are not approved by shareowners, the Board of Directors will remain classified, and the five directors elected at the 2005 Annual Meeting will be elected for a three-year term expiring in 2008. All other directors will continue in office for the remainder of their full three-year terms, subject to their earlier retirement, resignation, removal or death.

The Board's Corporate Governance and Responsibility Committee and the full Board have regularly considered the merits of the classified board structure, taking a variety of perspectives into account. While the Board believes that the classified Board structure has promoted continuity and stability and reinforced a commitment to a long-term point of view, it recognizes the growing sentiment of Honeywell shareowners that the annual election of directors would increase the Board's accountability to shareowners. In light of corporate governance trends and shareowner sentiment, the Board, upon the recommendation of the Corporate Governance and Responsibility Committee, has determined that the classified board structure should be eliminated.

The proposed amendments to Honeywell's Restated Certificate of Incorporation and By-laws are set forth in Appendix A to this proxy statement, with deletions indicated by strike-outs and additions indicated by underlining. If this proposal is approved by the requisite vote of shareowners as set forth above, a Certificate of Amendment to the Restated Certificate of Incorporation will be filed with the State of

Delaware. The proposed amendments to the By-laws will become effective upon shareowner approval of this proposal.

The Board of Directors unanimously recommends a vote FOR this proposal.

**Proposal No. 4—APPROVAL OF AMENDMENTS TO RESTATED
CERTIFICATE
OF INCORPORATION AND BY-LAWS ELIMINATING THE
SUPERMAJORITY VOTING PROVISIONS**

Honeywell's Restated Certificate of Incorporation (Articles SEVENTH, EIGHTH and NINTH) and By-laws (Article III, Sections 2 and 10) currently contain provisions requiring the vote of 80% of the outstanding shares for certain actions relating to the elimination of the classified structure of the Board of Directors, removal of directors, the calling of special meetings of shareowners and the requirement that shareowner action be taken at a meeting (the “Designated 80% Actions”). The Board of Directors has determined that the Restated Certificate of Incorporation and By-laws should be amended to repeal these provisions and to make certain conforming changes as appropriate and has unanimously adopted resolutions approving such amendments, declaring their advisability and recommending such amendments to our shareowners.

The affirmative vote of shareowners holding at least 80% of the shares of Honeywell Common Stock issued and outstanding as of the record date is required for approval of this proposal. All abstentions, broker non-votes, and failures to return a proxy card will have the same effect as a vote against this proposal.

If the proposed amendments are approved by our shareowners:

- all amendments to the Restated Certificate of Incorporation, including those related to the Designated 80% Actions, would require the approval of a majority of the outstanding shares; and
- all amendments to the By-laws, including those provisions relating to the Designated 80% Actions, would require the approval of the Board of Directors or the majority of the shares present or represented at a meeting of shareowners.

The Board's Corporate Governance and Responsibility Committee and the full Board have regularly considered the merits of the supermajority voting provisions contained in the Restated Certificate of Incorporation and By-laws, taking a variety of perspectives into account. While the Board believes that such supermajority voting provisions provide protection against self-interested actions by one or a few large shareowners and encourage persons making unsolicited bids for Honeywell to negotiate with the Board, it recognizes the growing sentiment of Honeywell shareowners that the elimination of the supermajority voting provisions would increase the Board's accountability to shareowners. In light of corporate governance trends and shareowner sentiment, the Board, upon the recommendation of the Corporate Governance and Responsibility Committee, has determined that the supermajority voting provisions should be eliminated. In light of the Company's decision to submit this proposal to shareowners for approval, Messrs. Harold and Kristopher Mathis agreed to withdraw the proposal they had submitted on this topic.

The proposed amendments to Honeywell's Restated Certificate of Incorporation and By-laws are set forth in Appendix B to this proxy statement, with deletions indicated by strike-outs and additions indicated by underlining. If this proposal is

approved by the requisite vote of shareowners as set forth above, a Certificate of Amendment to the Restated Certificate of Incorporation will be filed with the State of Delaware. The proposed amendments to the By-laws will become effective upon shareowner approval of this proposal.

The Board of Directors unanimously recommends a vote FOR this proposal.

SHAREOWNER PROPOSALS

Shareowners have given Honeywell notice of their intention to introduce the following proposals for consideration and action by the shareowners at the Annual Meeting. The respective proponents have provided the proposed resolutions and accompanying statements and Honeywell is not responsible for any inaccuracies contained therein. For the reasons stated, the Board of Directors does not support these proposals.

Proposal No. 5—MAJORITY VOTE SHAREHOLDER COMMITTEE

This proposal has been submitted by June Kreutzer and Cathy Snyder, 54 Argyle Place, Orchard Park, New York 14127 (the owner of 265 shares of common stock).

RESOLVED, shareowners recommend that, if a Rule 14a-8 shareholder proposal submitted for a vote at a shareholder meeting receives a majority of the votes cast and our Board of Directors does not take the action requested in the Proposal (or, in the case of a Proposal needing further shareholder approval, does not resolve to submit such approval to shareholders, and recommend in favor of its approval, at the next shareholders' meeting) within 180 days of the meeting at which the vote was obtained, then:

(a) The Board shall constitute a “Majority Vote Shareholder Committee” composed of the proponent of the Proposal and other shareholders that indicate to the Company an interest in participating in the Committee;

(b) The purpose of the Committee will be to communicate with the Board regarding the subject matter of the Proposal; the Committee will not be authorized to act on behalf of the Board or to compel the Board to take action, and will not interfere with the Board's authority to manage the business and affairs of the company; and

(c) The independent members of the Board shall meet with the Committee no fewer than two times between the date on which the Committee is constituted and the next annual shareholder meeting.

The Board may abolish the Committee if (i) the Board takes the action requested in the Proposal; or (ii) the Proposal's proponent notifies the Board that it does not object to abolition of the Committee.”

We as shareholders voted in support of annual election of each director:

Year	Rate of Support (based on yes and no votes cast)
2000	57%
2001	61%
2003	60%
2004	72%

We as shareholders voted in support of Simple Majority Vote:

<u>Year</u>	<u>Rate of Support</u>
2000	58%
2001	60%
2002	64%
2003	66%
2004	76%

In spite of these votes our board failed to make a commitment to adopt these proposals. This makes 9 separate occasions where our board has received a majority vote from shareholders.

The purpose of this proposal is to create a mechanism by which shareholders can communicate with their representatives, the independent directors. This proposal does not aim to supplant the board's decision-making power, but to improve that decision-making by ensuring that shareholders' viewpoints are fully presented to the independent directors.

MAJORITY VOTE SHAREHOLDER COMMITTEE
YES ON 5

Board of Directors' Recommendation—The Board of Directors recommends that the shareowners vote AGAINST this proposal for the following reasons:

Honeywell's Board of Directors is firmly committed to both ensuring effective corporate governance and maximizing shareowner value. The Board's Corporate Governance and Responsibility Committee (which is comprised entirely of independent, non-employee directors) is primarily responsible for analyzing corporate governance issues and making recommendations to the full Board. Each year, the Committee and the full Board review the issues raised in shareowner proposals considered at that year's Annual Meeting of Shareowners and, after careful consideration and taking into account a variety of perspectives, decide whether implementation of such proposals would be in the best interest of Honeywell and all of its shareowners.

The creation of a special shareholders committee would not bring any greater clarity to the process and would increase the time burden on directors and result in greater costs for Honeywell. The issues raised in shareowner proposals are generally straightforward and proponents articulate the rationale for the change they are advocating in the supporting statements to their proposals. If there is ambiguity regarding the action being sought, the Corporate Governance and Responsibility Committee will direct the Corporate Secretary to seek to address this through direct communications with the proponents (or their designated representatives). Moreover, Honeywell has established a process for interested parties to communicate with non-employee directors. See "Process For Communicating With Board Members" on page 7 of this proxy statement.

It is important to remember that due to abstentions and shares not voted, "majority vote" shareowners proposals are often supported by a minority of the voting power of a Company. Consequently, a special shareholder committee consisting of the proponents of such proposals would not necessarily represent the interest of all shareowners and could be used by one or more large shareowners to push particular issues or agendas.

Lastly, a special shareholder committee is not needed to effect change. In light of corporate governance trends, and taking into account the growing sentiment of Honeywell shareowners that elimination of the classified Board structure and the supermajority voting provisions would increase the Board's accountability to shareowners, the Board has unanimously recommended that shareowners vote "FOR" amendments to Honeywell's Restated Certificate of Incorporation and By-laws required to implement these changes. See Proposals 3 and 4 above. While some may argue that such action is overdue, no prior shareowner proposal on either of these topics garnered the support of even a majority of the outstanding shares until last

year (the approval of 80% of the outstanding shares is required to implement these changes).

For the reasons stated above, your Board of Directors recommends a vote AGAINST this proposal.

Proposal No. 6—SEPARATION OF CHAIRMAN/CEO

This proposal has been submitted by the Trust for the International Brotherhood of Electrical Workers' Pension Benefit Fund, 1125 Fifteenth St., N.W., Washington, D.C. 20005 (the owner of 69,843 shares of common stock).

RESOLVED: The shareholders of Honeywell Corporation (“Company”) urge the Board of Directors to amend the Company's by laws, effective upon the expiration of current employment contracts, to require that an independent director—as defined by the rules of the New York Stock Exchange (“NYSE”)—be its Chairman of the Board of Directors.

SUPPORTING STATEMENT

The recent wave of corporate scandals at such companies as Enron, WorldCom and Tyco has resulted in renewed emphasis on the importance of independent directors. For example, both the NYSE and the NASDAQ have adopted rules that would require corporations that wish to be traded on them to have a majority of independent directors.

Unfortunately, having a majority of independent directors alone is clearly not enough to prevent the type of scandals that have afflicted Enron, WorldCom and Tyco. All of these corporations had a majority of independent directors on their boards when the scandals occurred.

All of these corporations also had a Chairman of the Board who was also an insider, usually the Chief Executive Officer (“CEO”), or a former CEO, or some other officer. We believe that no matter how many independent directors there are on a board, that board is less likely to protect shareholder interests by providing independent oversight of the officers if the chairman of that board is also the CEO, former CEO or some other officer of the company.

We respectfully urge the board of our Company to dramatically change its corporate governance structure and the public's perception of it by have an independent director, as defined by the NYSE, serve as its Chairman.

**SEPARATION OF CHAIRMAN/CEO
YES ON 6**

Board of Directors' Recommendation—The Board of Directors recommends that the shareowners vote AGAINST this proposal for the following reasons:

The issue raised in this proposal was squarely addressed in the Honeywell Corporate Governance Guidelines adopted by the Board of Directors, upon the recommendation of its Corporate Governance Committee, as follows:

“Selection of Chairman and CEO. The Company has no fixed rule as to whether these offices should be vested in the same person or two different people, or whether the Chairman should be an employee of the Company or should be elected from among the non-employee directors. The Board believes

that this issue is part of the succession planning process and that it is in the best interests of the Company to make such a determination when it elects a new CEO.”

The Board believes that it is desirable to have the flexibility to decide on a case by case basis whether the CEO, or one of the other directors, should be the Chairman of the Board. At the present time, the Board believes that it is in the best interest of Honeywell to be led by an executive who is both Chairman of the Board and CEO.

Under Honeywell's Corporate Governance Guidelines, the Chairman establishes the agenda for each Board meeting. The Board believes that the CEO is in the best position to develop this agenda from among the many short-term and long-term issues facing Honeywell. Each Board member is free to raise at any Board meeting subjects that are not on the agenda at that meeting, and to suggest items for inclusion on the agenda at subsequent Board meetings.

Board independence is maintained through the composition of the Board and its committees. Thirteen of the fourteen current directors are independent directors. All of the Board's committees, including the Corporate Governance Committee (responsible for identifying and recommending nominees for election to the Board), the Management Development and Compensation Committee (responsible for setting the compensation of all Honeywell officers, including the CEO) and the Audit Committee (responsible for considering the quality and integrity of Honeywell's financial statements) consist entirely of independent, non-employee directors. Pursuant to the Corporate Governance Guidelines, the Board holds executive sessions of its non-employee directors on at least a quarterly basis. Members serve as the chairperson, or presiding director, for these executive sessions on a rotating basis (meeting-by-meeting) in accordance with years of service on the Board.

For the reasons stated above, your Board of Directors recommends a vote AGAINST this proposal.

Proposal No. 7—EXECUTIVE PAY DISPARITY REPORT

This proposal has been submitted by William Steiner, 112 Abbottsford Gate, Piermont, NY 10968 (the owner of 2,800 shares of common stock).

RESOLVED: Shareholders request that our Board's Compensation Committee initiate a review of our company's executive compensation policies and make available, upon request, a report of that review by January 1, 2006. This report would be processed at a reasonable cost and omit confidential information.

In many cases CEOs earn more than 200 times as much as the average worker, according to *Business Week*, April 21, 2003. This is unconscionable and immoral and in my opinion must be changed.

“The size of the CEO compensation is simply out of hand,” said *Business Week* in an April 22, 2002 editorial. Also the Conference Board issued a September 17, 2002 report acknowledging that executive compensation has become excessive in many instances and bears no relationship to a company's long-term performance and that changes must be made.

\$65 million for one person at our company

Our Chairman David Cote received \$65 million in total pay in 2002 according to a shareholder proposal published by our company in its 2004 annual proxy materials.

New York Federal Reserve Bank President, William J. McDonough, while acknowledging that a market economy requires that some employees be rewarded more than others, asked: “should there not be both economic and moral limitations on the gap created by the market-driven reward system?”

McDonough cited the biblical admonition to “love thy neighbor as thyself” as justification for voluntary CEO pay cuts beginning with the strongest companies. McDonough said: “CEOs and their boards should simply reach the conclusion that executive pay is excessive and adjust it to more reasonable and justifiable levels,” *Wall Street Journal*, September 12, 2002.

A 2002 Harris Poll found that “87% of all adults believe that most top company managers are paid more that they deserve, and that they become rich at the expense of ordinary workers.” Two-thirds of respondents believed that rewards in the workplace were distributed less fairly than they had been five years before, Harris Interactive press release, October 10, 2002.

This proposed executive pay disparity report would include:

1. A comparison of the total compensation package of our company's top executives to our lowest-paid United States workers between July, 1995 and July, 2005.
2. An analysis of the trend in the relative size of the gap between the two groups and the rationale justifying this trend.
3. An evaluation of whether our top executive total compensation packages (including options, benefits, perks, loans and retirement agreements) are “excessive” and should be modified.

4. An explanation of whether the issues of sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of pay to “to more reasonable and justifiable levels” as suggested by William J. Donough above.

When our top officials are given excessive pay packages, such as \$65 million to one person, effective checks and balances are imperative.

EXECUTIVE PAY DISPARITY REPORT

YES ON 7

Board of Directors' Recommendation—The Board of Directors recommends that the shareowners vote AGAINST this proposal for the following reasons:

The Board of Directors believes that implementation of this proposal would impose a significant time, cost and resource burden on Honeywell, while not providing any reasonable benefit to Honeywell or its shareowners.

Honeywell recognizes that all of its employees make important contributions to the Company's success. Honeywell works diligently to ensure that all employees are compensated fairly according to their responsibilities, job scope, performance, and ability to impact overall corporate performance and results, taking into account competitive, geographic and market factors.

The Management Development and Compensation Committee of the Board of Directors, which is comprised entirely of independent, non-employee directors, reviews and approves corporate and individual goals relevant to executive compensation, and evaluates the executive officers' performance and sets (and, with respect to the CEO, recommends to the independent, non-employee directors for approval) compensation in view of the degree of achievement of such goals and objectives. The Committee also oversees the administration of executive compensation programs designed to attract and retain highly qualified executives and to motivate them to maximize shareowner returns by achieving aggressive goals. The Committee retains an independent consulting firm to evaluate competitive compensation levels and make recommendations for the compensation of the CEO.

The 2002 CEO compensation data cited by the proponent of this proposal is misleading as it is not representative of Honeywell's annual CEO compensation practices. The year 2002 was a year of recruitment of a new CEO from outside the Company. Approximately 88% of the compensation amount referenced in the proposal consisted of make whole cash and equity awards needed to compensate Mr. Cote for incentive compensation awards and equity interests which he forfeited upon acceptance of employment with Honeywell and sign-on option grants needed to attract an experienced CEO at a critical juncture following the prohibition of our merger with General Electric. Indeed, Mr. Cote's total 2003 compensation represented an 80% reduction compared to the total 2002 amount cited in the proposal.

In light of the independence of both the Board and the Management Development and Compensation Committee, the Board believes that the current procedures for establishing executive compensation levels ensure that such decisions are made in the best interests of Honeywell and its shareowners, taking into account all relevant factors.

For the reasons stated above, your Board of Directors recommends a vote AGAINST this proposal.

Proposal No. 8—EXECUTIVE COMPENSATION LIMIT

This proposal has been submitted by Charles Miller, 23 Park Circle, Great Neck, NY 11024 (the owner of 800 shares of common stock).

RESOLVED, shareholders recommend that our Corporation's by-laws be amended by adding the following new Section:

“Section A.1. Executive Compensation. From the date of adoption of this section no officer of the Corporation shall receive annual compensation in excess of the limits established by the U. S. Internal Revenue Code for deductibility of employee remuneration, without approval by a vote of the majority of the stockholders within one year preceding the payment of such compensation. The only exception would be interference with un-removable contractual obligations prior to this proposal.

For purposes of the limit on executive compensation established by this Section, the Corporation may exclude compensation that qualifies either as “performance-based compensation” or as an “incentive stock option” within the meaning of the Internal Revenue Code only if:

(a) in the case of performance-based compensation, the Corporation shall first have disclosed to stockholders the specific performance goals and standards adopted for any performance-based compensation plan, including any schedule of earned values under any long-term or annual incentive plan; and

(b) in the case of incentive stock options, the Corporation shall record as an expense on its financial statements the fair value of any stock options granted.”

This proposal would require that our company not pay any executive compensation in excess of the amount the Internal Revenue Code permits to be deducted as an expense for federal income tax purposes, without first securing shareholder approval.

Currently, the Code provides that publicly held corporations generally may not deduct more than \$1 million in annual compensation for any of the company's five highest-paid executives. The Code provides an exception for certain kinds of “performance-based compensation.”

Under this proposal our company would be able to pay “performance-based compensation” in excess of the deductibility limit, so long as the company has disclosed to shareholders the performance goals and standards the Board has adopted under these plans. This proposal also provides an exception for incentive stock options, if the Board has recorded the expense of such options in its financial statements.

A proposal similar to this was submitted by Amanda Kahn-Kirby to MONY Group and received a 38% yes-vote as a more challenging binding proposal at the MONY 2003 annual shareholder meeting. The 38% yes-vote was more impressive

because:

- 1) This was the first time this proposal was ever voted.
- 2) The proponent did not even solicit shareholder votes.

I think it is reasonable to require our company to fully disclose to shareholders both the costs and the terms of its executive compensation plans, if the Board wishes to pay executives more than the amounts that are generally deductible under federal income taxes.

EXECUTIVE COMPENSATION LIMIT
YES ON 8

Board of Directors' Recommendation—The Board of Directors recommends that the shareowners vote AGAINST this proposal for the following reasons:

The Board's Management Development and Compensation Committee (which is comprised entirely of independent, non-employee directors) oversees the administration of executive

compensation plans and programs designed to attract and retain highly qualified executives and to motivate them to maximize shareowner returns by achieving aggressive goals.

Such plans and programs were carefully designed to allow the Committee to determine awards thereunder in a manner that will preserve the tax deduction under Section 162(m) of the Internal Revenue Code for qualified performance-based compensation to the extent practicable. Accordingly, all of the performance-based compensation plans applicable to Honeywell officers have been approved by Honeywell shareowners (the most recent example being the overwhelming approval of the 2003 Stock Incentive Plan in April 2003).

As explained in the Report of the Management Development and Compensation Committee beginning on page 18 of this proxy statement, a significant portion of each executive's compensation is dependent upon achieving specific business and financial goals, realizing other individual performance objectives, and upon stock price appreciation. While, for competitive reasons (and in accordance with applicable IRC and SEC regulations), the specific numeric targets are not disclosed, the Committee's report clearly sets forth each of the financial metrics upon which both annual and long-term compensation awards are based and full copies of such compensation plans have been filed as exhibits to our SEC filings. A Form 8-K was filed on February 8, 2005 setting forth the 2005 metrics under both the Incentive Compensation Plan for Executive Employees and the Growth Plan established under the 2003 Stock Incentive Plan.

Honeywell intends, to the extent practicable, to preserve deductibility under the Internal Revenue Code of compensation paid to its executive officers while maintaining compensation programs that effectively attract and retain exceptional executives in a highly competitive environment and, accordingly, compensation paid under Honeywell's stock plan and incentive compensation plans is generally tax-deductible. However, on occasion it is not possible to satisfy all conditions of the Internal Revenue Code for deductibility and still meet Honeywell's compensation needs, and in such limited situations, certain compensation paid to some executives is not tax-deductible.

In light of the independence of the full Board and the Management Development and Compensation Committee, the approval of our incentive compensation and stock plans by Honeywell's shareowners, the overall alignment between performance and compensation, and the disclosure of the relevant metrics upon which awards under such plans are determined, we believe that implementation of this proposal is not necessary, and indeed could restrict the Committee's ability, to ensure that executive compensation decisions are made in the best interest of Honeywell and its shareowners, taking into account all relevant factors.

For the reasons stated above, your Board of Directors recommends a vote AGAINST this proposal.

**Proposal No. 9—COMMONSENSE EXECUTIVE COMPENSATION
FRAMEWORK PROPOSAL**

This proposal has been submitted by the Sheet Metal Workers' National Pension Fund, 601 N. Fairfax Street, Suite 500, Alexandria, Virginia 22314 (the owner of 26,550 shares of common stock).

SUPPORTING STATEMENT: A key task of a company's board and compensation committee is to establish executive compensation plans that focus senior executives on pursuing a company's long-term strategic goals. We believe that shareholders can and should play a constructive and proactive role in addressing executive compensation shortcomings. Our proposal offers shareholders an opportunity to vote on a Commonsense Executive Compensations Framework (“Commonsense Framework”) that outlines important executive compensations principles and offers constructive guidance to the compensations committee as it does its job.

The overriding goal of the Commonsense Framework is to encourage executive compensation policies and practices that promote long-term corporate value growth. To this end, the Commonsense Framework is focused on ensuring that executive compensation plans are designed to reward superior corporate and executive performance. The use of demanding performance standards in annual and long-term incentive compensation plans is strongly encouraged. The Commonsense Framework calls for greater compensations plan transparency, especially with regard to performance criteria and

associated performance levels, so shareholders are better able to develop informed judgments about the pay-for-performance features of compensation plans. And with CEO-worker pay ratios as high as 300 to 1 (IPS/UFE “Executive Excess 2004” Report), the Commonsense Framework stresses the need for limits on senior executive retirement and severance benefits.

Shareholders should be heard at our company on executive compensation issues, so we urge your support for this proposal.

RESOLVED: That the shareholders of Honeywell International, Inc. (“Company”) request that the Company's Board of Directors adopt executive compensation policies and practices reflected in the “Commonsense Executive Compensation Framework.”

- (1) **Salary:** The CEO's salary should be targeted no higher than the median of salaries paid at peer group companies, with variances fully explained.
- (2) **Annual Incentives:** The annual bonus paid to senior executives should be based on well-defined financial and non-financial performance criteria. The Committee should determine and disclose the performance measures utilized in bonus determinations and set and disclose performance levels below which no bonuses should be paid and above which bonuses would be capped. Annual bonus levels that exceed and executive's annual salary should be clearly justified.
- (3) **Long-Term Equity Incentives:** Long-term equity compensation should be structured to motivate and reward superior, above peer group, stock price performance and/or superior operational performance as defined by the Compensation Committee. To do so, the Committee may choose from a variety of awards, such as indexed or premium-priced stock options, performance-vested options, performance-vested restricted shares, or other types of equity awards.
- (4) **Severance and Supplement Executive Retirement Plans (SERPs):** A senior executive severance plan that provides for payments that can exceed an executive's salary and annual bonus must have a compelling justification and should be ratified by shareholders, as should any SERP instituted by the Company.
- (5) **Compensation Disclosure:** The Compensation Committee is encouraged not to limit their report to providing only mandated disclosures, but rather to strive to provide enhanced executive compensation disclosure to shareholders so that shareholders can develop informed judgments about the plans.

**COMMONSENSE EXECUTIVE COMPENSATION FRAMEWORK
PROPOSAL
YES ON 9**

Board of Directors' Recommendation—The Board of Directors recommends that the shareowners vote AGAINST this proposal for the following reasons:

Honeywell's executive compensation programs are described in the Report of the Management Development and Compensation Committee beginning on page 18 of this proxy statement. The overall objective of these programs is to attract and retain highly qualified executives and to motivate them to maximize shareowner returns by

achieving aggressive goals. Each executive's compensation is linked directly to Honeywell's performance through substantial variable pay at risk based upon the achievement of pre-established financial goals and individual management objectives. The Management Development and Compensation Committee considers both long-term and near-term performance in designing Honeywell's overall compensation programs.

The “one size fits all” approach to executive compensation advocated by this proposal would deny the Board and the Management Development and Compensation Committee the flexibility that they need to respond to changing industry, market and compensation trends and best practices, to tailor compensation programs to specific corporate goals, and to customize executive compensation programs to attract and retain the highly-qualified executives needed to succeed in a competitive world

economy. In designing executive compensation programs, the Committee needs to be able to consider a variety of factors, including Honeywell's financial, operational and strategic objectives, the corporate tax and accounting consequences of various types of compensation arrangements, prevailing pay rates, and the competitive practices of the companies with whom we compete for executive talent in the United States and around the world.

Safeguards are already in place to ensure that executive compensation is set at appropriate levels. The Management Development and Compensation Committee, which met 5 times in 2004 and is comprised entirely of independent, non-employee directors, devotes significant time and effort to set the various elements of the compensation plans at appropriate levels to drive corporate goals, attract and retain the best talent and generate long-term shareowner value. The Committee conducts annual reviews of the executive compensation programs and utilizes the services of an independent compensation consultant retained by the Committee to assist it in understanding best practices and as a method of benchmarking compensation at peer companies.

Based on the recommendations of an independent compensation consulting firm retained by the Committee, several executive compensation program changes and initiatives were implemented during 2003 and 2004 to better position Honeywell to provide a balanced performance-based executive compensation program that is fair and competitive, supports Honeywell's strategic goals and enhances shareowner value. During 2003, shareowners approved the 2003 Stock Incentive Plan which replaced and is significantly more restrictive than the 1993 stock option plan and which allows Honeywell to manage annual run rate and dilution/overhang levels which are below typical general industry norms. Within the 2003 Stock Incentive Plan, the Committee established a new long-term, cash-based compensation program under which payment is contingent upon the achievement over a two-year performance period of specified financial objectives for revenue growth and return on investment (the "Growth Plan"). In addition, no awards are payable under the Growth Plan if Honeywell does not achieve a specified minimum EPS growth (excluding the impact of pensions, discontinued operations and other unusual items) over the performance period. The Committee also adopted stock ownership guidelines for all officers and determined that, commencing with 2004, incentive compensation pools would be adjusted up or down based on Honeywell's relative EPS growth performance versus a pre-established group of peer companies. Furthermore, Honeywell provides clear, transparent, accurate and timely disclosure relating to all significant elements of executive compensation, in accordance with, and in some instances beyond, the applicable SEC requirements.

The Board believes that its current executive compensation programs, as administered by the Management Development and Compensation Committee, address the concerns of shareowners that executive compensation be tied to Honeywell's performance and provide long-term incentives to executives, while providing the Board and the Committee with the flexibility necessary to recruit and retain highly-qualified executives in a competitive environment.

For the reasons stated above, your Board of Directors recommends a vote AGAINST this proposal.

OTHER INFORMATION

Key Corporate Governance Documents

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 amendment to those reports, are available free of charge on our website under the heading "Investor Relations" (see "SEC Filings") immediately 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"), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Honeywell's Code of Business Conduct applies to all directors, officers (including the Chief Executive Officer, Chief Financial Officer and Controller) and employees. Amendments to or waivers of the Code of Conduct granted to any of the Company's directors or executive officers will be published on our website within five business days of such amendment or waiver.

Shareowner Proposals for 2006 Annual Meeting

- In order for a shareowner proposal to be considered for inclusion in Honeywell's proxy statement for the 2006 Annual Meeting pursuant to Rule 14a-8 of the Securities and Exchange Commission, the proposal must be received at the Company's offices no later than the close of business on November 15, 2005. Proposals submitted thereafter will be opposed as not timely filed.
- If a shareowner intends to present a proposal for consideration at the 2006 Annual Meeting outside the processes of SEC Rule 14a-8, Honeywell must receive notice of such proposal not earlier than December 25, 2005 and not later than January 26, 2006. Otherwise the proposal will be considered untimely under Honeywell's By-laws. In addition, Honeywell's proxies will have discretionary voting authority on any vote with respect to such proposal, if presented at the meeting, without including information regarding the proposal in its proxy materials.

Any shareowner who wishes to submit a shareowner proposal should send it to the Vice President and Secretary, Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962.

Director Nominations

Honeywell's By-laws provide that any shareowner of record entitled to vote at the Annual Meeting who intends to make a nomination for director, must notify the Secretary of Honeywell in writing not more than 120 days and not less than 90 days prior to the first anniversary of the preceding year's annual meeting. The notice must meet other requirements contained in the By-laws, a copy of which can be obtained from the Secretary of Honeywell at the address set forth above.

Expenses of Solicitation

Honeywell pays the cost of preparing, assembling and mailing this proxy-soliciting material. In addition to the use of the mail, proxies may be solicited by Honeywell officers and employees by telephone or other means of communication. Honeywell pays all costs of solicitation, including certain expenses of brokers and nominees who mail proxy material to their customers or principals. In addition, Georgeson & Company Inc. has been retained to assist in the solicitation of proxies for the 2005 Annual Meeting of Shareowners at a fee of approximately \$12,500 plus associated costs and expenses.

By Order of the Board of Directors,

Thomas F. Larkins
Vice President and Secretary

March 14, 2005

APPENDIX A

Proposed Amendments to Honeywell's Restated Certificate of Incorporation and By-laws Eliminating the Classified Structure of the Board of Directors

The text of the proposed amendments is marked to reflect the proposed changes.

The first paragraph of Article SEVENTH of Honeywell's Restated Certificate of Incorporation is amended to read as follows:

SEVENTH: Except as otherwise provided pursuant to the provisions of this Certificate of Incorporation relating to the rights of certain holders of Preferred Stock to elect additional Directors under specified circumstances, the number of Directors of the corporation shall be determined from time to time in the manner described in the By-laws. The Directors, other than those who may be elected by the holders of Preferred Stock pursuant to this Certificate of Incorporation, shall be ~~classified with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the By-laws, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to~~ elected by the holders of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of Directors (the "Voting Stock"), voting together as a single class, and shall hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. At each Directors serving on [insert date of filing of certificate of amendment] shall hold office until the next succeeding annual meeting of stockholders and until their successors shall have been elected and qualified, notwithstanding that such directors may have been elected for a term that extended beyond the date of such annual meeting of stockholders. the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. No Director need be a stockholder.

The third paragraph of Article SEVENTH of Honeywell's Restated Certificate of Incorporation is amended to read as follows:

Subject to the rights of certain holders of Preferred Stock to elect Directors under circumstances specified in this Certificate of Incorporation, any Director may be removed from office, ~~with or without~~ only for cause, by the affirmative vote of the holders of at least 80% of the ~~voting power of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of Directors (the "Voting Stock", voting together as a single class.*~~

Section 2 of Article III of Honeywell's By-laws is amended to read as follows:

SECTION 2. **Number, Election and Terms.** The authorized number of directors may be determined from time to time by vote of a majority of the then authorized number of directors or by the affirmative vote of the holders of at least 80% of the

voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class; provided, however, that such number shall not be less than 13 nor more than 23, and that such number shall automatically be increased by two in the event of default in the payment of dividends on the Preferred Stock under the circumstances described in the Certificate of Incorporation. The directors, other than those who may be elected by the holders of the Preferred Stock of the Corporation pursuant to the Certificate of Incorporation, shall ~~be classified with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board, one class to be originally elected for a term expiring at the annual meeting of Stockholders to be held in 1986, another class to be originally elected for a term expiring at the annual meeting of Stockholders to be held in 1987, and another class to be originally elected for a term~~

~~expiring at the annual meeting of Stockholders to be held in 1988, with the members of each class to hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. At each annual meeting of Stockholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of Stockholders held in the third year following the year of their election.~~ Except as otherwise provided in the Certificate of Incorporation, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office until the annual meeting of Stockholders ~~at which the term of office of the class to which such director has been elected expires~~ and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.*

Section 10 of Article III of Honeywell's By-laws is amended to read as follows:

SECTION 10. **Removal of Directors.** Subject to the rights of the holders of Preferred Stock, any director may be removed from office, ~~only for~~ with or without cause, by the affirmative vote of the holders of at least 80% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.*

*If Proposal 4 to amend the Restated Certificate of Incorporation and By-laws to eliminate the supermajority voting provisions contained therein is approved by the requisite vote of shareowners, the references to "at least 80%" in the proposed amendments to the third paragraph of Article SEVENTH of the Restated Certificate of Incorporation and Sections 2 and 10 of Article III of the By-laws set forth in this Appendix A shall be changed to "a majority".

APPENDIX B

Proposed Amendments to Honeywell's Restated Certificate of Incorporation and By-laws Eliminating the Supermajority Voting Provisions

The text of the proposed amendments is marked to reflect the proposed changes.

The third paragraph of Article SEVENTH of Honeywell's Restated Certificate of Incorporation is amended to read as follows:

Subject to the rights of certain holders of Preferred Stock to elect Directors under circumstances specified in this Certificate of Incorporation, ~~any~~ Directors may be removed from office only for cause by the affirmative vote of the holders of a majority at least 80% of the ~~voting power of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of Directors (the "Voting Stock")~~, voting together as a single class.*

The fourth paragraph of Article SEVENTH of Honeywell's Restated Certificate of Incorporation is deleted in its entirety:

~~Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, this Article SEVENTH.~~

The third paragraph of Article EIGHTH of Honeywell's Restated Certificate of Incorporation is amended to read as follows:

The Board of Directors may from time to time make, amend, supplement or repeal the By-laws; provided, however, that the stockholders may change or repeal any By-law adopted by the Board of Directors ~~and provided further that no amendment or supplement to the By-laws adopted by the Board of Directors shall vary or conflict with any amendment or supplement adopted by the stockholders.~~ Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, Section 3 (Special Meetings) of Article II (Meetings of Shareholders) of the By-laws, Sections 2 (Number, Election and Terms) or 10 (Removal of Directors) of Article III (Directors) of the By-laws, or the final sentence of Article XI (Amendments) of the By-laws shall not be amended or repealed, and no provision inconsistent with any thereof shall be adopted, without the affirmative vote of the holders of at least 80% of the Voting Stock (as defined in Article SEVENTH), voting together as a single class. ~~Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, any provision of this paragraph.~~

The second sentence of the sixth paragraph of Article EIGHTH of Honeywell's Restated Certificate of Incorporation is deleted in its entirety:

Except as otherwise required by law and subject to the rights of the holders of Preferred Stock pursuant to the provisions of this Certificate of Incorporation, special

meetings of stockholders may be called only by the Chief Executive Officer or by the Board of Directors pursuant to a resolution approved by a majority of the then authorized number of Directors of the corporation (as determined in accordance with the By-laws). ~~Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, any provision of this paragraph.~~

The second paragraph of Article NINTH of Honeywell's Restated Certificate of Incorporation is deleted in its entirety:

~~Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the Voting Stock (as defined in Article SEVENTH),~~

~~voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, this Article NINTH.~~

The first sentence of Section 2 of Article III of Honeywell's By-laws is amended to read as follows:

SECTION 2. **Number, Election and Terms.** The authorized number of directors may be determined from time to time by vote of a majority of the then authorized number of directors or by the affirmative vote of the holders of a majority at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class; provided, however, that such number shall not be less than 13 nor more than 23, and that such number shall automatically be increased by two in the event of default in the payment of dividends on the Preferred Stock under the circumstances described in the Certificate of Incorporation.

Section 10 of Article III of Honeywell's By-laws is amended to read as follows:

SECTION 10. **Removal of Directors.** Subject to the rights of the holders of Preferred Stock, any director may be removed from office only for cause by the affirmative vote of the holders of a majority at least 80% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.*

Article XI of Honeywell's By-laws is amended to read as follows:

These By-laws or any of them may be amended or supplemented in any respect at any time, either (a) at any meeting of Stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting shall have been described or referred to in the notice of such meeting, or (b) at any meeting of the Board, provided that any amendment or supplement proposed to be acted upon at any such meeting shall have been described or referred to in the notice of such meeting or an announcement with respect thereto shall have been made at the last previous Board meeting, ~~and provided further that no amendment or supplement adopted by the Board shall vary or conflict with any amendment or supplement adopted by the Stockholders. Notwithstanding the preceding sentence, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, Section 3 of Article II of these By laws, Sections 2 or 10 of Article III of these By laws, or this sentence.~~

* If Proposal 3 to amend the Restated Certificate of Incorporation and By-laws to eliminate the classified structure of the Board of Directors is approved by the requisite vote of shareowners, the references to "only for cause" contained in the proposed amendments to the third paragraph of Article SEVENTH of the Restated Certificate of Incorporation and Section 10 of Article III of the By-laws set forth in this Appendix B shall be changed to "with or without cause".

DIRECTIONS TO HONEYWELL'S HEADQUARTERS
101 Columbia Road, Morris Township, N.J.

80

10

46

24

280

80

10

24

287

78

78

24

510

46

80

3

280

95

278

495

*NEWARK
INTERNATIONAL
AIRPORT*

*STATEN
ISLAND*

*Lincoln
Tunnel*

*George
Washington
Bridge*

MORRISTOWN

Honeywell

*Normandy
Pkwy.*

Park Ave.

*JFK
Pkwy.*

EXIT 37

**EXIT
2A**

Columbia Rd.

New Jersey Tpk.

Garden State Pkwy.

*Goethals
Bridge*

N

*Holland
Tunnel*

So. Orange Ave.

MADISON

From Rte. 80 (East or West) and Rte. 287 South:

Take Rte. 80 to Rte. 287 South to Exit 37 (Rte. 24 East—Springfield). Follow Rte. 24 East to Exit 2A (Rte. 510 West—Morristown), which exits onto Columbia Road. At second traffic light, make left into Honeywell.

From Rte. 287 North:

Take Rte. 287 North to Exit 37 (Rte. 24 East—Springfield). Follow Rte. 24 East to Exit 2A (Rte. 510 West—Morristown), which exits onto Columbia Road. At second traffic light, make left into Honeywell.

From Newark International Airport:

Take Rte. 78 West to Rte. 24 West (Springfield—Morristown). Follow Rte. 24 West to Exit 2A (Rte. 510 West—Morristown), which exits onto Columbia Road. At second traffic light, make left into Honeywell.

Appendix I

HONEYWELL INTERNATIONAL
INC.
101 COLUMBIA ROAD
MORRIS TOWNSHIP, NJ 07962

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. Please see the reverse side of this card for specific voting cutoff information.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by Honeywell International Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY TELEPHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions. Have your proxy card in hand when you call and then follow the instructions. Please see the reverse side of this card for specific voting cutoff information.

VOTE BY MAIL

Mark, sign, and date your proxy card and return it in the postage-paid envelope we have provided or return it to Honeywell International Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR HONWL1 RECORDS
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.
HONEYWELL INTERNATIONAL
INC.**

Election of Directors: A vote "FOR ALL" nominees is recommended by the Board of Directors.

For All Except

To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and write the nominee's number on the line below.

- 1. Election of Directors
 - 01) Marshall N. Carter
 - 02) David M. Cote
 - 03) Bradley T. Sheares
 - 04) John R. Stafford
 - 05) Michael W. Wright

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The Board of Directors recommends a vote **FOR** "Proposals (2) through (4).

The Board of Directors recommends a vote **AGAINST** Proposals (5) through (9).

For	Against	Abstain
Appointment of		
2. Independent Accountants	5. Majority Vote Shareholder Committee	
3. Proposal to Amend the Restated Certificate of Incorporation and By-laws to Eliminate the Classified Structure of the Board of Directors	6. Separation of Chairman/CEO	
4. Proposal to Amend the Restated Certificate of Incorporation and By-laws to Eliminate Supermajority Voting Provisions	7. Executive Pay Disparity Report	
	8. Executive Compensation Limit	
For Address Changes/Comments, please check this box and write them on the back where indicated	9. Commonsense Executive Compensation Framework Proposal	

Yes No

Please indicate if you plan to attend this meeting
HOUSEHOLDING ELECTION - Please indicate if you consent to receive certain future investor communications in a single package per household

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

DIRECTIONS TO HONEYWELL S HEADQUARTERS
101 Columbia Road, Morris Township, N.J.

From Rte. 80 (East or West) and Rte. 287 South: Take Rte. 80 to Rte. 287 South to Exit 37 (Rte. 24 East Springfield). Follow Rte. 24 East to Exit 2A (Rte. 510 West Morristown), which exits onto Columbia Road. At second traffic light, make left into Honeywell.

From Rte. 287 North: Take Rte. 287 North to Exit 37 (Rte. 24 East Springfield). Follow Rte. 24 East to Exit 2A (Rte. 510 West Morristown), which exits onto Columbia Road. At second traffic light, make left into Honeywell.

From Newark International Airport: Take Rte. 78 West to Rte. 24 West (Springfield Morristown). Follow Rte. 24 West to Exit 2A (Rte. 510 West Morristown), which exits onto Columbia Road. At second traffic light, make left into Honeywell.

*NEWARK
INTERNATIONAL
AIRPORT*

*STATEN
ISLAND*

*Lincoln
Tunnel*

*George
Washington
Bridge*

MORRISTOWN

Honeywell

*Normandy
Pkwy.*

Park Ave.

*JFK
Pkwy.*

EXIT 37

**EXIT
2A**

*Columbia
Rd.*

New Jersey Tpk.

Garden State Pkwy

*Goethals
Bridge*

N

*Holland
Tunnel*

So. Orange Ave.

MADISON

PROXY

HONEYWELL

This Proxy is Solicited on Behalf of the Board of Directors of Honeywell International Inc.

Annual Meeting of Shareowners - April 25, 2005

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The undersigned hereby appoints David M. Cote, Peter M. Kreindler and Thomas F. Larkins as proxies (each with the power to act alone and with full power of substitution) to vote, as designated herein, all shares the undersigned is entitled to vote at the Annual Meeting of Shareowners of Honeywell International Inc. to be held on April 25, 2005, and at any and all adjournments thereof. The proxies are authorized to vote in their discretion upon such other business as may properly come before the Meeting and any and all adjournments thereof.

Your vote on the election of Directors and the other proposals described in the accompanying Proxy Statement may be specified on the reverse side. The nominees for Director are: Marshall N. Carter, David M. Cote, Bradley T. Sheares, John R. Stafford and Michael W. Wright.

IF PROPERLY SIGNED, DATED AND RETURNED, THIS PROXY WILL BE VOTED AS SPECIFIED ON THE REVERSE SIDE OR, IF NO CHOICE IS SPECIFIED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR DIRECTOR, FOR PROPOSALS 2, 3 AND 4 AND AGAINST PROPOSALS 5 THROUGH 9. PLEASE NOTE: PHONE AND INTERNET VOTING CUTOFF IS 11:59 PM EST ON APRIL 24, 2005.

This instruction and proxy card is also solicited by the Board of Directors of Honeywell International Inc. (the Company) for use at the Annual Meeting of Shareowners on April 25, 2005 by persons who participate in either (1) the Honeywell Savings and Ownership Plan I, and/or (2) Honeywell Savings and Ownership Plan II. **PHONE AND INTERNET VOTING CUTOFF FOR SAVINGS PLAN PARTICIPANTS IS 11:59 PM EST ON APRIL 21, 2005.**

By signing this instruction and proxy card, or by voting by phone or Internet, the undersigned hereby directs State Street Bank and Trust Company, Trustee under the Plans, to vote, as designated herein, all shares of common stock with respect to which the undersigned is entitled to direct the Trustee as to voting under the plans at the Annual Meeting of Shareowners of Honeywell International Inc. to be held on April 25, 2005, and at any and all adjournments thereof. The Trustee is also authorized to vote such shares in connection with the transaction of such other business as may properly come before the Meeting and any and all adjournments thereof.

Your vote on the election of Directors and the other proposals described in the accompanying Proxy Statement may be specified on the reverse side. The nominees for Director are: Marshall N. Carter, David M. Cote, Bradley T. Sheares, John R. Stafford and Michael W. Wright.

IF PROPERLY SIGNED, DATED AND RETURNED, THE SHARES ATTRIBUTABLE TO THE ACCOUNT WILL BE VOTED BY THE TRUSTEE AS SPECIFIED ON THE REVERSE SIDE OR, IF NO CHOICE IS SPECIFIED, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR DIRECTOR, FOR PROPOSALS 2, 3 AND 4 AND AGAINST PROPOSALS 5 THROUGH 9. THE TRUSTEE WILL VOTE SHARES AS TO WHICH NO DIRECTIONS ARE RECEIVED IN THE SAME RATIO AS SHARES WITH RESPECT TO WHICH DIRECTIONS HAVE BEEN RECEIVED FROM OTHER PARTICIPANTS IN THE PLANS.

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Please date and sign your Proxy on the reverse side and return it promptly.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

Appendix II

Message From Dave Cote

March 14, 2005

Dear Savings Plan Participant:

Honeywell technologies, products, and services touch the lives of tens of millions of people every day. Whether at home or at work, on the road or in the air, Honeywell products are helping to build a world that's safer and more secure, more comfortable and energy efficient, more innovative and productive. While that promise is an enormous undertaking for one company, we are unwavering to this commitment and, in fact, are striving for more.

Through our Five Initiatives—Growth, Productivity, Cash, People, and our Enablers: DigitalWorks and Six Sigma—each of our strategic business groups—Aerospace, Automation and Control Solutions, Specialty Materials and Transportation Systems—grew in 2004. These initiatives are part of a constant business evolution that is designed to support *Growth at Honeywell* for the long-term.

Honeywell's Annual Meeting of Shareowners will be held at 10:30 a.m. EST on Monday, April, 25, 2005, at the Company's headquarters in Morristown, New Jersey. Among the matters to be considered this year are management proposals to eliminate the classified Board structure and supermajority voting provisions contained in our Certificate of Incorporation and By-laws. Each of these proposals requires the approval of at least 80% of the outstanding shares of Honeywell Common Stock. Our Board of Directors unanimously recommends approval of these proposals and urges you to vote **FOR** the proposals (Proposals 3 and 4 in the proxy statement).

In addition to these management proposals, shareowners will consider five nominees for election to the Honeywell Board of Directors, approval of the appointment of PricewaterhouseCoopers as the Company's independent accountants, and five shareowner proposals. A vote **FOR** all Board nominees and **FOR** the appointment of PricewaterhouseCoopers is recommended by our Board of Directors. After review by its Corporate Governance and Responsibility Committee, and for the reasons stated in the proxy statement, the Board of Directors recommends a vote **AGAINST** the shareowner proposals described in Proposals 5, 6, 7, 8 and 9 in the proxy statement.

I encourage you to read the annual report and proxy statement (see links below) for more information about the Company and the matters to be considered at the Annual Meeting in order to make the most informed decision and promptly provide your confidential voting direction to the Savings Plan Trustee.

Please cast your vote either electronically or by telephone by no later than **11:59 pm EST on April 21st**. If you do not provide voting directions to the Trustee, it will vote the shares attributable to your Savings Plan account in the same ratio as shares for which voting directions have been received from other Plan participants. If you own Honeywell shares other than through the Savings Plan, you will receive separate voting instructions for those shares. **At the end of this communication is the individual information you will need to provide your voting direction.**

Thank you for your commitment to Honeywell. We are proud of our company today and are excited about the growth opportunities that the future holds.

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Dave Cote
Chairman and CEO

VOTING DIRECTION INFORMATION

0.000000 shares are attributable to your Savings Plan accounts as of the record date, February 25, 2005.

If you hold HONEYWELL INTERNATIONAL INC. shares in multiple accounts, you will be receiving multiple e-mails showing your various accounts. Each e-mail will include a separate CONTROL NUMBER. We urge you to vote your shares for each account.

CONTROL NUMBER: 012345678901

Your PIN is the last four digits of your Social Security number.

VOTING OVER THE INTERNET OR BY PHONE

Internet and telephone votes are accepted until 11:59 pm (EST) on April 21, 2005. You may view the proxy materials and vote by clicking on one of the links below. The first site is for Internet browsers that do not support a secure site. The second site is a secure site.

<http://www.proxyvote.com/0012345678901>

For our secure site:

<https://www.proxyvote.com/0012345678901>

If you wish to vote by telephone, then please call 1-800-690-6903. You will need your CONTROL NUMBER to vote.

PROXY AND ANNUAL REPORT

The proxy statement, as well as the Annual Report, can also be found at the following Internet site(s):

[Click here for the Annual Report](#)

[Click here for the Proxy Statement](#)

Please do not send any e-mail to ID@ProxyVote.com. Please REPLY to this e-mail with any comments or questions about proxyvote. (Include the original text and subject line of this message for identification purposes.)

This message and any attachments are intended only for the use of the addressee and may contain information that is privileged and confidential. If the reader of the message is not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by e-mail and delete the message and any attachments from your system.

Appendix III

HONEYWELL
INTERNATIONAL
INC. ANNUAL
MEETING TO BE
HELD ON 04/25/05

HONEYWELL INTERNATIONAL INC.
04/25/05

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FOR *ISSUER
HOLDERS CONFIRMATION
AS OF COPY -
02/25/05 INFO
ONLY*

5 1-0001 THIS
FORM IS
PROVIDED
FOR
INFORMATIONAL
PURPOSES
ONLY.
PLEASE
DO NOT
USE IT
FOR
VOTING
PURPOSES.

438516106

DIRECTORS 0010100
RECOMMEND:
A VOTE FOR
ELECTION
OF THE
FOLLOWING
NOMINEES

1 - 01-

MARSHALL
N.

CARTER,
02- DAVID

M. COTE,
03-BRADLEY
T.

SHEARES,
04- JOHN
R.

STAFFORD,
05-MICHAEL
W.
WRIGHT

FOR ALL NOMINEES
WITHHOLD ALL
NOMINEES
WITHHOLD AUTHORITY TO VOTE FOR
ANY INDIVIDUAL NOMINEE. WRITE
NUMBER(S) OF NOMINEE(S) BELOW.

FOR AGAINST ABSTAIN

2 -

APPOINTMENT
OF >>> FOR²
INDEPENDENT⁰⁰¹⁰²⁰⁰
ACCOUNTANTS

>>> FOR³

2

3 -

PROPOSAL 0011300
TO >>>
AMEND
THE
RESTATED
CERTIFICATE
OF INCORPORATION
AND
BY-LAWS
TO
ELIMINATE
THE
CLASSIFIED
STRUCTURE
OF THE
BOARD

OF
DIRECTORS

DO NOT USE

FOR AGAINST ABSTAIN

4 * - >>> >>>
PROPOSAL
TO
AMEND
THE
RESTATED
CERTIFICATE
OF INCORPORATION, ⁴
AND ⁰⁰¹⁰⁵⁰⁰
BY-LAWS
TO
ELIMINATE
SUPERMAJORITY
VOTING
PROVISIONS

DO NOT USE PLACE X HERE IF YOU PLAN TO ATTEND
AND VOTE YOUR SHARES AT THE MEETING

THE
BOARD
OF
DIRECTORS
RECOMMENDS
A VOTE
AGAINST
PROPOSALS
(5)
THROUGH
(9).

DO NOT USE

FOR AGAINST ABSTAIN

5 * - >>> >>>
MAJORITY VOTE AGAINST
SHAREHOLDER ⁵
COMMITTEE ⁰⁰⁶⁰¹⁰⁰

6 * - >>> >>>
SEPARATION OF CHAIRMAN/CEO AGAINST
⁶
⁰⁰⁶⁰³⁰⁰

7 * - >>> >>>
EXECUTIVE PAY DISPARITY REPORT AGAINST
⁷
⁰⁰⁶⁰²⁰⁰

FOR AGAINST ABSTAIN

8 * - >>> >>>
EXECUTIVE COMPENSATION LIMIT AGAINST
⁸
⁰⁰⁶⁰²⁰⁰

51 MERCEDES WAY
EDGEWOOD NY 11717

9 * - >>> >>>
COMMONSENSE EXECUTIVE COMPENSATION FRAMEWORK PROPOSAL AGAINST
⁹
⁰⁰⁶⁰²⁰⁰

NOTE
SUCH
OTHER

DO NOT USE

BUSINESS
AS MAY
PROPERLY
COME
BEFORE
THE
MEETING
OR ANY
ADJOURNMENT
THEREOF

**HOUSEHOLDING
ELECTION**

FOR AGAINST ABSTAIN

OF IMPORTANT NOTICE REGARDING DELIVERY

SECURITY HOLDER DOCUMENTS (HH)

HONEYWELL INTERNATIONAL INC.

ATTN: SANDY OLSEN

101 COLUMBIA ROAD

MORRISTOWN, NJ 07962

DO NOT USE

DO NOT USE

(H) Mark >>>
FOR to
enroll this
account to
receive
certain
future
shareholder
communications
in a single
package per
household.
Mark
AGAINST
if you do not
want to
participate.
To change
your
election in
the future,
call
1-800-542-1061.
See
accompanying
page for
more
information
about this
election.

PAGE 1 OF 2

The Securities and Exchange Commission has enacted a rule that allows multiple investors residing at the same address the convenience of receiving a single copy of annual reports, proxy statements, prospectuses and other disclosure documents if they consent to do so. This is known as Household. Please note, if you do not respond, Household will start 60 days after the mailing of this notice. We will allow Household only upon certain conditions. Some of those conditions are:

You agree to or do not object to the Household of your materials,

You have the same last name and exact address as another investor(s).

If these conditions are met, and Securities and Exchange Commission regulations allow, your household will receive a single copy of annual reports, proxy statements, prospectuses and other disclosure documents.

The HOUSEHOLDING ELECTION, which appears on the enclosed proxy card, provides a means for you to notify us whether or not you consent to participate in Household. By marking Yes in the block provided, you will consent to participate in Household. By marking No, you will withhold your consent to participate. If you do nothing, you will be deemed to have given your consent to participate. Your consent to Household will be perpetual unless you withhold or revoke it. You may revoke your consent at any time by contacting ADP-ICS, either by calling toll-free at (800) 542-1061, or by writing to ADP-ICS, Household Department, 51 Mercedes Way, Edgewood, New York, 11717. We will remove you from the Household program within 30 days of receipt of your response, following which you will receive an individual copy of our disclosure document.

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