

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
25 CAPITOL STREET, CONCORD, NH 03301

CONSENT AGREEMENT

IN THE MATTER OF:

Tyco International Ltd.
INV02-024

For purposes of settling the above-referenced matter and in lieu of further administrative proceedings, Tyco International, Ltd. ("Tyco" or "the Company") has submitted an offer of settlement, which the Bureau of Securities Regulation, Department of State, State of New Hampshire ("the Bureau") has determined to accept. Accordingly, and without admitting the allegations herein, Tyco hereby consents to the entry of this order and the undertakings contained herein:

STATEMENT OF ALLEGATIONS AND FACTS

1. Tyco, a publicly owned Bermuda corporation whose shares are traded on the New York Stock Exchange, has its principal place of business and corporate offices in Exeter, New Hampshire, and offices in Bermuda. The Company also has corporate offices in New York City and Boca Raton, Florida. Tyco manufactures, distributes and services products and systems for a broad spectrum of markets, with core business segments in electronics, telecommunications, healthcare and specialty products, fire and security services, and flow control.
2. Prior to July 1997, Tyco International Ltd. (incorporated in Massachusetts) ("Former Tyco") was a public company operating in the United States through subsidiaries. On July 2, 1997, a wholly owned subsidiary of ADT Limited ("ADT") (incorporated in Bermuda) merged

with Former Tyco. Upon consummation of the merger, ADT (the continuing public company) changed its name to Tyco International Ltd. Former Tyco became a wholly owned subsidiary of the Company and changed its name to Tyco International (US) Inc. ("Tyco (US)"). Tyco (US) and TME Management Corp. ("TME") perform Tyco's corporate administrative function from their offices in Exeter. TME also pays the corporate headquarters staff of Tyco. Tyco has approximately 2,342 subsidiaries, including non-operating holding companies. Other than in its subsidiaries, Tyco has fewer than 20 employees.

3. Under Bermuda law and the Company's By-Laws, the Company's Board of Directors manages the affairs of the Company. The Board acts as a whole and through committees made up of members of the Board, including the Audit Committee and the Compensation Committee.

4. The Audit Committee is charged with oversight responsibility of the Company's internal audit function and external audit services performed by its independent auditor PriceWaterhouseCoopers.

5. The Compensation Committee was established to oversee the compensation and benefits of the executive officers and key managers of the Company and its principal subsidiaries.

6. Dennis Kozlowski was the Chief Executive Officer and Chairman of the Board of Directors of Former Tyco. He became Chief Executive Officer and Chairman of the Board of Directors of Tyco after the merger in 1997, and served in those capacities until June 3, 2002. In or about February 1995, Mark Swartz became Executive Vice President and Chief Financial Officer of Former Tyco and, in 1997, of Tyco. Swartz was a member of the Board of Directors of Tyco from February 2001 through August 1, 2002, and continued to serve as Executive Vice President and Chief Financial Officer through August 2002. Mark Belnick served as Tyco's Executive Vice President and Chief Corporate Counsel from September 1998 until June 10,

2002. Frank Walsh was a member of the Board of Directors from July 1997 to February 2002, and was the Lead Director, responsible for communications between Tyco's management and the Board, from October 3, 2000, to February 2002.

7. As detailed in (a) Tyco's civil complaints against each of Kozlowski, Walsh, and Belnick, (b) Tyco's Form 8-K filed with the Securities and Exchange Commission (SEC) on September 10, 2002, (c) the Complaint filed by the SEC against Kozlowski, Swartz and Belnick on September 11, 2002, and (d) the indictments of Kozlowski, Swartz and Belnick returned by a grand jury in New York County in September 2002, Kozlowski, Swartz, Belnick, and Walsh engaged in egregious, self-serving and clandestine misconduct that they concealed from Tyco's shareholders, Tyco's regulators, and Tyco's other Board members and oversight committees. This and other misconduct, including the misconduct set forth below, has exposed Tyco to Bureau investigation and findings pursuant to NH RSA 421-B and RSA 293-A.

8. Kozlowski, Swartz, Walsh, and Belnick falsely represented, omitted information regarding, and concealed from Tyco's other Directors, shareholders, creditors, regulators, and the public, (a) the compensation paid to them as executive officers and Directors, (b) loans extended to, and forgiven for themselves and other executive officers, (c) the extent of stock sales by themselves and other corporate insiders, and (d) spending and expenses incurred and reimbursed by or for themselves and other executives. In furtherance of their schemes to enrich themselves at the expense of Tyco, Kozlowski, Swartz, Walsh, and Belnick caused Tyco to make public and regulatory statements and filings that were allegedly false, incomplete and/or inaccurate.

9. Kozlowski and Swartz took hundreds of millions of dollars in secret unauthorized low-interest or interest-free loans and compensation by abusing both the Tyco Key Employee Corporate Loan Program and Tyco's relocation loan program; received tens of millions of

dollars by improperly causing Tyco to forgive repayment of many of their improper loans; and engaged in numerous highly profitable related-party transactions with Tyco without disclosing the transactions to Tyco's other Directors and shareholders, creditors, regulators, and the public.

10. Walsh, with Kozlowski's assistance, engaged in improper transactions with Tyco to the detriment of Tyco and its shareholders by causing Tyco to pay to Walsh and a charity of his choosing \$20 million in unauthorized fees without disclosing those transactions to the other Board members or seeking their approval.

11. From 1998 into early 2002, Belnick improperly took approximately \$14 million in interest-free loans from Tyco to buy and renovate a \$4 million apartment on Central Park West and to buy and renovate a \$10 million ski chalet in Park City, Utah, and concealed his improper conduct from Tyco's Board and shareholders. When he learned that an investigation might uncover these loans and the self-dealing transactions, Belnick sought to impede the investigation.

12. By virtue of their positions as members of the Board or legal counsel, Kozlowski, Swartz, Walsh and Belnick clearly failed, at all relevant periods, to sufficiently carry out their respective fiduciary responsibilities as Directors or legal counsel.

13. During all relevant times, all of the Directors, as fiduciaries, were required to exercise reasonable and prudent supervision over the management policies, financial controls, audits and securities filings of Tyco. The Directors were obligated to perform their duties in good faith, in a manner they reasonably believed to be in the best interest of the corporation, and with care that an ordinarily prudent person in a like position would use under similar circumstances to run a corporation, including exercising reasonable control and supervision over the executive officers and senior employees of Tyco. The Bureau alleges that the facts described herein establish that the Board failed to adequately exercise its fiduciary responsibilities.

14. The Compensation Committee is charged with oversight responsibility of all compensation and benefits afforded to the executive officers and key managers of the Company and its principal subsidiaries. The Bureau alleges that the facts described herein establish that the Compensation Committee failed to reasonably control and supervise those programs.

15. The Audit Committee is charged with oversight responsibility of the Company's internal audit functions and external audit services provided by its independent auditor PriceWaterhouseCoopers. The Bureau alleges that the facts described herein establish that the Audit Committee failed to exercise reasonable control and supervision of these audit functions.

16. The State of New Hampshire and the Bureau have a unique and particular interest in addressing this course of alleged misconduct through this Order, including because Tyco (including through its predecessors), (a) has maintained for many years and continues to maintain executive offices in Exeter, New Hampshire; (b) has performed and continues to perform its corporate administrative function through Tyco (US) and TME in Exeter; (c) has employed and continues to employ hundreds of people at its offices and subsidiaries in New Hampshire; and (d) has otherwise maintained and continues to maintain a strong connection to New Hampshire through State-based charitable contributions and business activities in the State.

17. Tyco has taken steps to redress the course of misconduct alleged above and to prevent similar clandestine misconduct in the future. Among other steps, Tyco has (a) terminated its relationships with Kozlowski, Swartz, Walsh and Belnick, (b) brought suit or otherwise sought to recover from all relevant parties the unlawful payments the Company made to them, (c) appointed Edward D. Breen as the new Chairman of the Board of Directors and Chief Executive Officer, (d) appointed John A. Krol, former Chairman and CEO of E.I. DuPont, to the Board of Directors, (e) appointed Eric M. Pillmore as Senior Vice President of Corporate Governance, to institute and

maintain good corporate governance practices, (f) appointed David J. Fitzpatrick as new Executive Vice President and Chief Financial Officer, and (g) appointed William B. Lytton as new Executive Vice President and General Counsel.

18. Tyco has demonstrated to the Bureau a specific commitment to create, establish and adopt corporate governance principles and guidelines that reflect the best practices in the industry. In that regard, the Audit and Compensation Committees have revised their charters to conform with the requirements of the Sarbanes-Oxley legislation and the New York Stock Exchange proposed Corporate Governance standards. The Board will vote on these charters and the aforementioned guidelines and procedures at the next annual general meeting.

In view of the foregoing, Tyco agrees to the following undertakings:

1. Tyco agrees that that they have voluntarily consented to the entry of this order and represents and avers that no employee or representative of the Bureau has made any promise, representation or threat to induce their execution.
2. Tyco agrees to waive its right to an administrative hearing and any appeal pursuant to RSA 421-B.
3. Tyco agrees to refrain from violations under this chapter.
4. Tyco agrees to pay an administrative settlement in the amount of Five Million Dollars (\$5,000,000) to the State of New Hampshire, payable in two equal annual installments. The first payment shall be due within ten days of the final execution of this order by United States postal money order, certified check, bank cashier's check, bank money order or wire transfer to the State of New Hampshire; and, if in paper form hand-delivered or mailed to the Bureau of Securities Regulation, Department of State, State

House, Room 204, Concord, New Hampshire, 03301. These monies will be used to fund a state-wide investor education program. Some of these funds will be used to establish a corporate governance program within the University System of New Hampshire, the terms of which shall be determined by the Secretary of State.

5. Tyco agrees to pay the costs associated with this investigation by the Bureau in the amount of One Hundred Thousand Dollars (\$100,000). Payment shall be made within ten days of the final execution of this order by United States postal money order, certified check, bank cashier's check, or bank money order or wire transfer to the State of New Hampshire and if in paper form, hand-delivered or mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.
6. Tyco agrees to hold for the benefit of the shareholders injured by the conduct described herein, amounts disgorged from Tyco employees.
7. Tyco will submit to the Bureau a report of the Senior Vice President for Corporate Governance regarding practices and procedures that Tyco has instituted to comply with all federal and state securities laws and to maintain good corporate practices, including practices relating to the compensation of employees. This report will be due one year from the date of the execution of this order and on the two succeeding anniversaries of that date.
8. Tyco agrees that this order is entered into for purpose of resolving only the matter as described herein. This order shall have no collateral estoppel, res judicata or evidentiary effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this order shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by Tyco or any of its

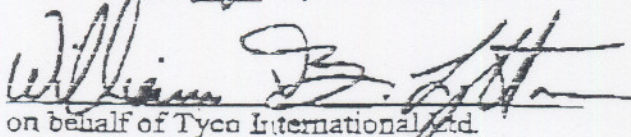
directors or officers of which the Bureau has no knowledge at the time of the date of final entry of this order.

9. Tyco may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, to create the impression that the consent agreement is without factual basis. Nothing in this provision affects Tyco's testimonial obligations or right to take factual or legal positions in litigation in which the State of New Hampshire is not a party, or in regulatory contexts in which the Bureau is not a party.

Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Order. **THEREFORE, IT IS HEREBY ORDERED THAT:**

1. Tyco refrain from violations of Title XXXVII, NH RSA 421-B;
2. Tyco pay an administrative settlement in the amount of Five Million Dollars (\$5,000,000) as described herein;
3. Tyco pay the costs associated with this investigation by the Bureau in the amount of One Hundred Thousand Dollars (\$100,000); and
4. Tyco comply with the above-referenced undertakings.


Executed this 22 day of October, 2002.



on behalf of Tyco International Ltd.
(Please print name, title below.)

William B. Lytton
EXECUTIVE VICE PRESIDENT + GENERAL COUNSEL

Entered this 23 day of October, 2002.


Mark Connolly, N.H. Deputy Secretary of State,
Director, Bureau of Securities Regulation